

NHBC Solvency and Financial Condition Report 2025

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NHBC Solvency and Financial Condition Report 2025

Executive summary

This is the Solvency and Financial Condition Report (SFCR) for National House-Building Council (NHBC) for the year ended 31 March 2025.

The Solvency II regulatory framework, which governs industry regulation and prudential capital requirements within the European Union, became effective from 1 January 2016. In the United Kingdom (UK) the final Prudential Regulation Authority (PRA) rules for UK became effective from 31 December 2024, completing the review by the PRA of Solvency II and replacing assimilated law inherited from the European Union. In this document we refer to ‘Solvency II’ in line with the current PRA guidance.

The report presents different aspects of NHBC’s solvency and financial condition. In particular, it sets out NHBC’s business and performance, risk profile, valuation methods used in preparation of its balance sheet on a Solvency II basis, and overview of its capital management.

The report should be read in conjunction with quantitative reporting templates presented in section F of this report.

The table below shows NHBC’s standard formula solvency position as at 31 March 2025.

£m	2025	2024
Eligible own funds	913.0	843.9
Solvency capital requirement	342.4	322.4
Solvency II surplus	570.6	521.5
Solvency ratio	267%	262%

Business and performance

NHBC is a provider of warranty and insurance for new homes. Its core purpose is to work with its registered customers to raise standards in UK house building, champion high-quality homes and protect homeowners for the benefit of the industry.

NHBC relies on retained earnings to bolster its capital base and ensure it can invest in the health of the business. Continued profitability brings stability, ensuring NHBC can meet future insurance obligations and support the delivery of its core purpose. NHBC posted a £94.1m pre-tax profit (2024: £150.2m pre-tax profit) for the year ended 31 March 2025. The pre-tax profit was predominantly derived from insurance business and investment returns.

System of governance

NHBC’s Board recognises the importance of strong corporate governance and has the responsibility to ensure NHBC’s long-term sustainability. The Board is comprised of the Chair (a Non-Executive Director (NED)), Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and a number of NEDs. To ensure that the Board meets its responsibilities, there is a governance framework overseen and supported by a series of Board and Executive Committees.

NHBC’s system of governance has not changed significantly during the reporting period.

Section B of the report presents further information about NHBC’s system of governance. The section describes NHBC’s system of governance, risk management framework, approach to Own Risk and Solvency Assessment (ORSA), and key control functions.

Risk profile

Most of the risks that NHBC faces arise through the issue of insurance contracts through NHBC’s core Buildmark product.

The primary basis used by NHBC to quantify the risks is the solvency capital requirement (SCR) which is calculated as Solvency II own funds at risk in a 1-in-200-year loss event over a one-year time horizon.

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The following table shows NHBC's diversified SCR by most significant components as at 31 March 2025.

£m	2025	2024
Non-life underwriting risk	302.7	269.5
Market risk	105.7	103.9
Other risks and adjustments	0.9	13.1
Diversification	(66.9)	(64.1)
SCR	342.4	322.4

Section C of the report describes NHBC's risk profile including how risks are assessed and mitigated, risk concentrations and risk sensitivity.

Valuation for solvency purposes

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities. NHBC's valuation of its assets and liabilities on a Solvency II basis is broadly similar to valuations used in its financial statements prepared under UK Generally Accepted Accounting Practice (UK GAAP) although there are notable differences. At 31 March 2025, the differences, summarised in the table below, are:

£m	2025	2024
UK GAAP net assets	769.2	687.1
Valuation differences:		
Net Technical Provisions	214.4	211.4
Deferred acquisition costs	(22.8)	(19.8)
Deferred taxes	(47.8)	(34.8)
Solvency II excess of assets over liabilities	913.0	843.9

Section D of the report describes the methods employed by NHBC in valuing assets and liabilities on a Solvency II basis, together with an explanation of differences arising between valuations performed on a UK GAAP and Solvency II basis, respectively.

Capital management

NHBC's capital objectives are to maintain sufficient capital to safeguard its ability to continue as a going concern, as well as to maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators.

NHBC aims to hold capital in excess of its regulatory capital requirement; the SCR. NHBC calculates its SCR in accordance with the standard formula prescribed in the Solvency II. At 31 March 2025, under Solvency II, NHBC's solvency ratio was 267% (2024: 262%).

NHBC also undertakes an ongoing Own Risk and Solvency Assessment (ORSA) which provides for the continual review of the business's risks, capital requirements and strategic direction. This ongoing assessment comprises a range of different activities, processes and reports which the Board consider in addition to the standard formula measure when assessing capital projections.

NHBC's capital position is kept under constant review by the Board through the Board Risk Committee.

Section E of the report provides further information on NHBC's capital management objectives and policies. Additionally, Section E describes NHBC's structure of own funds and calculation of the SCR.

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Directors' responsibility statement

We acknowledge our responsibility as directors of National House-Building Council (NHBC) for preparing the Solvency and Financial Condition Report (SFCR) in all material aspects in accordance with the Prudential Regulation Authority (PRA) Rules and Solvency II Regulations.

We are satisfied to the best of our knowledge and belief that:

- (a) throughout the financial year to 31 March 2025, NHBC has complied in all material respects with the requirements of the PRA Rules as applicable to NHBC
- (b) it is reasonable to believe that in respect of the period from 31 March 2025 to the date of the publication of the SFCR, NHBC has continued so to comply, and will continue so to comply in future.

Signed by and on behalf of the Board of Directors



Paul Hosking

Chief Financial Officer

20 June 2025



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Independent auditor's opinion

Report of the external independent auditor to the directors of National House-Building Council (the Company) pursuant to rule 4.1 (2) of the External Audit chapter 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 March 2025:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 March 2025, ('the Narrative Disclosures subject to audit'); and
- Company templates IR.02.01.02, IR.17.01.02, IR.22.01.21, IR.23.01.01, IR.25.04.21, 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:

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates IR.05.02.01, IR.05.03.02, IR.19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 March 2025 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. 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 Standard 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.



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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:

- We evaluated the directors' method to assess going concern including an assessment of directors' forward-looking business plan;
- We challenged future profit forecasts and underlying business plan to support key forward-looking assumptions such as future building registration volumes and inflation rate assumptions by performing sensitivity analysis of these assumptions;
- We evaluated how economic factors such as builder conduct and inflation fluctuations would affect the group's future capital position;
- We evaluated the historical accuracy of forecasts prepared by management by comparing previous forecasts against actual results achieved;
- We reviewed the latest available Own Risk and Solvency Assessment ('ORSA'), including stress testing and reverse stress testing; and
- We assessed the appropriateness of going concern disclosures 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 SFCR is 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 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 which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA and 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



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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 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, pensions legislation and relevant tax; 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.

We discussed among the audit engagement team and relevant specialists, including IT, tax, financial instruments and actuarial 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 areas, and our procedures performed to address them are described below:

- 1) The key assumptions applied in determining the actuarial best estimate for Section 2 and Section 3 insurance claims reserves.

We worked with our actuarial specialists to:

- Assess the competence and capabilities of the group's internal actuarial team; and
- Carried out independent indicative reserve projections for these reserving classes, identifying and estimating surplus or deficit where applicable; and

We performed a 'stand back' test to test the assumptions applied in determining the actuarial best estimate for Section 2 and section 3 insurance claims reserves for indication of management bias.

- 2) The assumptions applied in valuing the IBNR provision for Section 4 cladding claims.

We worked with our actuarial specialists to:

- Assess and challenge the group's assumptions used in determining the valuation of the IBNR provision, specifically focusing on the frequency and severity assumptions applied in estimating future claims; and
- Considered any alternative assumptions which could reasonably be applied, including those considered by the group and the impact of those on the result.

We inspected and challenged the builder contribution assumptions (being builder self-repair and builder insolvency assumptions) by identifying relevant publicly available information and meeting with legal counsel and key management personnel to identify corroborative and contradictory evidence as applicable.

We performed a 'stand back' test to test the assumptions applied in valuing the IBNR provision for Section 4 cladding claims level for indication of management bias.

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.



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

- reviewing the 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 and inhouse 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.

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 required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of National House-Building Council'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 National House-Building Council 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.

Claire Clough, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

20 June 2025

A. Business and performance

This section of the report describes NHBC’s business structure, key operations and financial performance over the reporting period.

A.1 Business

Name and legal form of NHBC

The National House-Building Council (NHBC) is a company limited by guarantee. NHBC is incorporated and domiciled in the United Kingdom. The address of NHBC’s registered office is NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

Name and contact details of the supervisory authority responsible for financial supervision of NHBC

Prudential Regulation Authority.

Email: enquiries@bankofengland.co.uk

Phone: 020 3461 4878

Post: Bank of England, Threadneedle St, London, EC2R 8AH

Name and contact details of the external auditor

Claire Clough (Senior Statutory Auditor) for and on behalf of Deloitte LLP

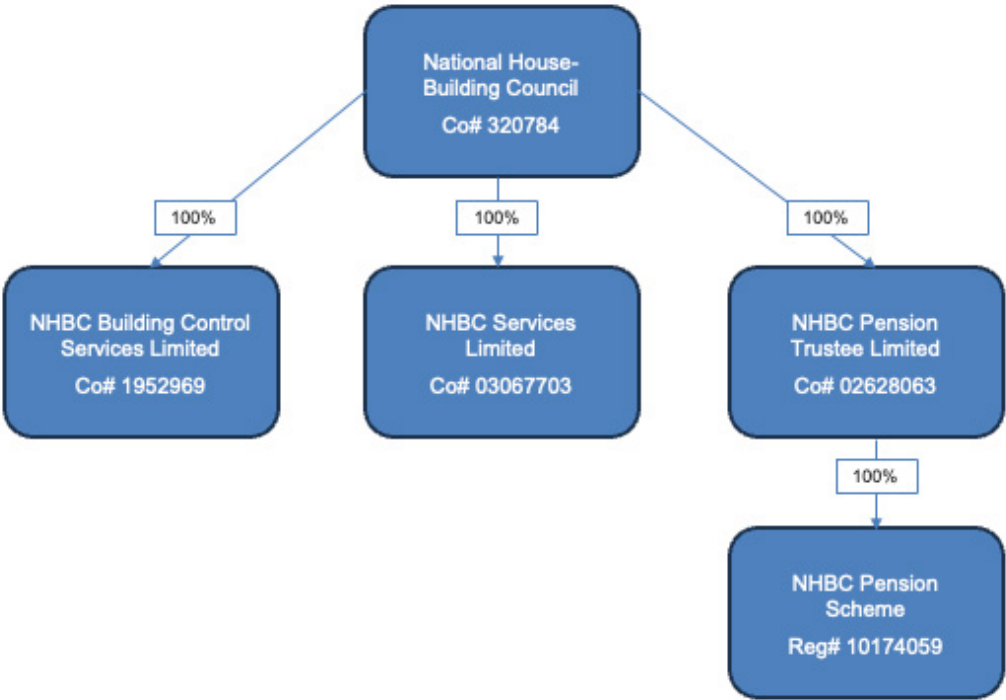
Deloitte LLP, Hill House, 1 New Street Square, London, EC4A 3HQ

Description of any controllers in NHBC

NHBC is a company limited by guarantee (a limited guarantee provided by its council members) and as such it does not have share capital. Under the Articles of Association, the liability of each of the members is limited by guarantee to a maximum of £1.

NHBC’s position within the legal structure of the Group

NHBC belongs to a Group and is the ultimate parent undertaking of that Group. Below is the structure of the Group. All Group entities are registered in England and Wales.



