



RSA Insurance Group Limited

Consolidated financial statements for the year ended 31 December 2023



About us

We're motivated by our purpose

We are here to help people, businesses and society prosper in good times and be resilient in bad times.

We're driven by our values

Our Values guide our decision-making, keep us grounded, help us outperform and are key to our success.



Integrity

Be honest,
open and fair
Set high standards
Stand up for
what is right



Respect

Be kind
See diversity
as a strength
Be inclusive and
collaborate



Customer- driven

Listen to our
customers
Make it easy,
find solutions
Deliver second-to-
none experiences



Excellence

Act with discipline
and drive to
outperform
Embrace change,
improve every day
Celebrate success,
yet remain humble



Generosity

Help others
Protect the
environment
Make our
communities
more resilient

We're guided by our core belief

People are at the heart of our organization—and of our success.

How we do things is just as important as what we achieve. We are a purpose-driven company based on values and a belief that insurance is about people, not things.

What we aim to achieve

Our strategic objectives define what we aim to achieve: placing customers at the centre of everything we do, making sure our employees are engaged and proud to work at Intact, and being recognized as leaders in building resilient communities and industry outperformance.



RSA Insurance Group Limited

Strategic report

for the year ended 31 December 2023

In accordance with the Companies Act 2006, the Directors present their Strategic Report for the year ended 31 December 2023.

RSA Insurance Group Limited (the Company) is incorporated and domiciled in England and Wales. The Company's immediate parent company is 2283485 Alberta Limited. The Company's ultimate parent company and controlling party is Intact Financial Corporation (IFC).

RSA Insurance Group Limited and its subsidiaries operate in the UK, Ireland and Continental Europe (known as the Group, RSA or the RSA Group).

The Group and several of the Group's subsidiaries are regulated by the Financial Conduct Authority and/or the Prudential Regulation Authority.

Principal activity

The principal activity of the Group is the transaction of insurance and related financial services.

In the UK, RSA currently offers commercial lines insurance, specialist commercial lines insurance, personal property insurance and pet insurance, but is in the process of repositioning to become a leading UK commercial and specialty lines player.

RSA entered into an agreement to acquire the commercial lines broker business of Direct Line Insurance Group (DLG) on 6 September, increasing its market share in the domestic commercial lines market. Commercial lines in the UK are now offered through the RSA, NIG and Farmweb brands via brokers. RSA is also a leading specialist insurer in the London Market distributing through brokers under the RSA brand.

RSA currently offers personal lines insurance to customers through MORE TH>N (direct), brokers and affinity partners. During 2023 a comprehensive strategic review of Personal lines was undertaken which has resulted in a decision to exit the market. The Group announced its exit from the UK Personal lines motor market on 28 March 2023 and on 7 December 2023 announced that it had entered into an agreement to sell the remaining MORE TH>N operations to Admiral Group plc (Admiral). RSA will also exit its Home and Pet partner and broker contracts in the UK, which completes its exit from the UK Personal lines market.

In Ireland, RSA is one of the largest multi-line insurers in the market, distributing through 123.ie (our direct-to-consumer Personal lines brand), affinity partnerships and brokers. In addition, we are Ireland's largest commercial wind energy insurer.

In Europe, RSA operates within Belgium, France, Netherlands and Spain as a commercial lines insurer distributing under the RSA brand via brokers.

Our business model

a. Products that protect our customers:

Our customers are our business. We strive to address their changing needs and continually improve our service.

b. Effective product distribution:

We need to reach our target customers effectively and efficiently to continue to develop as a business. Our products are distributed directly to customers, through brokers and affinity partnerships.

c. Understanding risk to price correctly:

To help ensure we offer the right products, at the right price on the right terms, we work hard to increase our understanding of our customers' risks and their evolving needs.

d. Proactively managing claims:

We aim to settle legitimate claims quickly and smoothly, delivering good outcomes for our customers.

Our strategy

Our ambition is to build on RSA's strengths to deliver a consistently outperforming underwriting result¹. The acquisition of DLG's commercial lines brokered business and the exit from the UK personal lines market completes the repositioning of RSA as a leading UK commercial and specialty lines player, accelerating our ability to deliver sustainable outperformance.

We have four areas of strategic focus to achieve outperformance:

a. Leading customer experiences:

Customers are at the heart of everything we do. We aim for continuous improvement of experiences and outcomes.

b. Expand broker distribution:

Through strengthening and deepening our relationships with brokers.

c. Optimise underwriting for outperformance:

With market leading pricing, underwriting and claims capability.

d. Responsive and agile technology and operations:

By simplifying business channels and processes to improve our efficiency.

People are at the heart of our organisation, and of our success. We aim to be a best employer and for our employees and leaders to be representative of the communities we serve.

We also seek to be recognised as leaders in building resilient communities and delivering net zero (see Non-financial key performance indicators (KPIs) Climate section below).

We will build the customer proposition and grow our European businesses through alignment with IFC's specialty businesses in North America and the London Market, while continuing to focus on the underwriting excellence which has enabled the performance improvement of recent years.

Business review

Comparatives are re-stated following the adoption of IFRS 17 - Insurance Contracts (IFRS 17) on 1 January 2023. Refer to note 3 Adoption of new and revised accounting standards for the impact of the adoption of IFRS 17.

The Group reports a loss before tax of **£19m** for the year ended 31 December 2023 (31 December 2022: £176m profit). Net written premiums¹ for the year ended 31 December 2023 are **£3,347m** (2022: £3,112m) and net assets at 31 December 2023 are **£2,812m** (2022: £2,496m).

Loss before tax of **£19m** consists of **£77m** underwriting profit (2022: £60m profit), investment result of **£185m** (2022: £137m), **£15m** of central costs (2022: £25m) and **£266m** of other charges (2022: £4m). Other charges includes £162m of Integration and restructuring costs (2022: £91m) and £179m of Insurance finance expense (2022: £30m income). These measures are alternative performance measures (APMs). Refer to note - 42 Alternative performance measures for a reconciliation of these measures to the Consolidated income statement, and to Our KPIs below for further information.

On 27 February 2023, the Group announced that the Trustees of its two major defined benefit pension plans had entered into an agreement with Pension Insurance Corporation plc (PIC), a specialist insurer of defined benefit pension plans, to purchase annuity buy-in insurance contracts (the buy-ins) as part of their de-risking strategy. At the transaction date, the plans transferred the majority of their plan assets and an upfront contribution of £481m to PIC. Refer to note 29 Employee future benefits for further information on this transaction.

On 28 March 2023, the Group announced its exit from the UK personal lines motor insurance market and on 7 December 2023, the Group announced its exit from the UK personal lines home and pet market. Loss before tax in 2023 is impacted by the de-recognition of £55m of internally generated software assets in relation to these exits. In 2022 software assets with a net book value of £30m were de-recognised as part of a strategic reassessment of programme plans for internally generated software assets following the acquisition of the Group by IFC. Refer to note 15 Goodwill and intangible assets for further information.

On 22 July 2021, it was announced that Motability Operations Ltd had decided to move their business to a different insurer. On 24 June 2023, a contract variation was signed to formalise exit arrangements. This has resulted in the reversal of net written premium¹ of £168m. This reversal of net written premiums¹ has no impact on Insurance revenue because it is offset by a reversal of unearned premium. The exit completed with effect from 1 September 2023.

On 6 September 2023, the Group announced that it had entered into an agreement to acquire the brokered Commercial lines operations of DLG, a general insurer with leading market positions in the UK (the DLG brokered Commercial lines acquisition). The acquisition is expected to strengthen the Group's Commercial lines platform, broaden its broker distribution network and expand its current Commercial lines product offering. The purchase price includes an initial cash consideration of £520m paid on 26 October 2023, with potential for up to a further £30m contingent payment under earnout provisions relating to the financial performance of the quota share arrangement transferring all the future economics of the business. For further information on this transaction, refer to note 6 Business combinations and disposals.

On 7 December 2023, the Group announced that it had entered into an agreement to sell its UK direct Personal lines operations to Admiral for an initial cash consideration of £85m, with potential further consideration of up to £33m subject to the fulfilment of certain retention thresholds. The Group also announced it will exit its UK Home and Pet partner and broker contracts, resulting in a complete exit from the UK personal lines market. Refer to note 6 Business combinations and disposals for further information.

Our KPIs

The Group uses both IFRS and non-IFRS financial measures (Alternative Performance Measures - APMs) to assess performance, including common insurance industry metrics. Refer to note 42 Alternative performance measures for a reconciliation of these measures to the Consolidated income statement.

The KPIs most relevant to the financial performance of the Group are as follows:

Net written premiums¹ £3,347m (2022: £3,112m): premiums incepted in the period, irrespective of whether they have been paid, less the amount shared with reinsurers. They represent how much premium the Group retains for assuming risk. The Group targets growth that does not compromise underwriting performance.

Underwriting result¹ £77m (2022: £60m profit): Insurance service result less other expenses as shown in note 42 - Alternative performance measures. The Group aims to provide competitive pricing to customers that delivers a sustainable ongoing underwriting profit for the Group.

Loss before tax £19m (2022: £176m profit): net profit or loss generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Group. The impact of tax can vary from company to company, therefore excluding this enhances comparability. The Group seeks to maximise its profit before tax.

Non-financial and sustainability KPI statement

Customer: From a customer perspective, our UK customer advocacy ambitions are aligned with the IFC strategic objectives to have three out of four customers as advocates and four out of five brokers who value our specialised expertise.

We provide tailored products to meet the evolving needs of our customers by analysing trends and keeping pace with market developments.

A core pillar of our strategy is focused on customer experience and delivering good outcomes - this involves improving products and propositions, omni-channel customer journeys, service levels, and claims experience. Our customer policy sets out principles for the business to help deliver good customer outcomes and we monitor customer outcomes to understand performance and take action where needed. Further information on how we support and engage with our customers is contained in the Section 172 statement on pages 10 to 12.

Climate: Our ambition is to achieve net zero by 2050 and halve our operations' emissions by 2030. We are working on building plans towards this with IFC across all our geographies. Further information can be found in the Community and environment section of our Section 172 statement on page 11 and the Taskforce on Climate-Related Financial Disclosures report on pages 13 to 19.

Employees: We aim to be a best employer and track this primarily through our employee engagement scores. Our employee engagement score was 58% in 2023 and we are targeting 65% in 2024. We also continue to progress our Diversity, Equity and Inclusion agenda. We are proud to have achieved our Women in Finance target of 34% representation in the Management Group by 2023 a year early and we have recalibrated our future targets. We are aiming to achieve 40% female representation in Management by 2025.

Principal risks and uncertainties

The principal risks and uncertainties of the Group are set out in note 11 - Financial risk and note 13 - Insurance risk. Further detail on how the Group manages its principal risks and uncertainties is set out in the risk management report on pages 6 to 9.

Related party transactions

During the year, the Group received capital injections of £480m, £39m and £565m from 2283485 Alberta Limited (2022: £294m). These capital injections funded the pension fund buy-in (refer to note 29 Employee future benefits); the repurchase of issued debt (refer to note 19 Debt outstanding); and the DLG brokered Commercial lines acquisition (refer to note 6 Business combinations and disposals) respectively. In 2022, a capital injection of £294m funded the repurchase of the Tier 1 notes. Refer to note 32 for further information on all related party transactions.

Future outlook

We continue to improve the performance and resilience of the business. An ongoing focus is to further simplify what we do and drive and focus on areas of strength. We accelerated our path to sustainable outperformance by acquiring the brokered Commercial lines operations of DLG, and exiting the UK Personal lines market. We remain disciplined on new business, prioritising quality and profitability. We continue to increase rates to offset claims inflation, while also enhancing pricing and segmentation capabilities. Markets remain competitive but the Group has the right foundation to target sustainable growth in targeted product lines and customer types.

Events after the reporting period

On 16 January 2024, the Court of Appeal handed down its judgment in the Covid-19 business interruption case of Various Eateries Trading Ltd v Allianz Insurance Plc following the appeal hearing in November 2023. The findings were consistent with assumptions already made within the Group's insurance contract liabilities estimates and as such no adjustment has been made to the financial statements in respect of the judgment. The judgment clarifies questions over applicability of multiple limits and reduces the risk that these work in a different way to that already assumed within the Group's insurance reserves.

¹ Net written premiums and the underwriting result are Alternative Performance Measures (APMs). Refer to Further information – Jargon buster and note 42 Alternative performance measures.

Managing Risk

Managing risk to deliver for our customers and achieve our goals

The Group's aim is to deliver consistently for our customers while delivering outperformance.

The Group's operating plan provides a platform for ensuring the business remains aligned with its strategic goals, including strong delivery for our customers and sustainable performance with a robust capital base. The Risk function takes an active role in challenging the business on its development of our plans and delivery against our objectives and those of our customers.

Approach to managing risk and our appetite in 2023

Our risk management and controls frameworks have been updated to ensure that we continue to identify, assess and respond to risks across the Group before they adversely impact on our customers or the business. This information, together with the strength of the Group's capital position, allows the Board to set a risk strategy and appetite that articulates the level of risk it is prepared to take in delivering its strategic objectives.

Risk is managed within risk appetite, with the help of key risk indicators and thresholds. For our principal financial risks, the Group remained within tolerance throughout the year and three-year plans assume this will continue. From time to time, certain risks may exceed tolerance and action is taken to manage them back to acceptable positions. This year saw continued progress in some key risk areas, including customer, underwriting and operational risk (specifically IT systems and information risk).

Risk culture – culture of accountability and openness

We consider the foundation of an effective risk management framework to be the cultivation of a risk culture that promotes accountability and openness (a willingness to admit mistakes and learn from the past). At RSA, the Board and senior management team has been instrumental in setting the right 'tone from the top', and we gain insights from periodic culture health reviews and periodic workforce surveys.

A key part of our culture is ensuring our customers are at the heart of all we do. We give considerable attention to ensuring our customers are treated fairly and our colleagues are passionate about achieving good customer outcomes.

Employment policy

Our people are central to achieving our core purpose, and our culture of support for personal well-being, diversity and equal opportunity to excel is important to us. Alongside our People and Diversity, Equity & Inclusion Strategies, group-wide Employment Practices and Speaking-up & Whistleblowing Policies drive our approach on people matters and are reviewed annually. RSA actively promotes inclusivity, including ensuring there is no less favourable treatment on the grounds of protected characteristics. The Group gives full and fair consideration to applications for employment from disabled persons, where a disabled person can adequately fulfil the job's requirements. Where existing employees become disabled, the Group's policy, wherever practicable, is to provide continuing employment under normal terms and conditions and make any required changes to their working environment. The Group provides training, career development and promotion to disabled employees.

Human rights

As a signatory to the UN Global Compact, RSA is committed to aligning its operations with the ten universal principles that together cover our approach to environment, human rights, labour and anti-corruption.

Our Human Rights Policy sets out our commitment to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. It sets the standard we expect for our employment practices, the actions of our supply chain, and principles we apply to our investment and underwriting portfolios.

Anti-bribery and corruption

We do not tolerate bribery and corruption anywhere in our business. Our Anti-Bribery and Corruption Policy and Personal Conflicts of Interest, Gifts and Hospitality Policy apply across our business. Directors, people leaders and others with supervisory responsibility must ensure that employees, contractors, business partners and suppliers are aware of these policies and comply with them.

Emerging risk – monitoring the future threats

Emerging risk

<p>Cyber (including war and terrorism related to cyber)</p> <p>Cyber threats arise on a frequent basis; however, risk of hostile states and organised crime engineering severe attacks remains elevated.</p>	<p>Terrorism / Civil disorder</p> <p>Attacks could impact a large number of our customers, colleagues and third-party suppliers.</p> <p>Events in France heightened concern that pressure on real incomes could lead to civil disorder in the UK and beyond.</p>	<p>Inflation / Recession</p> <p>The economic climate remains challenging, with inflation levels still high and very low levels of economic growth. This combination has continued to contribute to higher claims and repair costs, increased liabilities, reduced consumer spending and political tensions.</p>	<p>Geopolitical tensions</p> <p>Recent conflicts have contributed to geopolitical tensions, including political, economic, cyber, trade disputes, tensions or conflict in other regions, relations with China, and EU stability. This continues to be monitored against a backdrop of impending US and European elections.</p>
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Near-term risk

<p>Competition and disruption</p> <p>The combination of high UK inflation and higher for longer interest rate environment has put pressure on consumers and business. The competitive landscape has changed, leading to softening of some markets.</p>	<p>Critical infrastructure failure</p> <p>There is potential for power outages, such as rolling blackouts, triggered by cold weather patterns and energy protectionism in Europe, leading to energy shortfalls.</p>	<p>Climate change: transition</p> <p>Economic effects are starting to materialise. There remains uncertainty about the scale of disruption to the economy or asset valuations as actions are taken to deliver on net zero targets.</p>	<p>Climate change litigation</p> <p>There are a growing number of litigation cases globally relating to climate change against organisations and governments.</p>
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Medium-term risk

<p>Toxic / Chemical products</p> <p>Risk associated with long-term health implications from a range of small particles and hazardous chemicals/substances that could cause harm when ingested, inhaled, or come into contact with skin. Impacts include potential for significant long-tail future liability claims.</p>	<p>Conflagration: Lithium batteries</p> <p>There has been a notable increase in claims cases globally due to fires associated with the improper handling of shipments of lithium batteries.</p>	<p>Technological innovation</p> <p>Emerging technologies, including the rapid adoption of generative artificial intelligence, are changing both insurance operations and insurance needs and could affect both frequency and severity of losses.</p>
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Long-term risk

<p>Climate change accelerations</p> <p>While transition and litigation risks are nearer term, the physical risks will take longer to fully materialise and come with even greater uncertainty. We are already experiencing volatility in global weather patterns that are being reflected in weather assumptions but there are substantial risks that these physical effects could accelerate (e.g. wildfires).</p>	<p>Discriminatory pricing</p> <p>As markets evolve and the use of 'big data' and algorithms in setting prices becomes more prevalent, there is a risk that these inequalities are perpetuated and amplified. The insurance industry (and regulator) need to continue to have the right controls in place to ensure good and fair customer outcomes.</p>
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Risk management approach

Risk management system

<p>The Board sets business strategy</p> <p>The Board sets the business strategy which is incorporated in the three-year operational plan. The Risk function provides robust challenge of the validity and the achievability of the plan.</p>	<p>The Board sets risk appetite</p> <p>The Board sets risk appetite, indicators and tolerances which aligns to our business strategy. Underpinning risk appetite and indicators are set and monitored by the business.</p>	<p>Policies set a framework for operating within appetite</p> <p>Our principle-based policy suite and associated frameworks and procedures set out the guiderails to deliver the operational plan within appetite. Control testing and monitoring supports risk management.</p>	<p>Monitor appetite and action tracking</p> <p>The business is accountable for managing their own risks and defining risk response action plans. Oversight is provided by Risk and Control Committees and escalation to the Board is via the Risk Committee.</p>
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<p>Own Risk and Solvency Assessment (ORSA) reported to Board</p> <p>Forward-looking assessment of risks and capital requirements are combined to inform decision-making on the strategy, planning and risk appetite for the next cycle.</p>	<p>Model outputs used in ORSA</p> <p>The internal model is run regularly throughout the year to assess the risks impacting the Group and determines how much capital the Group needs to hold to remain solvent, even after a major stress event(s). This forms part of the ORSA process.</p>	<p>Model outputs inform business decision making</p> <p>Validated model outputs are used to assess and inform business decision making, including capital planning, reinsurance analysis and risk-weighted returns for pricing.</p>	<p>Risk assessment and update internal model</p> <p>Significant changes in risk assessments are considered by the Internal Model Governance Committee and, where appropriate, the Group's internal model is updated.</p> <p>The model is validated by the Risk function, informed by stress and scenario testing.</p>
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Key risks and mitigants