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NHBC's activities

NHBC's activities consist of two main segments within the United Kingdom: inspection activities primarily relating to the construction of new build housing; and insurance activities. The direct underwriting operations of NHBC consist primarily of two lines of business: credit and suretyship insurance; and miscellaneous financial loss insurance.

The inspection activities consist predominantly of establishing a quality control process designed to ensure construction meets NHBC Standards.

The table below shows the analysis of the turnover by segment.

£m	2025	2024
Insurance activities	116.1	143.4
Inspection activities	55.8	52.5
Other	17.5	17.8

NHBC does not have operations outside of the United Kingdom.

NHBC's Buildmark product

The majority of NHBC's insurance liabilities arise as a result of the sale of the Buildmark and Buildmark Choice products. The Buildmark product is NHBC's warranty and insurance product for newly built or newly converted homes. Buildmark Choice is specifically designed to protect landlords of newly built or newly converted homes which are built to be rented out or for shared ownership in the private, affordable or social housing sectors. Both Buildmark and Buildmark Choice products sold by NHBC protect a homeowner in three separate ways – which can be divided into three temporal periods as follows:

Section 1

Prior to completion of the house purchase, Section 1 provides insurance to a policyholder that covers losses caused by the builder going insolvent. For Buildmark policies, this would cover the loss of the homeowner's deposit. For Buildmark Choice policies, the coverage would usually protect the policyholder from extra costs incurred as a result of builder insolvency – up to a maximum of 10% of the sum insured.

Section 2

Section 2 is concerned with the two-year period immediately following legal completion of the home, i.e., when the homeowner moves in. This provides cover in the event (and only in the event) that the builder is unable or unwilling to honour the builder's warranty to fix defects with the property. Where possible, NHBC usually seeks to recover these costs from the builder.

Sections 3, 4 & 5

The policy periods for these Sections of Buildmark and Buildmark Choice begin after the end of Section 2 for a period of eight years, i.e., years three to ten following legal completion. Like Section 1, these Sections are exclusively concerned with obligations undertaken by NHBC to the homeowner to provide an indemnity in the event of certain events.

From 1 October 2019, NHBC no longer provided Section 4 cover as part Buildmark or Buildmark Choice products. Section 4 provided insurance for health and safety issues arising from a builder's failure to meet certain Building Regulations within years 3-10 of the policy.

Also, from 1 October 2019, Section 5 of the Buildmark and Buildmark Choice products (cover for contaminated land), was deleted and instead formed part of the Section 3.

Road and Sewer Bonds

NHBC offers a service to act as surety for builders providing bonds in favour of local authorities, water companies, urban development corporations and other public bodies in the United Kingdom and the Isle of Man, in relation to commitments to construct roads, sewers and open space areas. Income collected in relation to Road and Sewer Bonds is classed as a credit and suretyship line of business.

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Significant events that occurred over and after the reporting period

There were no events that occurred during and after the reporting period that have had a material impact on NHBC and could have a material impact on NHBC's future performance and position. However, market volatility triggered by tariff announcements by the US bring uncertainty for the UK, and global economies, which could impact the home-building and the financial services industries. Whilst the uncertainty is not expected to significantly disrupt UK home-building supply chains, which are largely UK-based, confidence levels amongst consumers, businesses and investors could be affected. Impacts on NHBC's asset portfolio are not expected to be material.

A.2 Underwriting performance

The table below shows an account of NHBC's underwriting performance:

£m	2025	2024
Net written premiums	108.0	90.2
Net earned premiums	79.2	83.2
Net claims incurred	(61.4)	(59.2)
Changes in unexpired risk reserve	46.9	71.2
Other	(13.1)	(13.5)
Underwriting result	51.6	81.7

Premium income

Plot registration volume (registrations) is an important driver of NHBC's premium and inspection income and is a proxy of exposure on NHBC's insurance technical account. Registration volumes were 111,934 over the year ended 31 March 2025 (2024: 99,507). Prior year volumes were at their lowest level since the Global Financial Crisis whilst this financial year has seen c.13% year-on-year growth as the economy began to stabilise, mortgage rates eased, and wage growth outstripped inflation.

Gross written premium was £161.3m (2024: £144.4m) reflecting higher registration volumes.

Net written premiums were £108.0m (2024: £90.2m). Again, increase predominantly due to higher registration volumes, although reinsurance costs were broadly steady year-on-year as the cession on quota share treaty was reduced.

Net earned premiums reduced to £79.2m (2024: £83.2m). Despite recent volumes and premiums, we continue to earn through premiums relating to prior generations. Additionally, an update in earning profiles (slightly longer duration of technical provisions) has resulted in strengthening of unearned premium reserve provisions, contributing £26.1m to the overall slight, adverse change in net earned premiums.

Claims incurred

Net claims incurred were £61.4m (2024: £59.2m). Broadly steady claims incurred although with couple of offsetting movements; favourable revision to some large loss claims (claims over £2.0m) estimates was offset by higher provisions relating to claims handling elements.

Unexpired risk reserve

The unexpired risk reserve credit of £46.9m (2024: £71.2m) mainly reflects NHBC's pricing decisions over past few years with the provision for unexpired risk unwinding.

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A.2.1 Underwriting performance by Solvency II lines of business

The table below presents key performance measures by Solvency II lines of business as at 31 March 2025.

£m	Credit and suretyship	Miscellaneous financial loss	Unexpired Risk Reserve	Total
Net premiums written	25.6	82.4	-	108.0
Net premiums earned	23.2	56.0	-	79.2
Net claims incurred	(5.7)	(55.7)	-	(61.4)
Net changes in other Technical Provisions	-	-	46.9	46.9
Expenses incurred other than claims handling	(3.1)	(10.0)	-	(13.1)
Underwriting performance	14.4	(9.7)	46.9	51.6

The table below presents key performance measures by Solvency II lines of business as at 31 March 2024.

£m	Credit and suretyship	Miscellaneous financial loss	Unexpired Risk Reserve	Total
Net premiums written	22.3	67.9	-	90.2
Net premiums earned	25.8	57.4	-	83.2
Net claims incurred	(1.6)	(57.6)	-	(59.2)
Net changes in other Technical Provisions	-	-	71.2	71.2
Expenses incurred other than claims handling	(3.2)	(10.3)	-	(13.5)
Underwriting performance	21.0	(10.5)	71.2	81.7

Credit and suretyship

Credit and suretyship net written premiums improved slightly due to higher road and sewer bond fees and higher premiums (higher volumes) relating to Section 1 cover. Net premiums were slightly behind prior year as the earning profiles were revised (longer duration) by £3.4m on gross basis. Claims incurred and other elements were higher relative to prior year due to a number of small and medium sized builder insolvencies under the Section 1 cover.

Miscellaneous financial loss

Miscellaneous financial loss forms the core of NHBC's overall underwriting result. As such the commentary on the performance is consistent with commentary on the total underwriting result presented in the above section.

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A.3 Investment performance

The table below provides a summary of the investment result in the year.

£m	2025	2024
Investment income	56.8	37.5
Realised gains	3.8	13.6
	60.6	51.1
Unrealised (losses) / gains	5.1	38.9
Investment expenses	(4.2)	(3.6)
Investment result	61.5	86.4

The total investment result was positive £61.5m (2024: positive £86.4m). Gilt yields have moved up over the financial year, however, carry and tightening of spreads between gilts and corporate bonds have contributed to another year of favourable investment return. Note that the inflation and rates movements were partly offset, as part of the liability matching strategy, by changes in the inflation and discount assumption on the Technical Provisions.

Other investment information

NHBC holds investments in its 100% owned subsidiary companies. £5.1m decrease (2024: £4.7m increase) in the valuation of the subsidiaries has been recognised as a movement in other comprehensive income. Decrease in valuation follows dividend distributions by the subsidiary companies.

NHBC held £8.7m of collateralised securities at 31 March 2025 (2024: £8.8m).

A.4 Performance of other activities

Other income, which predominantly includes inspection and Building Control fees was £73.3m (2024: £70.3m). Income is earned with reference to stage of inspection completion with inspection activities on registrations from prior year and higher volumes in the year resulting in slight increase on prior year. Other charges were £91.0m (2024: £86.9m) representing expenditure relating to NHBC's non-insurance operations, higher due to IT project spend, general inflation and increase in staff headcount.

NHBC has operating leases for its car fleet and three of its business premises. At 31 March 2025 NHBC had leasing commitments totalling £15.3m (2024: £9.9m) under these operating leases. NHBC has no finance leases.

A.5 Any other information

The information presented in section A of this report provides a true and fair reflection of NHBC's business performance during the reporting period.

This section sets out information in relation to NHBC's system of governance. Details of NHBC's administrative, management or supervisory bodies are outlined together with information on the remuneration policy and practices regarding those bodies.

This section also describes the components of the system of governance which include discussions of the Risk Management Framework and an introduction to NHBC's internal control system which utilises the Three Lines of Defence model. The system of governance is adequate given the nature, scale and complexity of NHBC.

The system of governance is detailed below. There have been no material changes to the system of governance in the reporting period.

NHBC is a private company limited by guarantee, and the NHBC Council, its governing body, comprises individual members drawn from a range of organisations which are interested in, or associated with, the house-building industry. In the event of the company's winding up, Council members may be required to contribute a nominal amount not exceeding £1 as specified in the Company's Memorandum of Association.

The Council is not involved in the day-to-day running of the Company which is overseen by the Board. It receives the Directors' Report and Audited Accounts and approves appointment of the auditors and Council members. Council members have the opportunity to question and challenge the Board on delivery of NHBC's purpose and strategic objectives at the Company's Annual General Meeting.

- alterations to NHBC's Constitution
- the appointment of the Auditors
- the appointment of Council members.

The NHBC board of directors (the Board) is collectively responsible for promoting the long-term success of NHBC. The Board ensures that NHBC maintains effective governance considering both its constitution and the regulatory frameworks in which it operates. This is delivered through agreeing and overseeing the implementation of NHBC's strategy, which promotes the collective vision of NHBC's purpose, culture and its long-term sustainability. The Board ensures the business has the appropriate framework to deliver this vision through a range of activities from reviewing resourcing to deliver strategic objectives, monitoring financial performance and ensuring suitably robust controls and risk management procedures are in place.

Chair (Non-Executive)	1
Executive Directors	3
Non-Executive Directors	7



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Board committees

The Board has various committees reporting to it as outlined below.

Audit Committee

The Audit Committee assists the Board in overseeing NHBC's statutory and regulatory reporting by:

- assessing the integrity of its financial reporting and systems of internal control, reserving and investment management; and
- monitoring NHBC's whistleblowing policies; and the independence and performance of the internal audit function and the external auditors.

Board Risk Committee (BRC)

The Board Risk Committee assists the Board in its oversight of risk by reviewing and assessing the ongoing appropriateness of NHBC's risk management framework, risk strategy, risk appetite and risk profile, the methodology for determining the capital requirements and stress and scenario testing of these requirements, NHBC's system of risk management; risk assessments on strategic or significant transactions, compliance with regulatory requirements, NHBC's exposure in managing financial risks from climate change and other relevant sustainability risks, and monitoring current and emerging risk exposures.

Consumer Committee

The Consumer Committee assists the Board in its oversight of consumer matters by reviewing and challenging consumer outcome-related definitions, metrics and insights that demonstrate how consumer understanding, differentiating consumer needs, consumer experience and fair value is considered in the consumer journey. The Consumer Committee monitors the regulatory landscape in respect of consumer matters with a focus on Consumer Duty requirements. The Committee also advises the Board's Remuneration Committee on whether remuneration and reward systems adequately support good consumer outcomes.

Nominations Committee

The Nominations Committee assists the Board in its oversight of both the Board and its committee's composition and structure ensuring they are effective and aligned to NHBC's strategic priorities; leading on Board and executive succession ensuring there is a formal, rigorous and transparent process for the appointment of Board members; talent development; culture, diversity, equity and inclusion initiatives supporting a diverse and inclusive company culture.

Remuneration Committee

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing and implementing the policy on remuneration and setting remuneration for the Board Chair, the Executive Directors members of Senior Management and individuals identified as Solvency II Staff. The Remuneration Committee ensures that the Remuneration Policy is aligned with the business strategy, as well as the risk management strategy and profile of NHBC. Oversight of remuneration across the wider employee population is also a key focus for the Remuneration Committee, including assessing the impact on all employee groups when making decisions on executive remuneration practices or outcomes.

Material changes in the system of governance during the period

There were no material changes to the general system of governance during the period.

Remuneration policy

NHBC and the Remuneration Committee maintains a list of roles under the Solvency II guidance and ensure that the Committee has oversight of their remuneration and that their remuneration arrangements, within the scope of this policy, are structured appropriately and include provision for:

- appropriate caps on variable pay
- deferral of variable pay
- due regard to all relevant regulatory guidance and the NHBC's risk framework; alignment with its business strategy and key priorities
- ensuring total bonus pool does not undermine the Company's capital base
- providing claw back facilities in bonus plans, operating a downward adjustment to bonus outcome in the event of a managerial or leadership failing, such as inappropriate risk management behaviours.



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Remuneration of Non-Executive Directors (NEDs) and the Chair is based on fixed fees, with additional fixed fees for the Senior Independent Director and Chair of the Board Sub-Committees.

For all NHBC employees, excluding NEDs, there are four components of remuneration within NHBC, these are:

- fixed remuneration (typically base pay)
- performance-based remuneration (bonus)
- pension
- other benefits e.g., life cover, healthcare, accommodation and vehicles.

The proportion of fixed and variable pay is dependent on a bonus award. Progressing down the organisation, from Executive Director level, the proportion of fixed remuneration increases, however, all employees have an element of variable pay in their remuneration.

The variable components of remuneration are derived with reference to individual as well as company performance.

The annual bonus for Executive Directors and most senior management is similar in construction to other employees. However, for Executive Directors and senior management there is also a deferral element.

Share options and shares are not available to employees at NHBC.

NHBC operates a defined contribution Group Personal Pension Plan (GPPP) for all employees via auto-enrolment. Any employees who exceed the lifetime allowance or annual limits can opt to take the employer contribution in cash. NHBC also operates a salary sacrifice scheme for pension contributions.

In addition, there is a closed defined benefit pension scheme which some current employees are members, managed directly through NHBC Pension Trustee Limited.

There are no supplementary pension or early retirement schemes in place for the NHBC Board or NHBC Council.

NHBC is a PRA Category 2 firm and applies the Solvency II regulations applicable to that Category.

B.2 Fit and proper requirements

NHBC has processes in place to ensure that individuals carrying out regulated roles, including directors, senior managers, and certified employees, are fit and proper to perform their roles. This includes assessing candidates' honesty, integrity and reputation, competence and capability, and financial soundness prior to joining NHBC and regularly after that.

This process is managed by Human Resources and incorporates the elements below.

- Assessing a candidate's technical competence against relevant areas, such as market knowledge; business model and strategy; risk management framework; governance, oversight and controls; and regulatory framework and requirements. Where relevant, a development plan is put in place to address knowledge gaps within a specific timeline.
- Completing due diligence on a candidate, including credit checks, criminal records checks, disqualified director checks and regulatory checks (checking PRA and FCA register for previous enforcement notices, disqualifications, regulatory references, etc.). Executive search reports or other assessments are also obtained, where needed.

Where applications are made to the PRA or FCA, NHBC's Risk and Compliance function reviews the assessment and rationale for concluding the candidate is fit and proper for the stated role ahead of submission to the regulatory authority.

B.3 Risk management system including the Own Risk and Solvency Assessment

NHBC's Risk Management Framework forms an integral part of management and Board processes and decision-making framework across the organisation. This section of the report provides a description of NHBC's risk management objectives and its internal control system including the Risk Management Framework and the Three Lines of Defence model.

Overview

The Risk Management Framework establishes a consistent approach for the delivery of risk management activities throughout NHBC. The Risk Management Framework is:

- operated by business functions who are responsible for delivering the Company's business plan and objectives
- embedded in the processes and controls performed to deliver these objectives.

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Risk strategy

NHBC's risk strategy is to take risk consistent with the Company's purpose and its facilitating objectives of protecting homeowners and championing high quality homes. The success of our business reflects our ability to manage risk and take opportunity in pursuit of our purpose consistent with our risk appetites and preferences. It places particular emphasis on maintaining sufficient capital even in severe but plausible scenarios, ensuring liquidity to meet its customer responsibilities, limiting volatility of returns and enhancing its reputation through strong consumer, customer, employee and societal outcomes. All employees are responsible for managing risk consistent with our risk appetite, values, and behaviours.

Scope

The Risk Management Framework applies to:

- all legal entities, business units and functions within the NHBC
- all NHBC employees and workers as well as agency workers, consultants and contractors, irrespective of their location, function, grade or standing.

External environment

The Risk Management Framework is capable of identifying, assessing, and responding to external factors. These could include changes in regulation, competition and wider economic circumstances. External factors have the potential to impact NHBC's business model, corporate strategy and risk outcomes.

Risk Management Framework

NHBC's Risk Management Framework comprises several inter-related activities and elements which are organised into specific components.

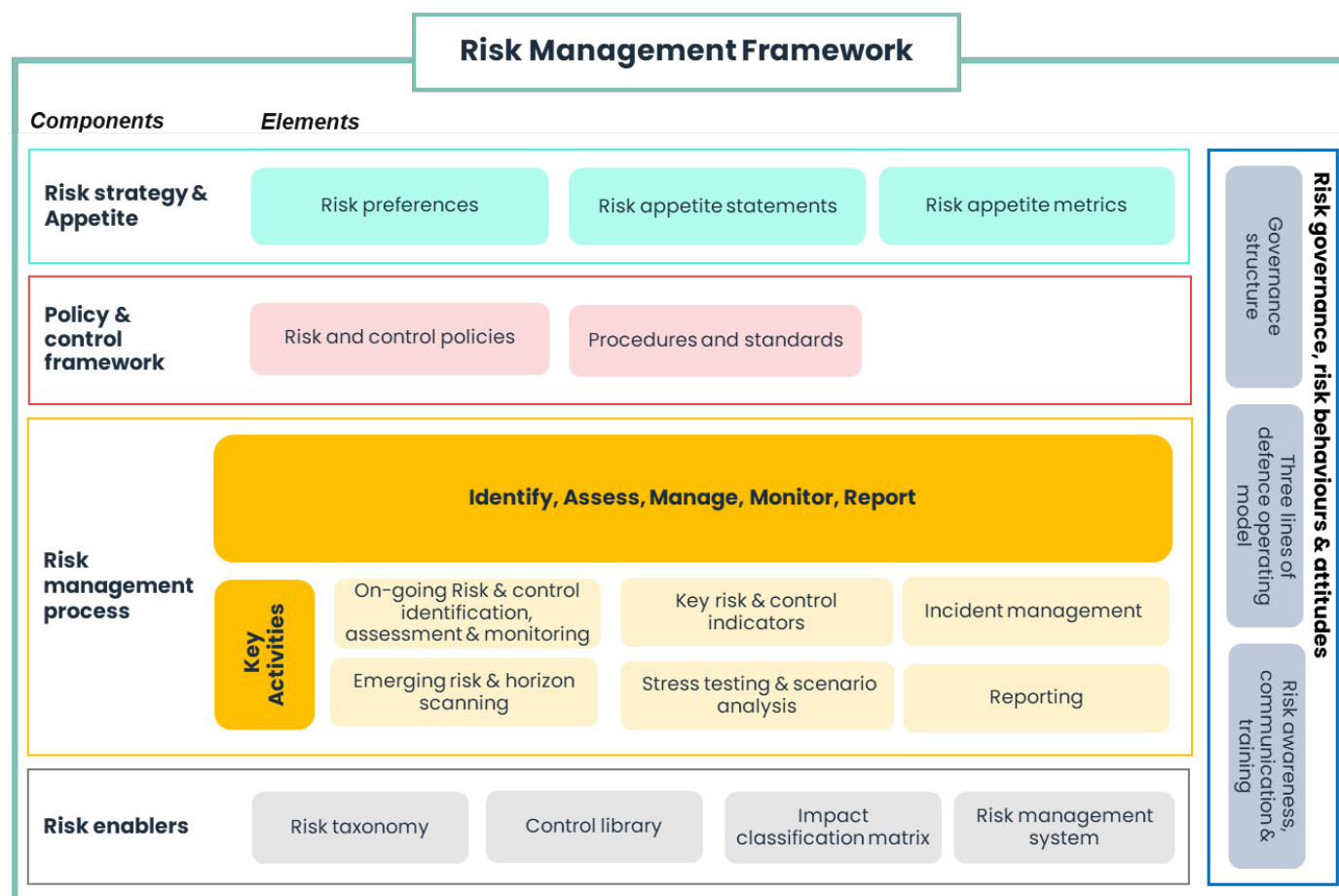


Illustration 1: Risk Management Framework components and elements Overview.

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The following table provides a brief description of each theme.

Activity	Overview
Risk strategy and appetite	Risk preferences, risk appetite statements and metrics aligned to NHBC strategy to ensure there is clear alignment between our objectives and the risks we are willing to take (risk appetite).
Policy and control framework	To support an effective control framework NHBC maintains a range of risk and control policies. Policies set the high-level principles to achieve a desired outcome. Documented processes and procedures provide the detail to support their implementation.
Risk management process	Processes and activities that represent the core regular risk management activities operated across the organisation.
Risk governance, risk behaviours and attitudes	Roles and responsibilities associated with management and oversight of risk throughout the organisation as well as required risk behaviours and attitudes to support effective risk management.
Risk enablers	Supporting tools to enact the implementation of the risk management framework.

Capital

The solvency capital requirement (SCR) calculation is carried out every quarter on the standard formula basis. NHBC continues to develop and refine its economic capital model (ECM) which is used to support decision making for identified use cases on both a one-year and ultimate view of risk.

Own Risk and Solvency Assessment (ORSA)

The ORSA consists of a series of processes to consider the risks to which NHBC is exposed under normal and stressed conditions and the amount of capital required to support these.

The annual ORSA report draws together the outcome of these processes and incorporates a current and forward-looking assessment of risk and associated capital needs.

The results and conclusions of the ORSA process are reviewed and challenged by both the ERC and the BRC before Board sign-off. Once approved by the Board, the ORSA report is communicated to all relevant colleagues. The ORSA report is also provided to the PRA to support their supervisory activities.

Determining NHBC's solvency needs

NHBC's regulatory solvency is determined using the Solvency II standard formula.

NHBC produces forward-looking capital projections on the standard formula over a three-year time horizon as part of the business planning process. This allows the business to consider the solvency position against risk appetite and to consider management actions as required.

Alternative economic and business-related scenarios are modelled to establish the impact on NHBC's solvency projections. These are assessed as part of several activities including business planning, the ORSA and Recovery and Resolution Planning (RRP).