Key risks and exposures	Key mitigants and controls
Financial Risk	
<p>Capital risk</p> <p>This is the risk that the Group is unable to meet capital requirements.</p>	<ul style="list-style-type: none"> Controlled through well-defined risk appetite statements and indicators which are rigorously monitored. RSA adopts a disciplined approach to economic and regulatory capital planning and allocation.
<p>Market and Credit risk</p> <p>This is the risk to our insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and, to a lesser extent, currency fluctuations.</p>	<ul style="list-style-type: none"> RSA adopts a prudent investment strategy favouring high-quality fixed income bonds, a modest allocation to equities and selected less liquid assets subject to strong internal and external governance. RSA ensures assets are closely duration and currency matched with insurance liabilities to hedge volatility. Investment positions are regularly monitored to ensure limits remain within quantitative and qualitative appetite (including ESG factors). Asset Managers position assets to align to the Low Carbon Position Statement.
<p>Liquidity risk</p> <p>This is the risk that the Group may be unable to pay obligations (e.g. claims payments, repayment of loans, etc.) when due, as a result of assets not being available in a form that can be easily converted into cash.</p>	<ul style="list-style-type: none"> Controlled through well-defined risk appetite statements and indicators which are rigorously monitored. RSA holds a high proportion of high-quality liquid assets to ensure that we can respond to claims and other liabilities in a stressed scenario.
Insurance Risk	
<p>Catastrophe and Reinsurance risk</p> <p>This is the risk that a single event, or series of events (natural or man-made), of major magnitude could lead to a significant increase in actual claims compared to total expected claims.</p>	<ul style="list-style-type: none"> Our reinsurance programme significantly reduces our exposure to catastrophe risks, with modelled extreme losses and historic experience being well covered by our programme. The programme is designed to cover at least 1-in-200-year events and is stress-tested for extreme weather events. RSA monitors the potential impact of natural and man-made catastrophes through scenario analysis with appropriate response taken.
<p>Underwriting risk</p> <p>This is the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing. This may arise due to misestimation in pricing, inadequate risk selection, deviation from underwriting guidelines, technical policy wording flaws, and so on.</p>	<ul style="list-style-type: none"> Controlled through well-defined risk appetite statements (including climate change factors) which are rigorously monitored quarterly. Risks to inflation and the economic environment are actively monitored with appropriate response taken. Underwriting licences and limits are used to drive appropriate risk selection and pricing. Regular quality management, Control Testing and assurance activities are performed over underwriting pricing and claims.
Operational Risk	
<p>Operational risk</p> <p>This is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise.</p>	<ul style="list-style-type: none"> Operational risk and resilience processes and procedures are in place, including incident management. Continued improvement to our Operational Resilience and Third-Party oversight capabilities, supported by simulation exercises which test the adequacy of our approach. Control effectiveness is monitored through Control Testing and assurance activities. System and information (including information security) risks remain a key focus, and we have made significant progress with risk reduction over the year.
<p>Customer risk</p> <p>This is the risk that customers do not receive good outcomes and suffer harm because of products and services that are not fit-for purpose, offer poor value, are poorly explained or inadequately supported.</p>	<ul style="list-style-type: none"> The UK Executive Committee oversees key matters and decisions relating to good customer outcomes, supported by Customer Outcomes Monitoring, which is reported to the Board periodically. Adherence to key frameworks, such as Product Governance and Delegated Oversight, is monitored and subject to Control Testing and assurance. Successful delivery of key Consumer Duty requirements in line with regulatory deadline.

Section 172(1) Companies Act 2006 statement

The Board has balanced the views and interests of our stakeholders, alongside the need to promote the long-term success of the Group. The Board has acted in a way that it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. This section sets out how the Board, in doing so, has had regard to the matters set out in Section 172 of the Companies Act 2006, including:

- i. the likely consequences of decisions in the long-term;
- ii. the interest of our employees;
- iii. the need to further the Group's business relationships with suppliers, customers and others;
- iv. the impact of the Group's operations on the community and the environment;
- v. the desirability of the Group to maintain a reputation for high standards of business conduct; and
- vi. the need to act fairly.

Shareholder

The Group's ultimate parent is IFC. RSA shares the Purpose and Values of IFC and is aligned with IFC's strategic objectives to deliver outperformance and value for its shareholders. Shareholder representatives are included on the RSA Board.

Customers

Good business starts with our customers and we strive to keep them at the heart of what we do. The Board works hard to increase its understanding of risks to our customers' so that we continue to provide tailored products and services that meet their diverse and evolving needs. Customer satisfaction and customer retention are critical to the long-term sustainable prospects of the Group.

The Board receives regular updates from senior management on customer and conduct matters, including key indicators that monitor customer outcomes and insights on customer-driven decision-making. These updates keep the Board informed on customer priorities and key risks to the consistent delivery of good customer outcomes, and future areas of focus.

The Board's Customer Champion (a Non-Executive Director) supports the Chair and the CEO in ensuring that our customer ambitions and the Financial Conduct Authority's (FCA's) Consumer Duty requirements are regularly discussed and considered by the Board.

The Board continues to be kept informed on how management is responding to ongoing Consumer Duty requirements and takes steps to support good customer outcomes to ensure sustainability.

Workforce

The Board recognises that a values-driven, open culture and an engaged workforce are central to achieving our strategic goals. As such, the Board is committed to setting the tone from the top and engaging in a meaningful way with our people.

The Board has supported management's communication approach to ensure the workforce is informed of, and engaged in, business strategy and performance. Communications span a range of digital and in-person channels to achieve a broad reach and appeal. This year saw the launch of RSA Connect Live, a quarterly RSA Group-wide interactive townhall hosted onsite by Executive Team members with live-stream to employees across all locations.

The Board received insights from employee feedback gained through these communication channels and also from employee surveys and dialogue with employee representation groups, including a European Works Council. The Board hosted a lunch with individuals in our talent succession plans to directly exchange views. In addition, some Board members are paired with an employee from an ethnic minority background to directly champion an Enable Me initiative designed by our REACH Employee Resource Group for multicultural inclusion.

During the year, the Board received and supported a number of updates on people priorities including:

- i. our people strategy; culture and engagement assessments; talent and succession initiatives; and progress against our diversity, equity and inclusion ambitions, for example, Gender Pay Gap and Women in Finance.
- ii. the Board was also apprised of our approach to the people impacts from changes to our business portfolio, the focus being transparent and considerate engagement.
- iii. our Diversity, Equity & Inclusion (DEI) strategy encompassing customer and employee experience perspectives. A data collection programme was undertaken to better understand the demographic profile of our workforce and inform areas for particular focus.
- iv. the launch of our UK Equal Parental Leave policy, which applies from 1 January 2024 and is designed to support all colleagues, challenge outdated gender norms and encourage all parents to take time out to care for their child.
- v. monitoring progress on all-things people-related through employee surveys, engagement with employee representation groups and review of relevant data points. This ensures we continue to learn and evolve our approach in ways that are meaningful to our people.

The Board understands that enabling our people is key to our long-term success. The Board supported our 2023 annual pay review strategy of higher pensionable salary increases for employees at greatest risk of cost-of-living impacts.

Regulators

RSA is regulated by the Prudential Regulatory Authority (PRA) and the FCA and is committed to working with its regulators in an open, cooperative and transparent manner. RSA's subsidiary in Ireland is regulated by the Central Bank of Ireland. RSA's subsidiary in Luxembourg is regulated by the Commissariat aux Assurances (CAA). We seek to ensure a strong regulatory compliance culture throughout RSA in order to pre-empt and, where necessary, resolve regulatory issues and to avoid or minimise business impact and the risk of customer harm. The Board continues to have constructive engagement with our regulators, ensuring that they gain a comprehensive view of the Group's financial soundness, strategic and operational priorities, governance and culture, and that we understand the issues of interest to them.

The Board regularly engages with RSA's regulators across all the regions that it operates. The PRA attended a Board meeting in 2023 to discuss regulatory priorities.

We believe that open and regular dialogue promotes transparency between the Group and its regulators and ensures that we are in a position to reflect the views of our regulators when setting strategy. The outcomes of our engagement with our regulators influence RSA's priorities and focus for the year and are set out in the regulatory compliance plan, which is considered and approved by the Governance, Conduct & Remuneration (GCR) Committee.

Community and the environment

Building resilience is core to the Group's purpose – to help people, businesses and society prosper in good times and be resilient in bad times. This is manifested by our contribution to communities and how we work to mitigate the impact of our business on the environment, in particular how we work with business partners, suppliers and customers in relation to our shared response to the challenges posed by climate change.

The Board has oversight of RSA's policies on climate change and is engaged on how the business is supporting the transition to a low greenhouse gas (GHG) economy. Further information on the Board's oversight and engagement on climate change is set out in the Taskforce on Climate-Related Financial Disclosures (TCFD) report on pages 13 to 19.

We are focused on building resilient communities. That means helping society and our customers adapt to the impacts of climate change, investing in skills to help communities access opportunities for growth and prepare for the future, as well as supporting the well-being of communities where we operate. RSA reports annually on its performance as part of the IFC Social Impact and Environmental, Social and Governance (ESG) report, available at www.intactfc.com.

Our community programmes continue to empower our employees to help build resilient communities by harnessing their generosity and enthusiasm in support of some of the most vulnerable in society. This year, RSA directly contributed over £1.24m to charitable initiatives, supporting causes such as food poverty, education, and mental and physical health. Together with employee contributions, we donated £1.5m, a 20% increase on the previous year, to 650 charities.

All RSA employees are provided with two days to volunteer per year. Employees volunteered 8,665 work-time hours in 2023. This represents an increase of 150% compared to 2022, reflecting the enthusiasm of RSA colleagues to demonstrate our value of 'Generosity' by supporting local causes. In 2024, we are focused on sustaining high levels of participation in our volunteering programmes and inspiring greater participation and impact through our community engagement.

Suppliers

Our suppliers are critical to our business and the long-term success of RSA. Our Supplier Code of Conduct sets out the minimum standards we expect from our suppliers. These include respect for human rights, Diversity, Equity and Inclusion and sustainability. In 2023, we built on the work in previous years to continue to engage with our suppliers, through structured supplier management practices, across a range of ESG topics. We are continually evolving the approach to third party management to ensure that our supplier relationships are managed in a cooperative and proportionate manner.

A balanced and collaborative approach to stakeholder engagement

The Board is committed to fostering strong engagement with its shareholders. As part of its decision-making throughout the year, the Board has considered and balanced the views and interests gained through its stakeholder engagement, as well as the need to promote the long-term success of the Group.

Key strategic decisions in 2023

The Board considers the potential consequences of decisions in the long-term, the stakeholders that might be affected and how they may be impacted as part of the decision-making process. The key strategic decisions undertaken by the Board in 2023 were informed and supported by consideration of the Group's stakeholders. The Board fulfils its duties under the Companies Act through:

Capital decisions

Stakeholders: Shareholders, Regulator

During the year, collaborative discussions were held with the Group's shareholder on a number of topics including strategic opportunities, capital management, financial performance and planning and reinsurance arrangements. As a result of this engagement, the Group decided to repurchase £40m of its £400,000,000 Fixed Rate Reset Guaranteed Subordinated Notes (the Notes). The offering to the Notes holders followed consultation with specialist advisors and engagement with the PRA.

Strategic decisions

Stakeholders: Shareholders, Regulators, Employees and Customers

The Group considered a number of strategic opportunities within the market during the year. The Board considered a number of detailed reports in respect of opportunities in the market and opportunities for the Group to outperform. On 28 March 2023, the Group announced its exit from the UK personal lines motor insurance market and on 7 December 2023, the Group announced its exit from the UK personal lines home and pet market. On 6 September 2023, the Group announced that it had entered into an agreement to acquire the brokered Commercial lines operations of DLG. As part of the decision-making process the Board paid careful consideration to the impact on customers and employees as well as the financial and performance considerations. The Board concluded that in each of the strategic transactions action had been taken to ensure good outcomes for employees and customers and that there was clear and timely communication of the transactions and the impact. The Board was satisfied that the transactions were in the best long-term interests of the Group.

Pension Buy-In Transaction

Stakeholders: Employees, Shareholder, Regulators

The announcement that the Trustees of the Group's two major defined benefits pension plans had entered into an agreement with PIC, a specialist insurer of defined benefit pension plans, to purchase annuity buy-in insurance contracts was the result of detailed negotiations and analysis by management and by our shareholder, IFC. The transaction was also funded by a capital injection from IFC. The transaction benefited annuity holders by de-risking their pension funding and also strengthened the Group's capital position.

Diversity, Equity & Inclusion

Stakeholders: Employees

The Group is committed to supporting diversity, equity and inclusion across the organisation to ensure a diverse workplace. A UK Equal Parental Leave Policy was implemented from 1 January 2024 as part of this drive.

Task Force on Climate-Related Financial Disclosures (TCFD) report

Consistency

We consider that RSA is largely consistent with the TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled Recommendations of the Task Force on Climate-related Financial Disclosures published in June 2017 by the TCFD.

Our primary area of development is in Strategy – Section C of the TCFD climate-related scenarios. RSA was one of 18 firms to participate in the Bank of England Climate Biennial Exploratory Scenario (CBES) exercise in 2021, which explored the financial risks posed by climate change and tested the resilience of the financial services sector. Subsequent management actions to mitigate the risks associated with CBES climate pathways are in line with our climate strategy. In addition, our stress testing exercise considers location-based exposures and the potential accumulation of risks in regions susceptible to extreme weather events. We did not conduct a comprehensive climate scenario analysis (CSA) in 2023, due to the ongoing strategic review of the business. Moving forward, we will consider stress testing and CSA exercises that are appropriate to the new shape of our exposures and the potential impact of climate-related issues on financial performance.

Purpose

Our purpose is to help people, businesses and society prosper in good times and be resilient in bad times. We believe that financial performance and helping society are important and therefore we have integrated both into our strategic objectives. This commitment is reflected in the Group's approach to social impact and ESG. Information regarding RSA's business model and the ongoing resilience of the business having considered risk factors, including climate risk, can be found in the Strategic Report from page 3 and the Managing Risk section on pages 6 to 9.

RSA is committed to contributing to efforts that reduce GHG emissions and accelerate the transition to a low GHG and resilient future, helping to limit the global temperature rise this century to well below 2°C above pre-industrial levels, as outlined in the Paris Agreement.

Our strategic objectives include our commitment to become net zero by 2050 across our business, to halve our operations' emissions by 2030, and to be recognised by three out of four stakeholders as being a leader in building resilient communities.

Our enterprise-wide strategic objectives, governance systems, enterprise risk management process, and global climate strategy demonstrate RSA's strong position to manage climate-related risks to our business, and capture climate-related opportunities.

We also believe that, in addressing climate risks, we have an opportunity to help both people and society manage the impacts of a changing climate and win in the marketplace by providing products and services that help both shape behaviours and enable the transition. RSA's Climate Change and Low Carbon Policy underpins our commitment to enable the transformation of businesses and industries key to the transition and support new industries that will be created to build a sustainable future.

Governance

Board oversight

RSA is committed to delivering the strategic direction and initiatives of our parent company, IFC, including our global climate strategy. The Board of Directors is responsible for overseeing the strategic direction and initiatives of RSA with regards to climate change. Climate change is an integral accountability of the Board's Risk Committee and Governance, Conduct and Remuneration (GCR) Committee. Further information on the composition of the Committees can be found on pages 24 and 25. These Committees oversee the assessment and monitoring of the threats and opportunities for our business related to climate change, the risk inherent to the transition to a net zero and climate-resilient economy. The Board is fully engaged in shaping the approach to Enterprise Risk Management, including setting our risk appetite where appropriate and ensuring governance structure and policies are effective.

Committee	Climate-related roles and responsibilities
Board of Directors	Oversees the delivery of the climate change strategy and achievement of strategic objectives (which include climate change focused objectives).
Risk Committee	<ul style="list-style-type: none"> Oversees the assessment and monitoring of the risks related to climate change and the development of strategies to manage these risks. Reviews risk monitoring programmes and receives quarterly reports on risk monitoring activities. Ensures that our pricing and segmentation practices are adapted to address our risks, including those related to climate change and trends in catastrophe and severe weather events, and that our reinsurance programmes adequately limit our losses in the event of significant weather-related losses and other catastrophic events.
Governance, Conduct & Remuneration Committee	<ul style="list-style-type: none"> Oversees corporate disclosure on climate change and climate risk management.
Audit Committee	<ul style="list-style-type: none"> Oversees the integrity, fairness and completeness of our financial statements and other financial disclosures. Oversees the quality and integrity of our internal controls and procedures. Oversees our actuarial practices, ensuring pricing and segmentation practices are adapted to address our risks including those related to climate change and trends in catastrophes and severe weather events.

Management oversight

At the forefront of risk management at RSA, our Enterprise Risk Committee is headed by our Chief Risk Officer, and reports to the Board's Risk Committee quarterly. The Chief Risk Officer and Enterprise Risk Management (ERM) Committee oversees the ERM process, which is integrated into all business activities and strategic planning. This includes the identification, assessment, response, monitoring and reporting of risks, including those related to ESG and climate.

The ERC meets quarterly with risk owners within the Company to investigate emerging risks and ensure risk management plans are in place.

Our Executive Management Team, including the CEO, provides direct leadership on ESG Initiatives. The CFO, Chief Risk Officer and Chief Underwriting Officer each hold Senior Management Functions responsibilities for climate risk management and a number of senior executives have climate-specific performance goals. More information about ESG links to executive compensation can be found in the IFC Social Impact and ESG report available at www.intactfc.com.

Committee	Climate related roles and responsibilities	Action in 2023
Executive Committee	The Executive Committee oversees the climate change strategy, net zero target progress, climate adaption initiatives and climate risk management approaches.	Reviewed and discussed climate strategy progress updates throughout 2023.
Enterprise Risk Committee	Headed by our Chief Risk Officer, this committee oversees risk management priorities, assesses the effectiveness of risk management programmes, policies and actions of each key function of the business and reports quarterly to the Board Risk Committee.	<p>Conducted ongoing assessment of risks and opportunities arising from climate change.</p> <p>Engaged quarterly with leadership of commercial, personal and specialty lines leaders to ensure proper risk assessment and mitigation plans are in place.</p> <p>Reviewed catastrophe risk and weather related perils.</p>
Operational Investment Committee	Reviews investment strategies for the Group, including RSA. The OIC oversees the climate change engagement strategies with investees and commitments to climate initiatives.	Reviewed investment strategies to confirm alignment with the climate strategy, identify gaps, and work to close them.

Strategy

The IFC climate change strategy, is led by IFC's Chief People, Strategy and Climate Officer, and is operationalised at the IFC group-level. RSA executives and teams actively deliver the strategy across the business.

Our climate strategy focuses our expertise, scale and resources to address all aspects of climate change, including our commitment to achieve net zero by 2050, through which we believe we can effectively manage risks, take advantage of market opportunities and help society.

Our climate strategy is guided by the following principles:

- i. We will help people, businesses, and society de-risk the transition toward a sustainable future by leveraging our strengths.
- ii. We will take an inclusionary approach to supporting our stakeholders in the transition.
- iii. We will focus our actions on areas that maximise the overlap between helping and winning.

Workstreams have been mobilised across our business, including in operations, supply chain, underwriting, investments, and social impact, to establish the foundations and deliver on the milestones necessary to achieve our goals, which comprise:

Commit: We have a commitment to achieve net zero GHG emissions by 2050 in line with the Paris Agreement. Our interim goal to halve GHG emissions from our operations by 2030 using 2019 data as a baseline. Our GHG emissions reduction plan includes initiatives such as electrifying our fleet of vehicles, increasing renewable energy use to power our offices and reducing corporate travel.

Part of our GHG emission reduction plan is to achieve a 70% reduction in the emissions from our global fleet by 2030. Our Essential Car User scheme allows employees on the scheme to choose between a plug-in hybrid electric vehicle (PHEV) or a battery electric vehicle (BEV). In the UK, 71% of vehicles are now PHEV or full BEV.

Of the electricity we purchase directly in the UK, nearly 100% is now procured from renewable sources. GHG emissions from RSA's corporate real estate have reduced by 14% this year. More details are available in the Streamlined Energy and Carbon Reporting (SECR) section on page 26.

Adapt: We help people adapt to climate change by promoting community resilience to increasingly severe weather events. In the UK, we are committed to Flood Re's Build Back Better scheme, which will reduce the long-term impacts of flooding through incentivising the adoption of resilience measures at a household level, including the installation of property flood resilience measures when repairing properties. We are also investing in natural flood management interventions through our partnership with the Gloucestershire Wildlife Trust to protect communities from flooding.

Shape: In 2023, we have focused on upskilling our employees by providing training to increase their climate knowledge and what they can do to support our strategy. Over 20,000 colleagues globally had completed our Climate Change 101 module by October 2023, viewed over 6,700 times in the UK.

Enable: We are enabling the transformation of businesses and industries key to the transition and supporting new industries that will be created to build a sustainable future. RSA's Climate Change and Low Carbon Policy, first implemented in 2020, outlines our role in insuring renewable energy generation projects. The policy includes a commitment to target an underwriting portfolio for energy production that is over 75% low carbon by 2030.

Collaborate: We collaborate with governments and industry to accelerate climate action. RSA is an active participant in business and industry groups engaging with the issue of climate change. This includes ClimateWise, the Association of British Insurers, the FCA PRA Climate Financial Risk Forum, and the Central Bank of Ireland's Climate Risk and Sustainable Finance Forum sharing best practice on climate risk and strategies that will help to mobilise finance towards low GHG industries, technologies and services.

More information about RSA's Scope 1, 2 and 3 (Business Travel) emissions profile are available in the Streamlined Energy and Carbon Reporting (SECR) section on pages 26 and 27.

Financial Planning

RSA plays an important role in supporting the energy transition through industry collaboration, reducing our operations emissions, providing products and services that support low-GHG energy generation, and in aligning our underwriting activities with our Climate Change and Low Carbon Policy. We work to align our business activities with our commitment to support the development of renewable energy and other clean energy technologies through our products and services while limiting capacity available to and investments in fossil fuels.