B.4 Internal control system

The NHBC internal control system is designed to assist NHBC to:

- achieve its business objectives
- conduct well-ordered and efficient operations
- mitigate and respond to incidents
- conduct business in compliance with applicable laws, regulations, and rules.

The NHBC internal control system is organised across core components of the risk management process specifically:

- the identification and assessment of risk
- the monitoring and management of risk
- governance and reporting.

To support the understanding of responsibilities for internal controls across the organisation, NHBC uses a Three Lines of Defence model. These are described briefly below.



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First line

Business functions have the primary responsibility for identifying and managing risk including the implementation of appropriate controls consistent with the overall risk strategy and appetite. Risk management practices and processes in place at this level constitute the 'first line of defence'.

Second line

The 'second line of defence' encompasses risk management and compliance. Its role is to design and oversee a consistent framework for managing risks. The team provides advice, guidance and challenge to business functions about their identification and management of risk. The Risk and Compliance function supports the Board in discharging its responsibilities in relation to risk management, regulatory compliance, data protection, fraud and financial crime requirements.

A risk-based plan for both risk reviews and compliance monitoring activity is established on an annual basis. Activity is focused on areas of the business that could pose the highest risk including regulatory risk and the risk of delivering bad consumer outcomes. Findings from risk reviews and compliance monitoring activities are reported to the Executive Risk and Board Risk Committees alongside wider assurance reporting.

Third line

Regular, independent, risk-based audits performed by Internal Audit provide reasonable assurance as to the relevance and correct operation of the risk management system.

B.5 Internal Audit function

The role of Internal Audit is to assist the Board and executive management to protect the assets, reputation and sustainability of the organisation. Internal Audit provides independent and objective assurance over management's ability to implement and operate internal controls that mitigate material risks across NHBC. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit, in the discharge of its duties, is accountable to the Chief Executive Officer and the Board via the Audit Committee, providing:

- an annual assessment on the adequacy and overall effectiveness of governance, risk, culture and the control framework of the organisation through the operating of an annual Internal Audit plan
- an analysis of themes and trends within the organisation and their impact on risk profile
- periodic information on the status and results of the Internal Audit plan
- co-ordination with other control and monitoring functions (specifically the Executive Risk Committee, the Board Risk Committee, the Risk and Compliance Function and External Audit).

Internal Audit has unrestricted access to all functions, records, property and personnel; full and free access to the Board and other key decision-making forums; freedom to allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and the ability to obtain the necessary assistance of personnel where they perform audits, as well as other specialised services from within or outside the organisation.

As defined in the Internal Audit Charter, Internal Audit reports as a function to the Audit Committee Chair (an independent Non-Executive Director) and administratively to the Chief Executive Officer. This dual reporting line ensures that Internal Audit operates with independence and objectivity at all times.

B.6 Actuarial Function

Within NHBC, the activities of the Actuarial Function are the responsibility of the Chief Actuary, an experienced general insurance actuary and Fellow of the Institute and Faculty of Actuaries. The Actuarial Function carries out key activities in relation to reserving, pricing, reinsurance, and strategic risk management. In addition, the function currently plays a central role in NHBC's systems and data transformation programme.

The newly established Analytics and Business Insights team (from 1 February 2025) is responsible for providing the Reserving and Pricing teams with modelling and analytical support, as well as developing strategic business insights and reporting.



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Reserving and Technical Provisions

The Actuarial Function is responsible for calculating the Solvency II (SII) Best Estimate Technical Provisions as at 31 March 2025, in line with SII standards. This work is externally reviewed by Barnett Waddingham (BW), with the SII best estimates also audited by Deloitte LLP.

The UK GAAP Technical Provisions are derived from the Solvency II Technical Provisions, with specific adjustments for non-UK GAAP items and an additional uncertainty margin. However, the Actuarial Function does not produce the UK GAAP reserves beyond providing the SII Best Estimate Technical Provisions as an input. The UK GAAP Technical Provisions are subject to peer review by BW.

The UK GAAP Technical Provisions are based on the Solvency II Technical Provisions with a specific adjustment for non-UK GAAP items; an uncertainty margin is then added, informed by the consideration of specific scenarios affecting such provisions. The UK GAAP Technical Provisions are subject to peer review by BW.

Reporting

The Actuarial Function contributes to regulatory reporting, including certain sections of the Quantitative Reporting Templates (QRTs), specifically those related to Solvency II reserves. The function does not have overall responsibility for QRT production. Additionally, the Actuarial Function provides input into thematic reviews by the PRA, including recent work on claims inflation.

Pricing

The Actuarial Function is responsible for developing pricing models and providing profitability projections. For the financial year ending 31 March 2025, the profitability projections were reviewed and discussed with the Pricing Committee over the period of September 2024 to January 2025. Several pricing actions were recommended and subsequently approved by the Pricing Committee and were incorporated into the Group Business Plan, which the NHBC Board approved.

Reinsurance

The placement of reinsurance is one of NHBC's most significant insurance risk mitigation tools, and is used alongside and traded off against the maintenance of significant own funds. The Actuarial Function supports this process through:

- providing reports to reinsurers, including bordereau production, reserving updates, and recovery calculations; and
- producing information for reinsurance renewal packs.

Additionally, a dedicated actuary is responsible for analysing and making recommendations on reinsurance and strategic risk management initiatives.

Actuarial Function Report

The Actuarial Function is responsible for producing the annual Actuarial Function Report for the NHBC Board. This report includes an assessment of Technical Provisions and opinions on NHBC's Underwriting Strategy and Reinsurance Strategy.

B.7 Outsourcing

NHBC has a documented procurement and supplier governance policy. This policy establishes a set of requirements for NHBC to meet its regulatory obligations and effectively manage the risks associated with outsourcing critical, important or key functions, services and activities.

The policy takes into account the different types of outsourcing arrangements within NHBC and outlines NHBC's responsibilities and actions that must be followed when entering into an outsourcing arrangement from both a regulatory and best practice perspective.

For this report, NHBC has adopted the definition of the key functions described in the glossary to PRA Rulebook. NHBC does not outsource risk-management, compliance, internal audit, or actuarial functions.

B.8 Other information

The information presented in section B of this report provides a true and fair reflection of NHBC's system of governance during the reporting period. No other material information to report.

C. Risk profile

Overview

NHBC's risk profile is assessed through a combination of measures including reviews of the Group Strategy and Group Business Plan, department specific risk registers, the risk appetite framework, the Solvency II standard formula, and various economic and business-related scenarios. NHBC also maintains its own economic capital model (ECM) which is used alongside standard formula calculations to consider capital needs on a 'to ultimate' basis, as an alternative to the one year view required by Solvency II. This is particularly appropriate given the longer-than-average duration of NHBC's liabilities, relative to many other general insurance firms. The ECM is also used for specified purposes to support decision making, e.g. reinsurance purchasing and to support NHBC's assessment of whether the organisation's risk profile deviates materially from the assumptions underlying the standard formula.

NHBC is exposed to underwriting and market risk (both directly and through its defined benefit pension scheme). A description of these risks, as well as other less material risks that NHBC is exposed to, is set out in the sub-sections below.

NHBC's assets are invested in both listed instruments (that are standard in nature) with an observable daily pricing source and unlisted instruments. Based on the existing strategy, the NHBC portfolio contains a significant proportion of high quality and liquid assets.

NHBC employs an external manager to perform continuous asset-liability management. NHBC performs monitoring on a quarterly basis to review the appropriateness of the liability benchmarks used by the external manager. The assets held against the liabilities are predominately index-linked and nominal gilts, corporate bonds and cash, and are considered appropriate in both nature and duration with respect to the company's liabilities.

The bond portfolio is invested in funds run exclusively for NHBC (segregated mandates) which account for the majority of NHBC's investments. The illiquid and dynamic asset allocation overlay funds are invested in pooled funds.

The non-gilt fixed income holdings have limits embedded in the guidelines to control the duration, the credit quality of the portfolio and the maximum exposure to any one issuer. There are also asset allocation limits monitored against the strategic benchmark set by the Board. The use of derivatives is permitted for the purpose of hedging interest rate, inflation and currency exposures within the segregated bond mandates. Listed equity futures and options are also permitted for equity risk hedging purposes only.

Some of NHBC's investments are subject to foreign exchange risk. The bond related currency exposure within segregated mandates is hedged using derivatives. There may be currency exposures within the multi asset, multi region dynamic allocation fund.

NHBC limits its market risk exposures to modest levels in terms of both complexity and capital volatility of the instruments held. All NHBC investments map to an appropriate standard formula market risk module, with a solvency capital requirement calculated for these risks.

In helping to assess and better understand the market risk exposures on the balance sheet, investment reporting and analysis is supplied by all external managers on a look-through basis and metrics such as tracking error and performance attribution is also available.

The nature of NHBC's business model means it is subject to a concentration of insurance risk. The UK house-building industry is dominated by a relatively small number of large builders, and this means that NHBC not only has a concentration of risk to the building industry, but also a concentration of risk with a small number of builders too. Further information is provided in section C6 below.

NHBC uses reinsurance to transfer some of its underwriting risk to a panel of reinsurers. This includes:

- Quota share reinsurance on an underwriting year basis for both major projects (buildings over seven storeys) and standard build
- Where necessary, the purchase of facultative reinsurance for high-risk major project buildings where individual block limits exceed a certain value
- Excess of loss reinsurance cover taken out to insure against unusually high losses across historic underwriting years
- Cross-generational excess of loss policy that spans several of these historic underwriting years
- Loss portfolio transfer spanning several other historical underwriting years
- Excess of loss reinsurance for road and sewer bonds issued by NHBC in the event of a builder insolvency



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NHBC's reinsurance arrangements are assessed annually by its Underwriting function and presented to the Board Risk Committee for approval.

Sensitivity analysis

NHBC performs sensitivity analysis alongside its business planning activities and related stress and scenario testing in order to understand the impact of significant assumptions on NHBC's profitability and Solvency II solvency ratio.

The following table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. The sensitivities are non-linear, and the reader should not interpolate/extrapolate smaller or larger impacts from results below.

The table below shows the change in solvency ratio under each sensitivity at the end of NHBC's three-year Group business plan. For example, a +1% change represents a change from 267% to 268% solvency ratio.

Assumption	Change in assumption	Impact on solvency ratio
Change in house price inflation (HPI) in each year of the business plan	+2%	+1.4%
Change in house price inflation (HPI) in each year of the business plan	-2%	-1.6%
Change in business volumes in each year of the business plan	+10,000 units	-0.2%
Change in business volumes in each year of the business plan	-10,000 units	+0.1%
Change in the view of the long-term inflation	+1.0%	-1.2%
Change in the view of the long-term inflation	-1.0%	+1.2%

Stress and scenario testing

NHBC's business plan includes a range of assumptions about future events. The most significant are those outlined in the sensitivities above, plus changes in claims experience and the expected returns from our surplus asset portfolio.

As part of NHBC's most recent business planning activity alternative economic and business-related scenarios have been modelled to assess their impact on NHBC's Solvency II solvency ratio over a three-year horizon, including:

- the impact of rapid housebuilding growth where increased government support to the construction industry increases volumes but results in significant deterioration in construction quality and higher, adverse claims experience
- a change in the customer dynamics following some regulatory changes, where technical provisions strengthen are accompanied by volume increases

The results of stress and scenario testing demonstrates NHBC maintains sufficient own funds over the SCR to withstand the severe scenarios and stresses outlined above.

C.1 Underwriting risk

Underwriting risk refers to the potential cost of deviations in the expected timing, frequency and severity of insured events relative to expectations at the time of underwriting (premium risk) and deviations in the timing and cost of settling existing insurance liabilities (reserve risk). This may also include the cost of administering insurance policies and claims.

NHBC underwrites insurance in two Solvency II classes of business – Credit and Suretyship and Miscellaneous Financial Loss.

Credit and Suretyship is:

- cover that provides protection to potential homeowners for loss of deposit when purchasing a property
- cover that provides a guarantee for builders where NHBC stands as surety on Road and Sewer Bonds.

Miscellaneous Financial Loss is all remaining cover, i.e., the building defect cover.

Underwriting is NHBC's largest area of risk exposure. This is an area in which NHBC actively takes risk in the belief it is suitably rewarded by its managed use, aligned to the strategy of raising standards for new-build homes. NHBC believes that by taking underwriting risks, and therefore paying to remedy building defect claims, it will increase its understanding in this area and be able to further raise standards for future builds.



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Some underlying risks contributing to the overall underwriting risk include:

- failure to identify and manage significant changes in the propensity for builders to self-repair building defects
- failure to identify significant issues with a building system or widely used building component, resulting in significant consumer dissatisfaction and claims costs
- failure to adequately monitor and manage exposure to the insolvency of one or more large builder clients, resulting in significant claims costs
- failure to price risks accordingly, taking into consideration experience and potential future risk trends.

NHBC manages its underwriting risk by requiring all builders offering its warranty products to register with the company and to build to its Standards. NHBC monitors the quality of builders' work and adjusts the premium it charges accordingly. This ensures that builders are financially incentivised to build quality homes.

NHBC also purchases various reinsurance treaties to transfer some of the underwriting risk to other parties. Whilst this reduces NHBC's underwriting risk it creates a credit risk which is considered further in the credit risk section below.

NHBC holds capital to absorb unexpected insurance losses and the amount of capital held against underwriting risk as at 31 March 2025 on a standard formula measure was £302.7m (2024: £269.5m).

C.2 Market risk

Market risk refers to changes in the value of NHBC's assets and liabilities as a result of fluctuations in their market value.

The Company's exposure to market risk is material. NHBC's investment portfolio consists largely of government and investment grade corporate bonds. Its liabilities are predominately insurance-related, although it is also liable for meeting the obligations of its defined benefit pension scheme (closed to new members and future accrual of benefits).

NHBC manages its investments by outsourcing it to specialist fund and portfolio managers and ensuring that there are mandates, guidelines and policies in place to control what action the fund managers can take. NHBC's investment related policies embed controls and management consistent with the Prudent Person Principle. They ensure that sufficiently diversified appropriate assets, traded on regulated markets are held and all derivative exposures are held for risk reduction and efficient portfolio management purposes. Fund managers must be authorised by the regulator and their performance is reviewed regularly.

NHBC is exposed to the risk that changes in interest rates and/or inflation adversely affect the value of its investments and liabilities. The company seeks to minimise this risk by trying to select investments that match the characteristics of its liabilities.

NHBC is also indirectly exposed to market risk on the pension scheme's assets and liabilities. The pension scheme's investments, £164.2m (2024: £174.3m) also consist mainly of government bonds and corporate bonds. The scheme also tries to minimise its market risk by selecting investments that match the characteristics of its liabilities.

NHBC holds capital to absorb market value fluctuations in its assets and liabilities and the amount of capital held against market risk at 31 March 2025 on a standard formula measure was £105.7m (2024: £103.9m).

NHBC has an internal Investment Function to deliver a better understanding and ownership of market risk internally.

C.3 Credit risk

Credit risk refers to losses arising from a counterparty failing to meet its financial obligations when due.

NHBC is exposed to credit risk from a variety of different sources, with the main source being the risk of reinsurer default. NHBC manages reinsurance credit risk by ensuring its reinsurers are financially robust with a minimum credit rating of A-. In addition, NHBC spreads its reinsurance between a number of counterparties, although the unique nature of its insurance means some counterparties have a relatively large proportion of its insurance risks.

NHBC is also exposed to credit risk through its cash on deposit and through its trade debtors, both of which are deemed to be a relatively immaterial credit risk to the Company as they are reasonably diversified, and the amount of exposure is relatively small.

Although linked to credit risk, the risk of default on government and corporate bond holdings is considered within market risk, and the provision of insurance cover for deposit guarantee or suretyship is considered within underwriting risk.

NHBC holds capital to absorb losses arising from counterparty defaults and the amount of capital held against credit risk at 31 March 2025 on a standard formula measure was £6.4m (2024: £5.7m).



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C.4 Liquidity risk

Liquidity risk refers to the risk that NHBC, whilst remaining solvent, does not have sufficiently liquid resources available to meet its financial obligations as they fall due, or it can only secure such resources at an excessive cost.

NHBC manages its liquidity risk by investing in a range of cash and cash equivalents, as well as highly liquid government bonds and to a lesser degree, corporate bonds. The company, as with most insurers, generally receives premium income in advance of having to pay out for claims and therefore providing this is invested in relatively liquid funds, the exposure to liquidity risk is relatively immaterial.

The nature of the insurance business underwritten by NHBC also contributes to low liquidity risk as building defect claims can take several months to settle, giving advanced notice of impending cash out-flows should they arise.

NHBC does not hold capital specifically to absorb losses arising from liquidity risk as the risk is considered immaterial. It does, however, consider liquidity as part of its risk management and reporting framework and cash management process.

NHBC has a Board approved Liquidity Risk Policy in place with risk appetite metrics monitored through appropriate governance committees on a quarterly basis.

C.5 Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed processes, people, systems, failure to comply with regulatory requirements or from external events. NHBC accepts that operational risks are inherent in its business model, but seeks to minimise these where appropriate, subject to cost/benefit considerations. It also accepts that in some instances operational risk drivers are outside of its control. All operational risks are expected to have mitigating controls identified to reduce the residual risk exposure, consistent with the Risk Management Framework, to seek to manage exposure within Board Risk Appetite. In the case of operational risks that have been assessed as outside appetite, additional actions are in place with the aim of reducing the level of exposure back to within appetite at the earliest opportunity.

To support the effective management of operational risk, risk owners are expected to monitor and report on their risk and control environment, including reviewing metrics such as Key Risk Indicators (KRI), Key Control Indicators (KCI) and Key Performance Indicators (KPI). The outcome from these assessments forms the basis for risk profiles that are discussed at relevant business senior leadership meetings on a regular cadence and flow into Group risk reporting.

The Group also undertakes operational risk stress and scenario testing, to help achieve insights on the potential impact of different events enabling targeted improvements where particular vulnerabilities are identified, and carries out activity to identify actions to demonstrate its ability to remain within Important Business Service Impact tolerances as part of work on Operational Resilience.

NHBC holds capital to absorb losses arising from operational risks and the amount of capital held against this risk at 31 March 2025 on a standard formula measure was £23.5m (2024: £23.7m).

C.6 Other material risks

Concentration risk

The nature of NHBC's business model means it is subject to a concentration of insurance risk. It is predominately focused on providing warranty cover for building defects and, cover that provides protection to potential homeowners for loss of deposit when purchasing a property, and to local authorities where NHBC stands as surety on Road and Sewer Bonds. This means that the Company does not benefit from a diversification of insurance risks.

The UK house-building industry is dominated by a relatively small number of large builders, and this means that NHBC not only has a concentration of risk in the building industry, but also a concentration of risk with a small number of builders too.

These are risks that NHBC chooses to accept to fulfil its objective of raising the standard of new-build homes. The capital that NHBC holds to cover losses arising from these risks is taken account of within its underwriting risk capital.

Pension risk

NHBC is liable for meeting the obligations of its defined benefit pension scheme, although the scheme is now closed to new members and future accrual of benefits. This exposes NHBC to additional market risk, as discussed in C.2 but also longevity risk and operational risk.



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Longevity risk refers to the risk of losses arising as a result of scheme members and beneficiaries living longer than expected, and therefore NHBC having to make benefit payments for longer than expected.

NHBC accepts longevity risk as part of its pension scheme obligations and, whilst it is not required to hold capital against this risk under the Solvency II standard formula, captures the risk as part of its economic view of capital including within the Own Risk and Solvency Assessment.

NHBC has a Board-approved Pension Risk Policy in place.

Strategic risk

Strategic risk refers to the risk arising from NHBC failing to adapt to changes which in turn undermine its ability to deliver its business objectives.

The company manages this risk by carrying out strategic reviews and engaging external management consultants, when needed, to challenge and help develop the business's strategic plans. Where necessary the business's strategic plans will be reviewed and changed in response to unexpected market conditions.

NHBC is also exposed to risks from its subsidiary companies and these risks are managed by ensuring directors from the parent company are present on the boards of subsidiary companies, and that there is a robust governance framework in place.

C.7 Any other information

The information presented in section C of this report provides a true and fair reflection of NHBC's risk profile during the reporting period.

NHBC has no material exposure to off-balance sheet positions and does make use of, or transfer risk to, any special purpose vehicles.

No other material information to report.

D. Valuation for solvency purposes (Audited)

This section of the report provides a description of the bases, methods and main assumptions employed in the valuation of NHBC's assets and liabilities. This section also provides an explanation of material differences between valuations presented in NHBC financial statements under UK Generally Accepted Accounting Practice (UK GAAP) and Solvency II valuations.

D.1 Assets

NHBC's Solvency II assets are valued in accordance with PRA Rulebook Valuations 2015/10 and PRA Rulebook Valuations 2024/13, it assumes NHBC is a going concern and are valued independently of the liabilities.

NHBC prepares its financial statements under UK GAAP on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 2006 and provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) relating to insurance groups. Financial statements and Solvency II basis of preparation produce consistent valuations for the majority of assets.

The Solvency II balance sheet uses the NHBC Company balance sheet prepared for the Annual Report and Accounts under the UK GAAP framework as its basis of preparation.

The following table presents NHBC's valuation of assets at 31 March 2025 on a Solvency II basis.

Assets £m	2025	2024
Pension benefit surplus	11.7	1.8
Property, plant and equipment for own use	19.3	20.0
Investments	1,606.4	1,520.9
Reinsurance recoverable from non-life excluding health	285.2	293.6
Insurance and intermediaries receivable	3.6	3.7
Receivables (trade, not insurance)	11.8	6.2
Cash and cash equivalents	14.2	28.3
Any other assets not elsewhere shown	7.2	4.9
Total assets	1,959.4	1,879.4

Material classes of assets

Pension benefit surplus

Any pension benefit surplus is recognised net of pension scheme assets and liabilities.

The defined pension benefit pension scheme assets are measured at fair value.

The defined benefit pension scheme liability is calculated using the projected unit credit method. On an annual basis, NHBC engages independent actuaries to assist in calculating the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments.

Where the assets of the scheme are greater than the liabilities, a surplus is recognised. The rules of the scheme allow NHBC, as a sole sponsoring employer, to recover surplus assets following winding up of the scheme.

The basis of preparation of financial statements and Solvency II produce equal valuations.

Land and buildings included in property, plant and equipment for own use

The valuation approach is generally consistent between the basis of preparation of the financial statements and Solvency II resulting in equal valuations.



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There are no quoted market prices in active markets for NHBC's land and buildings. Instead, a market approach is adopted which uses prices and other relevant information generated by market transactions involving similar assets. The property is independently valued annually by Royal Institution of Chartered Surveyors ('RICS') certified valuation experts in accordance with the relevant parts of the current RICS Valuation Standards in the UK ('Red Book'). The valuer's opinion of fair value was derived using comparable recent market transactions on arm's length terms. NHBC's land and buildings are valued individually.