When carrying out the planning process we take into consideration latest weather trends and events to ensure we have included adequate budget within the financial operating plan. During the planning process we also ensure we are within our coverage ratios from a Capital perspective to ensure we can fund any major events.

Additionally, we have an opportunity to influence our customers and suppliers to improve their resilience to climate change through engagement and education, and to place increased focus on adaptation in the geographies and communities in which we operate.

The financial operating plan process with regards to climate remains unchanged in light of the recent acquisition of the DLG brokered commercial lines business by RSA.

Stress testing

RSA's stress tests are designed to help the business understand the potential financial consequences of complex risk events, including climate change-related extreme weather events, where the impacts can be broad, far-reaching and with a range of outcomes.

Global catastrophe risk is a material part of RSA's risk profile, and extensive reinsurance arrangements are in place to manage and mitigate this risk. RSA also monitors the locations of its exposures and whether there is the potential for accumulation of them in regions susceptible to weather events, and prices risks accordingly.

Our stress testing also considers other climate-related scenarios, such as litigation risk, and how our clients could be susceptible to these risks. These types of stress tests inform our underwriting and pricing strategy and approach.

Risk management

We have a proven ability to manage climate risks in our operations and we take a number of actions to protect our business and our customers. RSA has a number of risk management strategies in place to mitigate risk, reduce financial impact and capture potential opportunities. Our business strategy and intrinsic risk management processes are responsible, in large part, for our climate change resilience. More information can be found in the Managing Risk section on pages 6 to 9, which includes climate risk.

Our risk and operational teams regularly review the emerging risk landscape. We analyse Group-wide data, exposure and trends, and external research to identify a management approach to climate-related risks. Climate risk is managed through our operational policies and standards, and categorised into pricing and selection, product innovation, supply chain and claims, prevention and investments.

Group policies are reviewed on a risk-based cycle (with the majority annually) to ensure that we respond to changes in the internal and external risk profiles, including climate change, through relevant requirements and controls. We have also integrated climate change into our Risk Appetite Statement and Own Risk and Solvency Assessment (ORSA). Reinsurance and operational planning processes are our primary means of reducing the financial impacts of climate-related losses associated with the physical risks of changing weather patterns. More information on the ORSA can be found in note 22.4 to the financial statements.

Climate risks

Through our risk management process, we have identified climate-related risks and opportunities to our business. Risks and opportunities are presented in the tables below. In the tables we have outlined the ways in which we manage those risks, and how we take advantage of potential opportunities.

The key climate-related risks with the potential to impact our business include:

Risk Type	Time Horizon	Risk Description	Risk Management
Physical	Short-term	Increased claims costs from short-term changing weather patterns and increased severity of extreme events, primarily flood and windstorm	Managed through underwriting actions and reinsurance
	Long-term	Increased claims costs from damage caused by increased severity and/or duration of extreme weather events such as cyclone, floods, wildfire and/or cumulative gradual climatic changes – for example, in precipitation or sea level	Managed through underwriting actions and reinsurance
	Long-term	Reduction in demand (and associated revenues) for insurance products/services due to increasing costs of premiums, reducing affordability	Managed through product offering, innovation and portfolio management
Transition	Medium-term	Changes in the operational cost base or claims profile due to new or unproven technologies associated with the net zero transition (e.g. switch to electric vehicles, large turbine size, battery storage etc.).	Managed through underwriting actions and reinsurance
	Long-term	Reduction in investment returns due to early retirement of assets, reduced demand for products or increased costs of business for GHG-intensive industries	Managed through diversified investment portfolio and risk appetite on GHG-intensive sectors
Liability Risk	Short/Medium-term	Compensation could be sought for losses resulting from the physical or transition risks outlined above.	Managed with annual policies, underwriting actions and reinsurance
	Short/Medium-term	Physical and transition risks may also lead to liability risk, such as the risk of climate-related claims under liability policies, as well as the risk arising from other climate-related litigation or direct actions against RSA. For instance, compensation could be sought for losses resulting from an alleged failure for us to manage the climate-related risks outlined above, from allegations related to “greenwashing” in RSA’s representations or from climate activism-driven actions. Such litigation or direct actions may also pose reputational risk.	Managed through the application of our disclosure practices, including disclosing our progress in a timely and transparent manner.
	Long-term	Net zero commitments are contingent on many variables, including the role of governments and their ability to meet climate commitments. There is a risk that companies have overstated their ability to meet their target or miss their interim net zero targets.	Managed through the application of our disclosure practices, including disclosing our progress in a timely and transparent manner.

Climate opportunities

The key climate-related opportunities with the potential to impact our business include:

Type	Time Horizon	Opportunity Description	Opportunity Management
Physical	Medium-term	Development of climate adaptation and resilience solutions	Managed through product/service offering, risk management expertise and customer engagement, and community partnerships
	Long-term	Increased demand (and revenues) for insurance as changes to weather patterns increase public awareness of the need for cover	Managed through product/service offering and customer engagement
Transition	Short/Medium-term	Increased investment in renewable energy technologies, increasing demand for renewable energy insurance and increasing revenue	Managed through product/service offering, renewables centre of excellence and our Climate Change and Low Carbon Policy position
	Short/Medium-term	New product and service offerings to provide insurance for new technologies, resource efficiency or infrastructure, such as electric vehicles and rail	Managed through product/service offering, customer engagement and ongoing market analysis

Definitions

Short term	0 – 4 years
Medium term	5 – 10 years
Long term	> 10 years

Physical risks

Some of our key risk management activities for physical risks include:

- i. most of our insurance policies are 12 months in duration, enabling us to respond to changing weather patterns. This ensures our charged prices are responsive to the latest weather-related trends which we assess and action in our property business quarterly;
- ii. Underwriting Portfolio Management monitors trends within specific lines of business, identifying and determining actions needed to respond to changes driven by climate change;
- iii. reinsurance provides protection against losses from severe weather events. Our catastrophe reinsurance covers flood, windstorms, hurricanes, wildfires and other severe weather events, with special provisions providing additional protection for prolonged or greater frequency events. Below our catastrophe cover, we purchase specific treaties for business that is more exposed to major events and use facultative and per risk reinsurance to limit exposure on any one risk;
- iv. we work with our customers to promote measures that improve resilience to extreme weather. For example, through our risk consulting business risk engineers work directly with our customers to survey risks and develop responses such as raising awareness of new locational hazards, installation of property flood resilience measures, promotion of construction standards and plans to minimise business damage or disruption e.g. contingency plans for flood preparedness and pre-event preparation and post-event recovery; and
- v. we use weather peril models and geolocation tools to support risk assessments and underwriting of residential and commercial properties. Our operational planning processes also consider changing weather patterns. Using up-to-date catastrophe models and building identifiable trends into our weather planning, technical pricing and exposure management are key parts of our underwriting guidance.

Transition risks

Transition risks within our business relate to the transition to a net zero future and potential negative impacts to certain businesses, adding risk to the assets we hold and customers we insure in certain sectors. Some of our key management activities for transition risk are:

- i. RSA has a well-established renewable energy proposition in market, and we are now seeking to expand this via the development of a dedicated renewable energy vertical;
- ii. our Climate Change and Low Carbon Policy, which we launched in 2020 and updated in 2022, formalises our position on investments and underwriting of GHG-intensive sectors. We target an underwriting portfolio for energy production that is over 75% low carbon by 2030. We have a dynamic underwriting strategy to support this 75% ambition, that will reflect the needs of the communities in which we operate; and
- iii. Intact Investment Management (IIM) adopted and implemented positions on coal and oil and gas. IIM actively engages with high emitting investees, focused on supporting the energy sector’s net zero transition. Our approach to Financed Emissions (Category 15) is managed by IIM. More information can be found in the IFC Social Impact and ESG report available at www.intactfc.com.

Liability risks

Liability risks to our business relate to legal action from our customers and other stakeholders. Some of our key management activities for liability risk are:

- i. through annual policies, underwriting actions and reinsurance, combined with monitoring emerging climate related litigation trends and assessing how this impacts RSA and our customers; and
- ii. through the application of our disclosure practices, including disclosing our progress in a timely and transparent manner.

Targets and metrics

We recognise the importance of understanding, measuring and managing the impact of our own operations, across our business, and progress on our climate strategy priorities. Our climate strategy outlines our commitment to achieve net zero emissions by 2050 and halve operations emissions by 2030, compared to a 2019 baseline.

We experienced £204m in weather and subsidence related losses in 2023, an increase of 17% relative to the previous year. Our weather and subsidence loss ratio has also increased. Weather-related losses and weather-loss ratio figures represent ongoing continued business as at the start of 2023, excluding those areas which have been fully exited. Losses include UK Personal lines, whose exit was announced in Q4 2023.

The percentage of our energy portfolio premium that relates to renewable energy in 2023 is in line with plan and is consistent with the objectives set out in our Climate Change and Low Carbon Policy. This policy set a target for an underwriting portfolio that is over 75% low carbon energy production by 2030, well ahead of the IEA’s Sustainable Development Scenario targeted energy mix for 2040. In 2023, our energy portfolio contained 61% low carbon energy production.

We are committed to optimising the efficiency of our corporate real estate and observed a reduction in emissions associated with our office footprint of 14% in 2023. However, we observed an increase of 6% in our total GHG operations emissions. This is due to the rebound in business travel following the pandemic. We are still trending towards significantly lower emissions and achieving our global reduction goal when compared to our 2018-19 baseline.

Metrics	2023	2022	2021	2020
Weather and subsidence related losses (£m)	204	174	112	83
Weather and subsidence loss ratio ¹	7.4%	6.8%	4.4%	3.2%
Energy portfolio premium in renewable energy ²	61%	59%	61%	37%
Total GHG emissions (Scopes 1, 2 and 3) ³	4,829 tonnes CO ₂ e	4,556 tonnes CO ₂ e	4,517 tonnes CO ₂ e	5,407 tonnes CO ₂ e

Notes:

All figures have been restated to account for the disposal of operations previously under RSA control.

¹Net losses resulting from flood, wind and other weather-related damage as a percentage of net insurance revenue. This covers both event and non-event weather. Historic ratios have been re-stated for IFRS 17.

²Renewable energy is here defined as bio fuel; bio gas (where sourced responsibly or generated from waste); biomass; geo thermal; hydro; hydrogen; onshore / offshore wind; solar / PV; and tidal. Premium is here defined as written premium before reinsurance.

³Total GHG emissions are reported using the Location-Based methodology. For notes relating to Scope 1, 2 and 3 (business travel) emissions please see the section on Streamlined Energy and Carbon Reporting on pages **26 and 27**.



Ken Anderson

Chief Financial Officer

5 March 2024

RSA Insurance Group Limited
Governance
for the year ended 31 December 2023

Company Information

Directors¹

Mark Hodges (Chair)
Ken Anderson
Sally Bridgeland
Rosie Harris
Louis Marcotte²
Susan McInnes
Ken Norgrove
Andy Parsons
Sylvie Paquette²
Mathieu Lamy²

General Counsel & Company Secretary

Jonathan Cope

Independent Auditor

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Registered Office

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22 Bishopsgate
London
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EC2N 4BQ

Company Registration Number

02339826

¹ Changes to the Board during the year are detailed on page 26.

² Shareholder nominated director.

Corporate Governance

The Company is a wholly owned subsidiary of IFC. The Company applies the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018 and available at www.frc.org.uk).

Principle 1: Purpose and leadership

The values of RSA and IFC are strongly aligned.

Purpose

Our purpose is to help people, business and society prosper in good times and be resilient in bad times.

Values and culture

In line with our purpose, the Group's values are (i) integrity, (ii) respect, (iii) customer-driven, (iv) excellence; and (v) generosity. Our values are designed to guide our decision-making and everything that we do. They underpin how we seek to deliver for our customers and other stakeholders. We are a people-centred business which aims for a culture of high performance, where working together as a team is valued and the business invests in its people. There are various mechanisms in place to monitor our culture, including employee surveys and cultural health assessments.

Principle 2: Board composition

Chair and Chief Executive Officer

The roles of Chair and CEO are separate and clearly defined. The independent non-executive Chair is responsible for leading the Board, its overall effectiveness and for facilitating open debate and constructive challenge. The CEO is responsible for implementing the strategy and decisions of the Board and its committees and leading the Executive Committee.

Size and structure

An overview of the composition of the Board has been included on pages 24 and 25.

The Board considers that it has an appropriate combination of skills, backgrounds, experience and knowledge, and that there is an effective balance of independent Directors to ensure constructive challenge.

Balance and diversity

Ensuring an appropriate balance of skills and experience has been a key focus of the Board. A thorough and detailed recruitment process was undertaken to appoint three new non-executive Directors during 2023. This process required careful consideration of the Group's strategy and the interests of its key stakeholders.

The Board has approved a Board Diversity Policy which is available to view on the RSA website www.rsainsurance.co.uk and sets the objective of at least 40% female representation and at least 40% male representation on the Board and at least one Black, Asian or other ethnic minority Board member. The Board currently has four female Directors representing 40% of the Board. At the Executive level there are five women, representing 33% of the Executive Committee.

The Board recognises that its current membership does not currently meet its own aspirational targets and is committed to improving its diversity. This will be taken into account when new directors are appointed as part of the succession planning process.

The Board keeps under regular review the Board's composition in terms of its balance of skills, experience and length of service, and industry knowledge as well as wider diversity considerations. The non-executive Directors bring a broad range of experience and skills which are highly relevant to the Group's operations and the sectors in which it operates. The shareholder-nominated Directors also bring experience and knowledge of the wider Group.

Effectiveness

A governance framework has been established to ensure that independent decision-making by the Board is clear. The Board has approved a Matters Reserved for the Board and adopted a Matters Reserved for the Shareholder, as approved by the IFC Board, and independent non-executive Directors have been appointed who are fully independent from IFC as well as the RSA Group. On joining the Board, Directors are provided with a tailored induction programme.

The Board sets the strategy for the business and during the year has overseen a review of strategy for the Group. The Board has received deep-dive presentations on customer and conduct matters as well as pricing and underwriting. It has also received updates and reports throughout the year on the regulatory change agenda and outcomes for customers.

The Board conducts an annual review of its effectiveness, including engagement of an external provider to carry out a review every three years. An internal review was completed in the second half of 2023. The results of the review were shared with the Board and each of its Board Committees and regular attendees, and action plans to address the areas highlighted in the review were agreed.

Principle 3: Director responsibilities

Accountability

The Board is committed to effective governance, sound risk management and a robust control environment. The Board considers that the foundation of an effective risk management framework is the cultivation of a risk culture that promotes accountability and openness.

The Board periodically reviews and approves the Group's governance documents including the System of Governance, UK Corporate Governance Framework, Delegated Authority Framework, and a suite of governance policies. The Board has also

reviewed and adopted its own constitutional documents including the Matters Reserved for the Board and Conflicts of Interest policy. These documents set out the policies and practices that govern the internal affairs of the Group.

The responsibilities of the Directors are set out in their letters of appointment and role profiles. All Directors are expected to report any potential conflicts of interest. The Conflicts of Interest register is reviewed at each Board meeting and the Directors declare any actual conflicts of interest at each Board meeting.

Board committees

In order that it can operate efficiently and give the appropriate level of attention and consideration to relevant matters, the Board delegates certain activities to the Audit Committee, the Risk Committee and the GCR Committee. The Chair and membership of each Board Committee is compiled of non-executive Directors. Each Committee has terms of reference that have been approved by the Board which set out its authority and responsibilities.

Further information on the Board committees including their membership and responsibilities can be found on pages 24 and 25 of this report.

Integrity of information

The Board receives regular and timely information on all aspects of the Group's business. This includes financial performance, strategy, performance against the operational plan, internal audit, risk and compliance, customer metrics, governance, and people and culture matters. Internal processes and systems are robust and this ensures that management information is accurate and timely. Reporting to the Board includes consideration of the impact on stakeholders, where appropriate, and includes an assessment of any potential risks to the success of the business. The Group's financial statements are audited by KPMG LLP on an annual basis. In 2024, Ernst & Young LLP (EY) will take over as the Group's external auditor.

Principle 4: Opportunity and risk

Opportunity

The Group strategy is aligned with IFC's purpose and strategy. RSA's strategic opportunities were carefully assessed and analysed during 2023 and those aspects decided upon have been incorporated into the current 3-year operational plan. Any proposed changes in strategic focus are reviewed and approved by the Board.

Risk

RSA's Risk Management System provides a framework for the management of risks by management. The Board sets the risk strategy and appetite that articulates the level of risk the Board is prepared to take in delivering its strategic objectives. The Board delegates to the Risk Committee oversight of both current and emerging risks that the business faces. The Chief Risk Officer is a member of the Executive Committee. The Chief Risk Officer is supported by the Risk function, which is responsible for providing expert review and challenge of Line 1's management of risks within their own operating segment. There is a clear governance structure for the oversight, management and escalation of risks that fall outside risk appetite. This structure is based on clear processes and a risk culture that promotes accountability and openness.

Further details on risk management are included in the Risk Management section on pages 6 to 9.

Responsibilities

The Matters Reserved for the Board states that the Board will:

- i. approve the Group's overall risk appetite and high-level business strategy, including portfolio risk, claims management and financial controls, and capital management;
- ii. approve the Group's approach to its Own Risk and Solvency Assessment (ORSA);
- iii. review the effectiveness of the Group's system of risk management and internal controls, including all material controls, and including financial, operational and compliance controls; and
- iv. when considering the Group's overall strategy and risk appetite, understand, assess and have oversight on the financial risks and impacts associated with climate change that affect the Group.

The Risk Management Internal Controls Policy documents the requirements for the identification, measurement, management, monitoring and reporting of all risk types. It sets out the processes and procedures for the effective operation of the Risk Management and Internal Control systems.

The Risk Committee supports the Board to ensure that the key risks to the Group are identified, understood and effectively managed within risk appetite. The Risk Committee advises the Board on risk management matters, including solvency needs and the risk management arrangements for the Group. It monitors the Group's solvency by reviewing the outputs of the ORSA process, the Internal Model and conclusions of model validation, making recommendations to the Board on capital adequacy.

The Risk function, alongside the business functions and Conduct Risk function, facilitate the determination of the principal risks facing the business, through application of the Risk Management Framework and the Conduct Risk Framework. These frameworks are subject to debate and challenge by various management committees and the Risk Committee, which also oversee plans to mitigate and manage high and medium rated risks. There are clear internal communication channels on the identification of risk factors.

Principle 5: Remuneration

The GCR Committee is responsible for the oversight of remuneration principles, policy and practices, as well as determining policy and setting remuneration in respect of the Chair of the Board, Executive Directors and other executives within its scope.

Membership of the GCR Committee is set out on page 26 and includes independent non-executive Directors. The GCR Committee discharges its responsibilities in line with the Wates Principles.

Policies

The GCR Committee ensures appropriate remuneration arrangements are in place through the adoption of a Remuneration Policy, which is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to long-term interests of the Group.

Setting remuneration

The remuneration principles that the Committee follows are:

- i. competitiveness and cost effectiveness: remuneration packages are set at competitive levels to attract, retain and reward high calibre talent in the context of market conditions;
- ii. fair-minded: appropriate reward complying with principles of good risk management (including deferral and malus arrangements), inclusivity and avoiding conflicts of interest and unconscious bias. Information on our Gender Pay Gap figures and our actions in this area can be found at www.rsainsurance.co.uk. The Group has been accredited by the UK's Living Wage Foundation as a Living Wage Employer since 2016;
- iii. pay for performance: variable remuneration that strongly aligns employees with shareholders and/or is fully contingent on the achievement of stretching objectives which support strategic priorities and adherence to our organisational values; and
- iv. open and transparent: remuneration components that are simple and transparent, to be effective and understood by employees and other stakeholders.

All employees are eligible to be considered for a performance-related bonus, and those in the UK and Ireland can participate in all-employee share plans. General remuneration arrangements for our employees (for example, salary increases and pension and incentive opportunities) are considered by the GCR Committee when determining total remuneration for senior executives. Consideration is also given to the reputational and behavioural risks to the Group that can result from inappropriate incentives and excessive reward and the GCR Committee can adjust rewards based on consideration of risk factors. A significant proportion of senior-level remuneration is variable, long term and at risk, with an emphasis on share-based remuneration; bonus deferral is operated (and also where required by Solvency II), as is participation in the long-term incentive plan.

Remuneration for the Chair, Executive Directors and heads of key governance functions is set in agreement with IFC. IFC's compensation framework can be found at www.intactfc.com.

PricewaterhouseCoopers (PwC) is appointed by the Committee as its independent adviser. PwC is a member of the Remuneration Consultants' Group and a signatory to its Code of Conduct. In addition, the Committee has satisfied itself that the advice it receives is objective and independent as PwC has confirmed there are no conflicts of interest arising between it, its advisers and RSA.