Investments

The valuation approach is consistent between basis of preparation of the financial statements and Solvency II resulting in equal valuations.

NHBC values its financial investments using active market information where possible. Investments are considered to be in active markets where they are actively traded with live prices available.

When active market information is not available NHBC relies as little as possible on Group-specific inputs and makes maximum use of relevant market inputs including the following:

- quoted prices for similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads
- market-corroborated inputs, which may not be directly observable, but are based on or supported by observable market data.

Valuation methods that the NHBC employs typically include:

- market approach which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or groups of assets and liabilities
- income approach which converts future amounts, such as cash flows, income or expenses, to a single current amount
- cost approach, or current replacement cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset

Cash held as part of investments balance under UK GAAP is reclassified as cash and cash equivalents under Solvency II.

Related undertakings

NHBC holds investments in 100% owned subsidiaries which qualify as related undertakings. There is no material difference in the valuations under Solvency II and UK GAAP.

In the absence of quoted market prices in active markets the related undertakings are valued using the adjusted equity method.

Deferred tax assets

The method for calculation of the deferred tax asset is consistent between the financial statements and Solvency II basis of preparation. NHBC's deferred tax asset is primarily driven by the trading losses carried forward. A deferred tax asset is recognised when its recoverability is likely. Deferred tax assets are offset against deferred tax liabilities where right of offset exists.

Reinsurance

The reinsurance balance is discussed in section D2 of this report.

Receivables, and cash and cash equivalents, included within reinsurance recoverable from non-life excluding health, insurance and intermediaries receivable, and cash and cash equivalents

Carrying value of debtors, cash and cash equivalents in the financial statements is equal to the valuation for Solvency II purposes.

Current insurance debt (debt that falls within agreed credit terms) is reclassified as part of Technical Provisions.

Certain funds (typically liquidity funds) held as part of cash and cash equivalents balance under UK GAAP are reclassified as investments under Solvency II.



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Other assets

NHBC has operating leases for some properties and various motor vehicles. These assets, and the corresponding liabilities, are included on the SII balance sheet, but not the UK GAAP balance sheet. At 31 March 2025, NHBC had leasing commitments of £15.3m (2024: £9.9m) recognised on the SII balance sheet.

NHBC does not consider plant and equipment for own use, or any other assets not elsewhere shown (typically prepayments) to be material classes of assets.

Reconciliation of UK GAAP and Solvency II assets

The balance sheet valuation under UK GAAP is, in many cases, the same as that required for Solvency II. Where the Solvency II requirements and basis of valuation differ from the accounting basis, adjustments are made to reflect the Solvency II requirements. The main areas of balance sheet valuation differences between UK GAAP and Solvency II for NHBC are listed below; the two main material items are the valuation of the Technical Provisions and the deferred tax liability:

- **Technical Provisions** – Under UK GAAP, the Technical Provisions are valued in line with FRS 103 – Insurance Contracts. The amounts involved are material to NHBC's balance sheet. Under Solvency II the valuation of Technical Provisions is calculated on a best estimate plus a risk margin basis. Note that under Solvency II, NHBC also applies the volatility adjustment.
- **Deferred tax** – Deferred tax results from the difference between net assets (primarily Technical Provisions) between the UK GAAP and Solvency II balance sheets multiplied by the applicable rate of tax.
- **Deferred acquisition costs (DAC)** – NHBC recognises DAC under UK GAAP. Under Solvency II DAC is not recognised.
- **Reclassification of balance sheet items** – For Solvency II purposes certain balance sheet items have been reclassified and form part of Technical Provisions.

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The table below provides reconciliation between assets as disclosed in UK GAAP financial statements and Solvency II as at 31 March 2025.

Assets (£m)	UK GAAP value	Adjustment to Technical Provisions	Reversal of DAC	Right of use adjustment	Deferred tax adjustment	Investment balance reclassification	Balance reclassification	Solvency II value
Deferred acquisition costs	22.8	-	(22.8)	-	-	-	-	-
Deferred tax assets	18.8	-	-	-	(18.8)	-	-	-
Pension benefit surplus	11.7	-	-	-	-	-	-	11.7
Property, plant and equipment for own use	9.4	-	-	9.9	-	-	-	19.3
Investments	1,551.0	-	-	-	-	55.4	-	1,606.4
Reinsurance recoverable from non-life excluding health	504.1	(204.0)	-	-	-	-	(14.9)	285.2
Insurance and intermediaries receivable	10.0	-	-	-	-	-	(6.4)	3.6
Receivables (trade, not insurance)	11.8	-	-	-	-	-	-	11.8
Cash and cash equivalents	69.6	-	-	-	-	(55.4)	-	14.2
Any other assets not elsewhere shown	12.8	-	-	-	-	-	(5.6)	7.2
Total assets	2,222.0	(204.0)	(22.8)	9.9	(18.8)	-	(26.9)	1,959.4

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D.2 Technical Provisions

The following table presents NHBC's valuation of net Technical Provisions at 31 March 2025 on a Solvency II basis.

Technical Provisions (£m)	Credit and suretyship insurance ¹	Miscellaneous financial loss	Total non-life obligation
Gross best estimate	(27.6)	809.6	782.0
Risk margin	12.0	48.8	60.8
Technical Provisions	(15.6)	858.4	842.8
Reinsurance recoverable	(24.4)	(260.8)	(285.2)
Technical Provisions less recoverable from reinsurance	(40.0)	597.6	557.6

Technical Provisions basis and methodology

Solvency II Technical Provisions are made up of the sum of a best estimate and a risk margin.

The best estimate corresponds to the probability-weighted average of future cash flows, taking account of the time value of money (expected present value of future cash flows), using the Bank of England volatility adjusted risk-free interest rate term structure at 31 March 2025.

The cash flow projection used in the calculation of the best estimate takes into account all the cash inflows and outflows required to settle the insurance and reinsurance obligations over the lifetime of the liabilities. These are subdivided into claim and premium provision components.

For most of the reserves, the Solvency II Technical Provisions are estimated using triangulation methods on an underwriting year basis before being split into claims provision and premium provision; for Section 4 and Road and Sewer Bonds, claim provisions and premium provisions are calculated separately. calculated directly for the claims and premium provisions and incorporate a mixture of deterministic and stochastic methodologies as identified below.

The Solvency II Technical Provisions are used to inform the UK GAAP Technical Provisions.

Risk groups

For the home warranty product (the Buildmark products), NHBC broadly applies risk groupings aligned to the sections of coverage as outlined in section A1.

Claims provisions

The claims provision represents the estimated cost of claims reported but not settled as at the balance sheet date. The provision includes an allowance for claims management and claims handling expenses.

The claims provision for Section 4 claims are based on case reserves for claims notified to date, with an allowance for IBNER. Road and Sewer Bonds are based on an assessment of the level of individual outstanding bonds should a particular builder become insolvent.

Premium provisions

The premium provision represents the estimated cost of future claims and expenses arising from the current and incepted insurance contracts, net of future premium receipts. The premium provision is the expected present value of all future cash flows relating to risk exposure after the valuation date. The premium provision for Section 4 is calculated by extrapolating recent notification trends. The premium provision for Road and Sewer Bonds is based on the probability of builder insolvency.

Events not in data

Events not in data are a category of potential losses that need to be considered within the Solvency II Technical Provisions and which, by their nature, are sparsely represented within the experience data and typically represent low-frequency, high-severity events.

¹ The gross best estimate for credit and surety insurance line of business includes future Road and Sewer Bond fees.



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Reinsurance

For the 2019/20 and prior underwriting years, NHBC's primary reinsurance cover is an aggregate excess of loss cover, protecting against total losses per underwriting year. In addition, there is a cross-generational cover providing protection against the aggregate retained losses on the combined 2005/06 to 2014/15 underwriting years.

The underwriting years from 2015/16 to 2018/19 are subject to a Loss Portfolio Transfer (LPT), i.e., a back-book quota share with a 75% cession.

The underwriting years 2020/21 onwards are protected by Whole Account Quota Share treaties.

NHBC has bought quota share reinsurance for major projects from the 2017/18 underwriting year. This inures to the LPT. There is also quota share cover for additional S1 cover exposures for 2019/20 and prior, and an excess of loss treaty providing protection for the Road and Sewer Bonds.

The reinsurance recoveries are estimated by directly calculating the recoveries due on the gross best estimate losses for each reinsurance programme. Reserves for reinsurer dispute and insolvency are also included.

Contract boundaries

Solvency II requires that the Technical Provisions include the best estimate of all future insurance cash flows associated with committed insurance obligations. This should allow for expected policyholder actions. The regulations are concerned with business known as Bound But Not Incepted (BBNI) where an obligation exists but the contract has not yet incepted and hence may not be present within data records used for the Technical Provision calculations. Solvency II regulations requires that such contracts are included within the valuation.

For NHBC, however, the registration of a policy is triggered by the builder's payment of the fees. The customer service representative registers the policy in Fusion (NHBC's policy administration system). NHBC is not obligated to provide cover until a policy number is created (registered) in Fusion. Even if the quote was accepted by the builder and the fees were paid, NHBC can still change its mind and is not obligated to register the policy. Even after the plot registration process, NHBC can choose to decline the risk at any time if the building does not meet NHBC's Standards.

For major developments, while there is normally more discussion over terms, the risk is not bound until the registration details have been provided.

There are no renewals; cover is provided from inception mainly for 10 years after completion.

No allowance for bound but not incepted (BBNI) premiums or claims is required as only business registered and hence incepted is within scope of the valuation for Technical Provisions.

Future premium income and outgoings

Many Road and Sewer Bonds are kept in place beyond the original term and NHBC charges 'overrun fees' for them. These form the bulk of NHBC's future premium income.

A small number of major builder customers do have modest credit terms. These (UK GAAP) balance sheet accruals are included within Solvency II Technical Provisions and classified as premium provisions, since the earned exposure (which only relates to Section 1 cover) is de-minimis.

In addition to these, there are instances where additional premium might be receivable. These may include additional Section 1 premiums, premium adjustments and income generated by future policy holder behaviour.

Expenses

There are three categories of expenses which are included in the calculation of the cash flows for Technical Provisions:

- Allocated Loss Adjustment Expenses (ALAE): these include the cost of technical investigations to arrive at validity decisions, legal expenses and ex-gratia payments. Note that ALAE is also allowed as part of claims indemnity spend.
- Claims Management Expenses: these include the costs of the claims handling department and the associated overhead costs as well as an allocation of general overheads.
- Investment Management Expenses: these are incurred in the management of NHBC's investment portfolio of assets which are held to support the insurance liabilities.

A number of expense items (e.g., IPT accrual, VAT accruals relating to insurance business) which are included in the UK GAAP balance sheet are explicitly transferred to the Solvency II Technical Provisions.

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Uncertainty

The key uncertainty in estimating NHBC's Technical Provisions relates to the long-tail nature of the Buildmark policy. This means that a significant portion of the reserve relates to future 'unearned' exposures which will be affected by many uncertain factors including general economic conditions, the state of the construction industry in the UK and individual builder behaviours.

Data relating to what are potentially the largest risks faced by NHBC – exceptional losses, changes in builder behaviour towards voluntarily undertaking their own Section 3 repairs or major builder insolvency – is very limited. This increases the reliance on expert judgement and the uncertainty within the estimates.

The Technical Provisions also include an allowance for Section 4 claims relating to combustible cladding and other fire-safety issues, following the Grenfell Tower tragedy in June 2017. Developments, such as government action designed to make the major UK builders carry the cost of cladding remediation, increases the uncertainty of this Technical Provision component and of the Technical Provisions overall.

No other extraordinary changes to the legal, social or economic environment that might affect the cost, frequency or future reporting of claims are anticipated. In addition, other than in the Events Not in Data (ENID) provision, NHBC has made no allowance for potential future claims arising from loss causes or types of coverage that are not represented in the historical data.

Reconciliation of UK GAAP and Solvency II net Technical Provisions

The table below provides reconciliation between net Technical Provisions as disclosed in UK GAAP financial statements and Solvency II as at 31 March 2025.

Technical Provisions net of reinsurance (£m)	Credit and suretyship insurance	Miscellaneous financial loss	Total
Solvency II technical provisions excluding risk margin	(52.0)	548.8	496.8
Solvency II elements not applicable for UK GAAP	134.3	(9.4)	124.9
Discounting basis difference	(1.1)	7.0	5.9
Uncertainty margin	23.2	149.4	172.6
UK GAAP adjustments	–	(88.7)	(88.7)
UK GAAP Technical Provisions	104.4	607.1	711.5

The UK GAAP Technical Provisions are calculated by adding an uncertainty margin (to allow for the concept of being reasonably foreseeable) to the best estimate provisions derived as part of the Solvency II Technical Provisions. Elements of the Technical Provisions which are specific to Solvency II are removed from the calculation. This includes balance sheet adjustments, investment and administration expenses as well as future premiums.

The uncertainty margin is selected by management representing additional provisions that would be required to be added to the Solvency II best estimates (after UK GAAP adjustments) to reflect reasonably foreseeable events.

The UK GAAP adjustments represent differential between Solvency II (fair value) and UK GAAP accounting basis (accruals) and primarily relate to reinsurance assets and the deferred acquisition costs. With respect to reinsurance, the difference represents the amortised cost in excess of expected recoveries of reinsurance policies which have been obtained to create additional capacity within NHBC's risk appetite, or to protect the capital position against tail events outside the uncertainty margin.

Other information

NHBC does not apply counter-cyclical premiums or matching premiums. NHBC is not using the transitional provisions.

D.3 Other liabilities

NHBC's Solvency II liabilities are valued in accordance with PRA Rulebook Valuations 2015/10 and PRA Rulebook Valuations 2024/13, it assumes NHBC is a going concern and are valued independently of the assets.

NHBC prepares its financial statements under UK GAAP on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 2006 and provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance groups. Financial statements and Solvency II basis of preparation produce consistent valuations for majority of liabilities.

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The Solvency II balance sheet uses the NHBC Company balance sheet prepared for the Annual Report and Accounts under the UK Generally Accepted Accounting Practice (UK GAAP) framework as its basis of preparation.

The table below highlights the valuation of the liabilities in the preparation of the Solvency II balance sheet.

Liabilities (£m)	2025	2024
Technical Provisions – total	842.8	846.0
Deferred tax liabilities	29.0	16.3
Derivatives	7.0	11.9
Insurance & intermediaries payable	33.0	30.8
Payables (trade, not insurance)	42.2	45.2
Any other liabilities, not elsewhere shown	92.4	85.3
Total liabilities	1,046.4	1,035.5

Material classes of liability

Technical Provisions – non-life calculated as a whole

Technical Provisions are discussed in section D2 above.

Deferred tax liabilities

A deferred tax liability is recognised in respect of all timing differences at the reporting date.

A deferred tax liability is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The method for calculation of deferred tax liability is consistent between financial statements and Solvency II basis of preparation.

Deferred tax assets are offset against deferred tax liabilities where right of offset exists.

Insurance and intermediaries payable and payables (trade, not insurance)

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Under UK GAAP debt instruments are subsequently carried at amortised cost, using the effective interest rate method. However, NHBC's payables are current and are not carried at amortised cost. Due to the current nature of the payables, it is considered that the initially recognised value is an appropriate measurement of their fair value.

NHBC has operating leases for some properties and various motor vehicles. These assets, and the corresponding liabilities, are included on the SII balance sheet, but not UK GAAP balance sheet. There are no differences between measurement and recognition between UK GAAP and Solvency II.

Provisions for cash flows that can be directly attributed to insurance activities are reallocated to the Technical Provisions.

Any other liabilities, not elsewhere shown

Provisions such as accruals (and contingent liabilities) are recognised on NHBC's balance sheet where it is probable that any future economic benefit associated with the item will flow from NHBC and the item has a cost or value that can be measured reliably.

Deferred income in relation to commission received from contracts of reinsurance is recognised under UK GAAP but specifically removed from Solvency II balance sheet. There are no further differences between measurement and recognition between UK GAAP and Solvency II.

Accruals for cash flows that can be directly attributed to insurance activities are reallocated to the Technical Provisions.

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Reconciliation of UK GAAP and Solvency II liabilities

Please refer to section D1 of this report for description of material differences between UK GAAP and Solvency II liabilities.

The table below provides reconciliation between liabilities as disclosed in UK GAAP financial statements and Solvency II as at 31 March 2025.

Liabilities (£m)	UK GAAP value	Deferred acquisition income	Adjustment to Technical Provisions	Right of use adjustment	Deferred tax adjustment	Balance reclassification	Solvency II value
Technical Provisions	1,215.6	-	(372.7)	-	-	(0.1)	842.8
Deferred tax liabilities	-	-	-	-	29.0	-	29.0
Derivatives	7.0	-	-	-	-	-	7.0
Insurance & intermediaries payable	39.5	-	-	-	-	(6.5)	33.0
Payables (trade, not insurance)	36.7	-	-	9.9	-	(4.4)	42.2
Any other liabilities, not elsewhere shown	154.0	(45.7)	-	-	-	(15.9)	92.4
Total liabilities	1,452.8	(45.7)	(372.7)	9.9	29.0	(26.9)	1,046.4



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D.4 Alternative methods for valuation

NHBC does not apply alternative methods of valuation.

D.5 Other information

The information presented in section D of this report provides a true and fair reflection of NHBC's valuation methods employed for its solvency purposes during the reporting period. No other material information to report.

E. Capital management (Audited)

This section of the report provides information on NHBC’s own funds and solvency capital requirement (SCR).

E.1 Own funds

Capital management objectives, policies and processes

NHBC is exclusively funded through retained earnings and maintains a capital structure consistent with the NHBC’s risk profile and the regulatory requirements of its business.

The NHBC’s objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to maintain financial strength to support new business growth
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining strong liquidity to allocate capital efficiently to support growth.

NHBC considers not only the traditional sources of capital funding but also alternative sources of capital, including reinsurance, when assessing its deployment and usage of capital. NHBC manages as capital all items that are eligible to be treated as capital for regulatory purposes.

Capital management is embedded with the risk management framework outlined in the earlier sections of this document (please section B3 for further information on NHBC risk management processes).

The Asset and Liability Committee is responsible for day-to-day monitoring of NHBC’s capital position. The Asset and Liability Committee ultimately feeds into Executive Risk Committee, Board Risk Committee and the Board.

NHBC’s capital and finance teams prepare quarterly capital positions and long-term projections for consideration of various committees as well as feeding into core processes such as business planning.

Own funds

At 31 March 2025, all NHBC’s own funds consist of items that are available to fully absorb losses on a going-concern basis, as well as in the case of winding-up, and are classified as Tier 1 own funds. All NHBC’s Tier 1 funds are unrestricted.

When NHBC recognises a deferred tax asset on its Solvency II balance sheet it classifies it as Tier 3 own funds.

At 31 March 2025, NHBC’s Tier 1 and total own funds were £913.0m (2024: £843.9m). The own funds supported the solvency capital requirement of £342.4m (2024: £322.4m) resulting in a solvency ratio of 267% (2024: 262%). The minimum capital requirement (MCR), a minimum level below which the amount of financial resources should not fall, was £110.7m (2024: £113.1m) providing a ratio to eligible own funds to meet the MCR of 825% (2024: 746%).

The reconciliation reserve is comprised of the Company’s retained earnings on a UK GAAP basis, adjusted for the asset and liabilities differences under Solvency II.

The table below presents how funds are allocated to support SCR and MCR respectively at 31 March 2025.

£m	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total
Total eligible own funds to meet the SCR	913.0	-	-	-	913.0
Total eligible own funds to meet the MCR	913.0	-	-	-	913.0

The Solvency II balance sheet uses the NHBC Company balance sheet prepared for the Annual Report and Accounts under the UK Generally Accepted Accounting Practice (UK GAAP) framework as its basis of preparation.

Please refer to sections D1 and D3 of this report for description of material differences between UK GAAP and Solvency II assets and liabilities that ultimately drive the excess of assets over liabilities as calculated for solvency purposes.

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The following table provides reconciliation between UK GAAP and Solvency II excess of assets over liabilities.

£m	Total
Solvency II excess of assets over liabilities	913.0
Asset valuation differences	235.7
Liability valuation differences	(379.5)
UK GAAP net assets	769.2

Movement in own funds

The movement in own funds during the financial year ended 31 March 2025 is analysed below:

Eligible own funds	£m
At 1 April 2024	843.9
UK GAAP result for the year	
• Profit after tax	85.9
• Other comprehensive income	(3.8)
Movement in valuation differences	(13.0)
At 31 March 2025	913.0

The £69.1m increase in own funds is driven by the UK GAAP financial results in the year, adjusted for SII valuation differences. There were no distributions or capital instruments issued or redeemed in the year.

Other information about own funds

NHBC has not made use of transitional arrangements with respect to its basic own funds.

NHBC does not have ancillary own funds.

NHBC has not made any deductions from its own funds. There are no restrictions affecting the availability and transferability of own funds.

E.2 Solvency capital requirement and minimum capital requirement

NHBC uses the standard formula to calculate its regulatory capital requirements. The following table shows the standard formula capital requirement, which is still subject to regulatory review, at 31 March 2025.

£m	2025	2024
Market risk	105.7	103.9
Counterparty default risk (credit risk)	6.4	5.7
Non-life underwriting risk	302.7	269.5
Diversification	(66.9)	(64.1)
Base solvency capital requirement	347.9	315.0
Operational risk	23.5	23.7
Loss-absorbing capacity of deferred taxes	(29.0)	(16.3)
Total solvency capital requirement	342.4	322.4

The solvency capital requirement (SCR) has increased since last year by £20.0m.

£1.8m increase in the market risk was in part due to increased equity risk as NHBC has invested into further equity funds. There was a decrease in interest rate risk (lower risk-free rates) offset by increase in spread risk (higher valuations) and lower diversification benefit (interest rate risk reduction).



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Non-life underwriting risk increased by £33.2m. Increase in non-life catastrophe risk inputs was mostly the reason for overall non-life underwriting risk increase as parameters were updated to reflect NHBC's exposure to contractor insolvency under Section 1 of Buildmark Choice contracts as well as a subsequent acquisition by Barratt Developments plc of Redrow plc, increasing credit risk concentration.

Operational risk reduced by £0.2m as gross Technical Provisions (a notable input) reduced following the Technical Provision rejections.

As deferred tax liability is being recognised, NHBC is taking £29.0m credit for loss absorbing capacity of deferred taxes (LACDT).

Net increases in risks (before LACDT) resulted in increase in the diversification benefit by £2.8m.