Principle 6: Stakeholder relationships and engagement

External impacts

The broad social impact and responsibility of the Group to its customers is core to the policies and practices of the Group. The key objective of the Group is to ensure good outcomes for customers, and this is a central principle of the Board decision making processes.

Further information on the Group's approach to ESG matters can be found on pages 13 to 19.

Stakeholders

The Group has a number of material stakeholders, which includes its workforce, customers, partners and brokers, suppliers and regulators.

Information on the Group's stakeholder relationships and engagement can be found in the s172 statement on pages 10 to 12 of the Strategic Report.

The Board and its committees

An overview of the responsibilities of the Board and its committees for the year ended 31 December 2023 is set out on pages 24 and 25.

The Board and its committees

The Board

The Board is led by Mark Hodges, the independent non-executive Chair of the Group. The Board is composed of the independent non-executive Chair, seven non-executive Directors and two Executive Directors. The primary responsibility of the Board is to provide effective leadership to ensure it promotes the success of the Group for the benefit of all stakeholders.

Committees

The Board has established a number of committees to which it has delegated responsibility for oversight of some of its activities. Each committee has adopted Terms of Reference, which are reviewed annually, and any changes proposed by the committee are approved by the Board.

Audit Committee

Members: Andy Parsons (Chair), Rosie Harris & Mathieu Lamy

The Audit Committee is a committee of the Board. Membership of the Committee is composed of three non-executive Directors, one of whom acts as Chair. The Committee members have experience and competence in accounting and auditing and also within the insurance sector. At the invitation of the Committee, the Chair of the Board, Chief Executive Officer, Chief Finance Officer and representatives from functions within the business attend to advise the Committee. Attendees also include representatives from Finance, Actuarial, the external auditors, the Head of Corporate Audit Services (Internal Audit) and a representative from the Corporate Audit Function of IFC. The Audit Committee plays an important role in assisting the Board in its oversight and monitoring of the Group's financial statements and the robustness of RSA's systems of internal control. The Committee oversees the effectiveness and objectivity of the internal and external auditors.

Internal audit operates an ongoing quality assurance programme that is performed by external specialists. A summary of the quality assurance results is reported annually to the Committee. The Committee remained satisfied that Internal Audit was operating effectively, was sufficiently resourced, and that the risk to their independence and objectivity was low.

The Audit Committee is responsible for:

- i. monitoring the financial reporting process and making recommendations or proposals to ensure its integrity;
- ii. monitoring the effectiveness of internal quality control and risk management systems and internal audit;
- iii. monitoring the statutory audit of the financial statements;
- iv. reviewing and monitoring the independence of the external auditors; and
- v. reporting to the Board the outcome of the external audit and the integrity of financial reporting.

Auditor tenure

The Committee is responsible for overseeing relations with the external auditor, including the proposed external audit plan and the approval of fees. The Committee assesses the independence and effectiveness of the external auditor each year and makes a recommendation to the Board on their appointment or re-appointment. KPMG was appointed as the Group's external auditor in 2013 and has been re-appointed each subsequent year. During 2021, the Committee had considered its position on the external audit services contract and following engagement with the Group's regulator received dispensation from the need to conduct a tender in 2022 due to the context of the acquisition by IFC and the timing of IFRS 17 implementation. During 2023 the Committee undertook a joint audit tender alongside the IFC Audit Committee and recommended the appointment of EY as the Group's external auditor, effective for the year ending 31 December 2024. The appointment of EY was approved by the Board on 2 November 2023.

The Group has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Uses of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2023.

Board Risk Committee

Members: Rosie Harris (Chair), Sally Bridgeland, Susan McInnes, Sylvie Paquette & Mathieu Lamy

The Risk Committee is a committee of the Board. Membership of the Committee comprises five non-executive Directors, one of whom acts as Chair of the Committee.

The Risk Committee has a pivotal role in ensuring the key risks to the Group are identified and understood, are effectively managed within risk appetite with regard to the views and interests of stakeholders, and are appropriately reflected in the Internal Model.

The Risk Committee is responsible for:

- i. advising the Board on risk management matters, including solvency needs;
- ii. overseeing the risk management arrangements of the Group;
- iii. monitoring the emerging and principal material risks facing the Group, ensuring appropriate arrangements are in place to identify, manage and mitigate risks effectively, and that appropriate levels of capital are held in relation to these risks;
- iv. recommending the Group's risk strategy and risk appetite for approval by the Board;
- v. approval of the Risk Management Plan;
- vi. reviewing the outputs of the ORSA process, the internal model and the conclusions of model validation, making recommendations to the Board on capital adequacy and the ORSA;
- vii. reviewing the Group's investment strategy framework and investment portfolio disposition and performance to ensure these remain within risk appetite and consistent with the Group's investment strategy; and
- viii. oversight of the Risk function.

Governance, Conduct & Remuneration Committee

Members: Susan McInnes (Chair), Sylvie Paquette, Andy Parsons & Sally Bridgeland

The GCR Committee is a committee of the Board. Membership of the Committee comprises four non-executive Directors, one of whom acts as Chair of the Committee.

The Committee plays an important role in assisting the Board in its oversight of customer, conduct, compliance and ESG matters and has oversight of the robustness of the governance framework, delivery of the ESG strategy and internal policies for the Group. The Committee is responsible for the oversight of RSA's Remuneration Policy and ensuring this promotes the long-term sustainable success of the Group. This includes reviewing and setting the remuneration of executive directors and the Chair of the Board. The Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture and takes these into account when setting the policy for executive director remuneration. The Committee appointed PwC as its independent adviser during the year.

The Committee also has oversight of customer and conduct risks.

Executive Committee

The Executive Committee is the management committee that assists the Chief Executive Officer in discharging his responsibilities and delegated authority. It is not a committee of the Board.

The Executive Committee is collectively responsible for implementing strategy and delivering performance. The members have a broad range of skills and expertise that are updated through training and development. Membership of the Executive Committee comprises Ken Norgrove, Ken Anderson and key functional and business leaders. The CEOs of the European and Ireland businesses regularly attend meetings to provide updates on their regions.

Report of the Directors

Directors

Mark Hodges (Chair)
Ken Anderson
Alastair Barbour (resigned 20 July 2023)
Sally Bridgeland
Claude Dussault (resigned 31 December 2023)
Rosie Harris (appointed 1 June 2023)
Mathieu Lamy (appointed 31 December 2023)
Robert Leary (resigned 30 June 2023)
Louis Marcotte
Susan McInnes
Ken Norgrove
Andy Parsons
Sylvie Paquette (appointed 1 June 2023)

Corporate governance statement

An overview of the corporate governance code applied by the Group is set out in the Corporate Governance Report on pages 21 to 23.

Dividend

No ordinary dividends were paid during the year ended 31 December 2023. The Company paid £9m of dividends to its preference shareholders during the period. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

Going concern

The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for at least the next twelve months. The Board's assessment included review of the Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with IFC. The risk profile, both current and emerging, has been considered, as well as the implications for capital. These assessments include sensitivity analysis and stress testing of the forward-looking capital projections, assessing a 1-in-10 year market risk shock and reduction of longer-term underwriting profitability. Key risk indicators demonstrate that the risk appetite is aligned to the available capital. In making their assessment, the Board have reviewed the latest position on business interruption losses and availability of reinsurance to recover incurred claims and there has been no significant change in the estimated ultimate position based on these updates. The Board have considered the impact of events after the balance sheet date with none identified which could impact the Group's ability to continue as a going concern.

Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the Consolidated statement of financial position and the approval of the consolidated financial statements.

Share capital

More information on the Company's share capital can be found in note 20 Share capital.

Preference shareholders are only entitled to receive notice of, attend, speak and vote at general meetings if the dividend payable on the preference shares is in arrears at the date of the Notice, a resolution is proposed that affects the rights of the preference shareholders, a resolution is proposed to wind-up the Company, a resolution is proposed to reduce the capital of the Company (other than a redemption or purchase of shares), or in such other circumstances as the Board shall determine.

In any of these situations, the preference shareholders may only vote on the relevant resolution and not on all the business of the general meeting.

Streamlined energy and carbon reporting

We have reported on all sources of GHG emissions as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The 2023 data covers the period 1 January to 31 December.

Our reporting has been conducted in accordance with the World Resources Institute's GHG Protocol Corporate Accounting and Reporting Standard.

We have consolidated our organisational boundary according to the operational control approach, which includes emissions from all operations with 50 or more full-time equivalent employees. Where data is not provided by an operating entity, values have been estimated using either extrapolation of intensities from similar sites within RSA or using the previous data as a proxy.

All conversion factors have been sourced from recognised public sources, including the UK's Department for Business, Energy & Industrial Strategy, the International Energy Agency and the GHG Protocol's stationary combustion tool.

IFC has committed to achieving net zero by 2050, including an interim goal to halve operations emissions by 2030 from a 2019 baseline. Operations emissions include all known sources of Scopes 1 and 2, and Scope 3 employee business travel and waste categories. All emissions estimates have been calculated following the GHG protocol.

We are reporting our Scope 2 market-based emissions to reflect our purchase of REGOs at UK sites where we are directly responsible for energy procurement or have engaged with landlords to switch to a renewable supply. We now secure REGOs for nearly 100% of the electricity we purchase directly in the UK.

RSA continues to deliver meaningful emissions reductions versus the 2019 baseline. Our Scope 1 and Scope 2 reductions are principally from the execution of RSA's real estate plan, which has rationalised our footprint and relocated to lower-emissions locations. Whilst emissions from business travel have increased, this is due to the rebound in travel following the pandemic and we are still trending towards significantly lower emissions and achieving our global reduction goal, when compared to our 2019 baseline.