The MCR at 31 March 2025 was £110.7m (2024: £113.1m).

The MCR is based on applying the appropriate factors to the Technical Provisions (excluding risk margin) and net written premium for the two Solvency II classes of business written by NHBC, being Miscellaneous Financial Loss and Credit and Surety.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

NHBC is a general insurer and thus the duration-based equity risk sub-module is not applicable. NHBC does not make use of any equity transitional measures.

E.4 Differences between the standard formula and any internal model used

NHBC is using the standard formula approach to capital adequacy.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

NHBC had no non-compliance with either the MCR or the SCR during the reporting period.

E.6 Other information

The information presented in section E of this report provides a true and fair reflection of NHBC's capital management during the reporting period. No other material information to report.

F. Quantitative reporting templates

The following quantitative reporting templates are included in this section:

IR.02.01.02	Balance sheet
IR.05.02.01	Premiums, claims and expenses by country
IR.05.04.02	Non-life income and expenditure
IR.17.01.02	Non-life Technical Provisions
IR.19.01.21	Non-life insurance claims
IR.22.01.21	Impact of long-term guarantees measures and transitionals
IR.23.01.01	Own funds
IR.25.04.21	Solvency capital requirement
IR.28.01.01	Minimum capital requirement

Monetary amounts are in GBP thousands

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IR.02.01.02

Balance sheet

		Solvency II value
Assets		C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	11,661
R0060	Property, plant & equipment held for own use	19,321
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,606,375
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	11,310
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	1,149,422
R0140	<i>Government Bonds</i>	301,215
R0150	<i>Corporate Bonds</i>	810,549
R0160	<i>Structured notes</i>	28,925
R0170	<i>Collateralised securities</i>	8,734
R0180	<i>Collective Investments Undertakings</i>	433,036
R0190	<i>Derivatives</i>	13,032
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	-425
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	285,204
R0280	<i>Non-life and health similar to non-life</i>	285,204
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	3,598
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	11,796
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	14,191
R0420	Any other assets, not elsewhere shown	7,239
R0500	Total assets	1,959,385

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		Solvency II value
Liabilities		C0010
R0505	Technical provisions - total	842,842
R0510	<i>Technical provisions - non-life</i>	842,842
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	782,050
R0544	<i>Best estimate - non-life</i>	782,050
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	60,792
R0554	<i>Risk margin - non-life</i>	60,792
R0556	<i>Risk margin - life</i>	
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	29,047
R0790	Derivatives	6,954
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	32,970
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	42,225
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	92,419
R0900	Total liabilities	1,046,458
R1000	Excess of assets over liabilities	912,927

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IR.05.02.01

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

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010							
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	161,653						161,653
R0120 Gross - Proportional reinsurance accepted							0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share	53,608						53,608
R0200 Net	108,045						108,045
Premiums earned							
R0210 Gross - Direct Business	116,079						116,079
R0220 Gross - Proportional reinsurance accepted							0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share	36,895						36,895
R0300 Net	79,184						79,184
Claims incurred							
R0310 Gross - Direct Business	76,460						76,460
R0320 Gross - Proportional reinsurance accepted							0
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share	52,861						52,861
R0400 Net	23,599						23,599
R0550 Net expenses incurred	61,329						61,329

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IR.05.04.02
Non-life income and expenditure : reporting period

	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 and accepted proportional reinsurance obligations									
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
	C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
Income												
Premiums written												
R0110 Gross written premiums		161,653										
R0111 Gross written premiums - insurance (direct)		161,653										
R0113 Gross written premiums - accepted reinsurance		0										
R0160 Net written premiums		108,045										
Premiums earned and provision for unearned												
R0210 Gross earned premiums		116,079										
R0220 Net earned premiums		79,184										
Expenditure												
Claims incurred												
R0610 Gross (undiscounted) claims incurred		76,460										
R0611 Gross (undiscounted) direct business		76,460										
R0612 Gross (undiscounted) reinsurance accepted		0										
R0690 Net (undiscounted) claims incurred		23,599										
R0730 Net (discounted) claims incurred	14,857	14,857										
Analysis of expenses incurred												
R0910 Technical expenses incurred net of reinsurance ceded	61,329											
R0985 Acquisition costs, commissions, claims management costs	31,179	31,179										
Other expenditure												
R1140 Other expenses	93,597											
R1310 Total expenditure	132,177											

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IR.05.04.02
Non-life income and expenditure : reporting period

Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
Income													
Premiums written													
R0110	Gross written premiums			28,385			133,268						
R0111	Gross written premiums - insurance (direct)			28,385			133,268						
R0113	Gross written premiums - accepted reinsurance			0			0						
R0160	Net written premiums			25,617			82,428						
Premiums earned and provision for unearned													
R0210	Gross earned premiums			24,449			91,630						
R0220	Net earned premiums			23,249			55,935						
Expenditure													
Claims incurred													
R0610	Gross (undiscounted) claims incurred			4,394			75,789						
R0611	Gross (undiscounted) direct business			4,397			72,063						
R0612	Gross (undiscounted) reinsurance accepted			0			0						
R0690	Net (undiscounted) claims incurred			2,153			79,616						
R0730	Net (discounted) claims incurred												
Analysis of expenses incurred													
R0910	Technical expenses incurred net of reinsurance ceded												
R0985	Acquisition costs, commissions, claims management costs			3,590			27,589						
Other expenditure													
R1140	Other expenses												
R1310	Total expenditure												

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IR.17.01.02
Non-Life Technical Provisions

Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
Best estimate																	
Premium provisions																	
R0060	Gross																424,917
Total recoverable from reinsurance/SPV and																	
R0140	Finite Re after the adjustment for expected losses due to counterparty default																155,952
R0150	Net Best Estimate of Premium Provisions																268,965
Claims provisions																	
R0160	Gross																357,133
Total recoverable from reinsurance/SPV and																	
R0240	Finite Re after the adjustment for expected losses due to counterparty default																129,251
R0250	Net Best Estimate of Claims Provisions																227,882
R0260	Total best estimate - gross																782,050
R0270	Total best estimate - net																496,847
R0280	Risk margin																60,792
R0320	Technical provisions - total																842,842
Recoverable from reinsurance contract/SPV and																	
R0330	Finite Re after the adjustment for expected losses due to counterparty default - total																285,204
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	
R0340																	557,638

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IR.19.01.21
Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year Underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	0	1	2	3	Development year							In Current year	Sum of years (cumulative)	
					4	5	6	7	8	9	10 & +			
R0100	Prior										40,750	40,750		40,750
R0160	-9	0	21	418	660	1,007	878	2,350	4,667	6,602	5,791	5,791		22,394
R0170	-8	2	108	301	554	527	833	3,654	3,157	4,906		4,906		14,042
R0180	-7	0	20	257	1,799	837	2,793	2,178	2,262			2,262		10,146
R0190	-6	0	128	19	411	2,223	1,745	2,066				2,066		6,593
R0200	-5	0	0	80	1,285	687	2,922					2,922		4,974
R0210	-4	0	7	141	2,177	708						708		3,033
R0220	-3	3	20	490	1,096							1,096		1,609
R0230	-2	0	45	1,330								1,330		1,375
R0240	-1	0	109									109		109
R0250	0	0										0		0
R0260												Total	61,939	105,026

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										192,142	173,233	
R0160	-9	0	0	0	0	0	0	0	25,246	31,470		27,524	
R0170	-8	0	0	0	0	0	0	22,102	30,355			26,272	
R0180	-7	0	0	0	0	0	20,983	29,168				24,853	
R0190	-6	0	0	0	0	20,341	30,452					25,461	
R0200	-5	0	0	0	17,156	26,173						21,283	
R0210	-4	0	0	0	10,989	19,995						15,933	
R0220	-3	0	0	8,954	19,671							14,930	
R0230	-2	0	5,381	17,640								12,790	
R0240	-1	3,833	10,782									7,483	
R0250	0	10,336										7,371	
R0260												Total	357,133

IR.19.01.21.22			
Gross premium			
		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	2,539	24,589
R0170	N-8	2,569	34,050
R0180	N-7	2,336	43,791
R0190	N-6	1,954	56,861
R0200	N-5	6,389	55,217
R0210	N-4	13,943	51,343
R0220	N-3	21,222	87,771
R0230	N-2	24,417	128,331
R0240	N-1	13,130	111,114
R0250	N	21,251	140,402

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IR.22.01.21

Impact of long term guarantees measures and transitionals

Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
C0010	C0030	C0050	C0070	C0090
842,842	0	0	9,829	0
912,927	0	0	-4,692	0
912,927	0	0	-4,692	0
342,393	0	0	2,760	0
912,927	0	0	-4,692	0
115,021	0	0	1,299	0

R0010 Technical provisions

R0020 Basic own funds

R0050 Eligible own funds to meet Solvency Capital Requirement

R0090 Solvency Capital Requirement

R0100 Eligible own funds to meet Minimum Capital Requirement

R0110 Minimum Capital Requirement

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

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

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconcilliation reserve

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

342,393
115,021
266.63%
793.70%

C0060
912,927
0
0
0
912,927

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IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	Market risk	C0010
R0070	Interest rate risk	28,365
R0080	Equity risk	32,254
R0090	Property risk	2,258
R0100	Spread risk	71,538
R0110	Concentration risk	0
R0120	Currency risk	6,353
R0125	Other market risk	
R0130	Diversification within market risk	-35,094
R0140	Total Market risk	105,674
	Counterparty default risk	
R0150	Type 1 exposures	4,445
R0160	Type 2 exposures	2,309
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-391
R0180	Total Counterparty default risk	6,363
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	Total Life underwriting risk	0
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	Total Health underwriting risk	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	252,672
R0340	Non-life catastrophe risk	115,082
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-65,056
R0370	Non-life underwriting risk	302,698
R0400	Intangible asset risk	
	Operational and other risks	
R0422	Operational risk	23,462
R0424	Other risks	
R0430	Total Operational and other risks	23,462
R0432	Total before all diversification	538,738
R0434	Total before diversification between risk modules	438,196
R0436	Diversification between risk modules	-66,756
R0438	Total after diversification	371,440
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	-29,047
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	342,393
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	342,393
R0490	Biting interest rate scenario	increase
R0495	Biting life lapse scenario	

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IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

115,021

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
R0030 Income protection insurance and proportional reinsurance
R0040 Workers' compensation insurance and proportional reinsurance
R0050 Motor vehicle liability insurance and proportional reinsurance
R0060 Other motor insurance and proportional reinsurance
R0070 Marine, aviation and transport insurance and proportional reinsurance
R0080 Fire and other damage to property insurance and proportional reinsurance
R0090 General liability insurance and proportional reinsurance
R0100 Credit and suretyship insurance and proportional reinsurance
R0110 Legal expenses insurance and proportional reinsurance
R0120 Assistance and proportional reinsurance
R0130 Miscellaneous financial loss insurance and proportional reinsurance
R0140 Non-proportional health reinsurance
R0150 Non-proportional casualty reinsurance
R0160 Non-proportional marine, aviation and transport reinsurance
R0170 Non-proportional property reinsurance

0	
0	
0	
0	
0	
0	
0	
0	
0	
0	25,617
0	
0	
548,765	82,428
0	
0	
0	
0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

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

Overall MCR calculation

R0300 Linear MCR
R0310 SCR
R0320 MCR cap
R0330 MCR floor
R0340 Combined MCR
R0350 Absolute floor of the MCR
R0400 Minimum Capital Requirement

C0070

115,021
342,393
154,077
85,598
115,021
3,500
115,021



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