Data has been subject to quality control by our external carbon footprint verifiers and consultants, EcoAct. EcoAct has supported RSA in our GHG emissions disclosures for six years. We continue to consolidate our approach to the capturing and reporting of environmental data across IFC and reconcile the potential impact of associated carbon reduction strategies across the global business. We expect to resume formal assurance of GHG emissions data in future IFC Group level disclosure. As we progress further with this consolidation, we will then embark on assurance of our GHG inventory.

tCO₂e emissions	2023	2022	2021	2020	2019
Scope 1	1,093	1,400	1,532	1,430	2,190
Scope 2 (location-based ^{LB})	1,741	1,866	2,563	3,000	4,067
Scope 2 (market-based ^{MB})	776	889	1,849	1,978	N/A
Scope 3	1,995	1,290	421	978	3,429
<i>Business travel</i>	1,629	932	145	639	3,041
<i>Scope 3 Waste, Water and Paper</i>	367	358	276	338	388
Total emissions (Scope 1, 2, 3) ^{LB}	4,829	4,556	4,517	5,407	9,686
Total emissions (Scope 1, 2, 3) ^{MB}	3,864	3,579	3,802	4,385	N/A
Intensity ratio:					
Gross tonnes CO ₂ e per FTE ^{LB}	0.81	0.77	0.79	0.87	1.53
Gross tonnes CO ₂ e per FTE ^{MB}	0.65	0.61	0.67	0.70	N/A

Global energy use (kWh)	2023	2022	2021	2020
Electricity (kWhs)	12,987,274	15,298,399	17,713,706	19,032,413
Onsite thermal energy; gas and diesel (kWhs)	5,122,648	6,961,277	8,046,650	7,387,008
Transportation - vehicles (kWhs)	1,515,445	1,423,333	562,932	1,073,918
Total energy use	19,625,367	23,683,010	26,323,288	27,493,338

Notes

All figures have been restated to account for the sale of operations previously under RSA control. Figures are also restated as data availability improves.

The GHG referenced in the table cover:

Scope 1: Direct emissions from RSA's activities, including natural gas consumption, diesel and company-owned vehicles.

Scope 2: Indirect emissions from purchased electricity, district cooling and district heating. This year we are reporting Scope 2 emissions according to two different methodologies (dual reporting): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

Scope 3: Emissions relating to RSA activities not within our direct control, including business travel, water supply, wastewater treatment, paper consumption and waste generated. These are the only Scope 3 categories included.

Business travel: Emissions from flights, trains and vehicles not owned by the organisation.

Charitable donations

During the year donations to charities were made amounting to £1.24m (2022 £0.92m).

Political donations

£nil political donations were made during the year (2022: £nil).

Conflicts of interest

In accordance with section 175 of the Companies Act 2006, each director has a duty to avoid conflicts of interest. Under Articles 15.1 and 15.2 of the Company's Articles of Association, conflicts of interest may be authorised by the Board or a Board committee. Directors are required to notify the Company Secretary when a potential conflict of interest arises. Each Director's conflicts of interest are reviewed on an annual basis. Any director who has declared a conflict of interest shall not count towards the quorum or vote on any resolution to authorise the conflict of interest and, at the Board's discretion, may be excluded from any meeting at which the conflict of interest is under consideration. Where a conflict of interest is authorised, restrictions may be imposed on the conflicted director, such as excluding the director from the discussion or restricting the receipt of information in connection with the conflict of interest.

The Board confirms that it has reviewed the schedule of directors' conflicts of interest during the year and that the procedures in place operated effectively in 2023. A conflict of interest was identified during the year for one Director, whereby Sally Bridgeland also served on the Board of PIC, the specialist selected for the pension buy-in arrangement completed during the year. Sally Bridgeland did not take part in the Board's decision-making process to enter into the agreement with PIC and excused herself from Board and Committee meetings when this item was discussed. The Board also considers at each meeting whether there is any potential conflict of interest for the shareholder-nominated Directors.

Directors' indemnity

Article 85 of the Articles of Association provides that, among other things and insofar as permitted by law, the Company may indemnify its directors against any liability and may purchase and maintain insurance against any liability. The Company has granted an indemnity to each of the directors pursuant to the power conferred by Article 85.1 of the Articles of Association.

The indemnities granted constitute qualifying third-party indemnity provisions, as defined by section 234 of the Companies Act 2006 and is in addition to appropriate insurance cover. The Company believes that it promotes the success of the Company to provide this indemnity to its Directors in order to ensure that RSA attracts and retains high calibre Directors through competitive terms of employment in line with market standards. The Directors and Officers of the Company and its subsidiaries also have the benefit of Directors & Officers insurance which provides suitable cover in respect of legal actions brought against them.

In addition, the Company maintains a pension trustee liability insurance policy for the directors of SAL Pension Fund Limited and Royal & Sun Alliance Pension Trustee Limited, subsidiaries of the Group, in relation to such person's role as a trustee of an occupational pension scheme. This insurance constitutes a qualifying pension scheme indemnity provision under section 235 of the Companies Act 2006. These insurances were in force during the year ended 31 December 2023 and remain in force as at the date of this report.

Workforce and stakeholder engagement statements

An overview of how the Directors have fostered relations with the Group's suppliers, customers and other key stakeholders is included in the Company's s.172 statement on pages 10 to 12 in the Strategic Report.

Further information on workforce engagement, as required by the Companies Act 2006 is also included in the Company's s.172 statement on pages 10 to 12.

Modern slavery

As per section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is published annually on our website. The statement covers the activities of the RSA Group and details policies, processes and actions we have put in place to ensure that appropriate steps are taken to protect against slavery and human trafficking in our supply chains and all parts of our own business.

Management report

The Strategic report is considered to form the management report for the purpose of DTR 4.1.8.R.

Directors' report

The Directors' report for the year ended 31 December 2023, was approved by order of the Board and signed on its behalf.



Jonathan Cope
General Counsel and Company Secretary
5 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the RSA Insurance Group Limited (Group) and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK-adopted International Accounting Standards (IAS) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable, relevant and reliable;
- iii. state whether they have been prepared in accordance with UK-adopted IAS and the requirements of the Companies Act 2006 and applicable law;
- iv. assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- v. use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

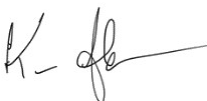
In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the Technical Detail European Single Electronic Format (ESEF) Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement

We confirm that, to the best of our knowledge:

- i. The financial statements on pages 38 to 42, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the undertakings included in the consolidation taken as a whole.
- ii. The Strategic Report on pages 3 to 5 includes a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- iii. So far as each director of the Board is aware, there is no relevant audit information (as defined in section 418(3) of the Companies Act 2006) of which the Company's external auditor is unaware, and each director has taken all reasonable steps to make himself/ herself aware of, and to establish that the external auditor is aware of, any relevant audit information.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.



Ken Anderson
Chief Financial Officer

5 March 2024



Ken Norgrove
Chief Executive Officer

5 March 2024

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF RSA INSURANCE GROUP LIMITED

1 Our opinion is unmodified

We have audited the financial statements of RSA Insurance Group Limited (“the Company” and collectively with its subsidiaries “the Group”) for the year ended 31 December 2023 which comprise the consolidated income statement, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity, consolidated and parent company statements of financial position, consolidated and parent company statements of cash flows, and the related notes, including the accounting policies in note 4 for the Group, and note 5 for the parent company.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 December 2023 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 13 May 2013. The period of total uninterrupted engagement is for the eleven financial years ended 31 December 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of liability for incurred claims	
2023: £5,530 million of the total insurance contract liabilities of £5,968 million; 2022: £5,275 million of £5,806 million (restated)	
Risk vs 2022 ▲	
<i>Refer to page 47 (accounting policy) and pages 75-85 (financial disclosures)</i>	
The risk	Our response
<p>Subjective valuation:</p> <p>The liability for incurred claims represents the single largest liability for the Group and comprises the discounted unbiased probability weighted estimate of the cashflows and a risk adjustment. There is a significant risk around the valuation of the liability for incurred claims driven by the risk of inappropriate estimation in respect of the future cash flows.</p> <p>Valuation of incurred but not reported claims (IBNR) is the most subjective component of the incurred claims liability, requiring a number of assumptions to be made with high estimation uncertainty. This is heightened due to the need for adjustments to the historical claims pattern to reflect uncertainty driven by COVID-19 and by the current inflationary environment and</p>	<p>With the assistance of our own actuarial specialists at Group and component level, our procedures included:</p> <ul style="list-style-type: none"> – Independent re-performance: We performed independent re-projections on the liability for incurred claims using our own models for certain classes of business. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures. – Our sector experience: We applied our industry experience and market benchmarks to support our consideration and challenge of the Group’s reserving methodology, key judgements and assumptions for the most significant and subjective classes of business. – Challenge of key assumptions: Our audit approach responded to the increased uncertainty in the current economic environment, making explicit allowance for inflation in our independent re-projections. We performed incremental tests to separate the

<p>judgmental allowance for the effect of events not in the historic claims data.</p> <p>Certain lines of business have greater inherent uncertainty, such as those where claims emerge slowly over time, or where there is greater potential exposure to large losses due to the effect of uncertain or unknown incurred events.</p> <p>The adoption of IFRS 17 affects the measurement of the liability for incurred claims, for example by including a risk adjustment and requiring discounting.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the liability for incurred claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.</p>	<p>impacts on frequency and severity, including inflation and other factors such as ongoing distortions as a result of COVID-19.</p> <ul style="list-style-type: none"> – Assessing consistency: We assessed the consistency of the allowance for events not in the historic claims data to other reporting by the Group, including the value in the Group's regulatory reporting, in respect of groups of contracts in the transition year and prior year as well as the current year. We considered through inquiry with management and with our broader understanding of any changes in the Group's risks. – Tests of details: We tested the accuracy of the policy data elements relied upon within actuarial models in our independent re-projections of the liability for incurred claims. We compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters in order to test the valuation of individual claims reserves focused on portfolios deemed higher risk, whether that be due to size, complexity or uncertainty. Further, we have sample tested other data elements relevant to the valuation of liability for incurred claims such as premium inputs. From a completeness perspective, we reconciled the policy level claims listing subject to sampling, to the actuarial triangles used for our independent reprojections, with the output then reconciled to the financial statements. – Assessing transparency: We considered the adequacy of the Group's disclosures in respect of the sensitivity of the valuation of liability for incurred claims and key assumptions applied to key areas of judgement and estimation uncertainty. <p>We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.</p> <p>Our results We found the valuation of liability for incurred claims to be acceptable (2022 result: acceptable).</p>
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<p>Valuation of deferred tax assets 2023: £221 million represents deferred tax assets recognised supported by future taxable profits; 2022: £186 million;</p> <p>Risk vs 2022 ▼</p> <p><i>Refer to page 58 (accounting policy) and pages 99-102 (financial disclosures).</i></p>	
<p>The risk</p> <p>Forecast-based assessment:</p> <p>The recoverability of the recognised deferred tax assets is dependent on the future profitability of the UK business, in particular Royal & Sun Alliance Insurance Limited, as the taxable legal entity.</p> <p>There is inherent uncertainty involved in developing the Group's operational plan upon which forecast future taxable profits are based and further judgement in assessing to what extent the deferred tax assets can be recovered against those forecast taxable profits, particularly in the current economic climate. These forecasts determine the extent to which deferred tax assets are, or are not, recognised in the financial statements.</p>	<p>Our response</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> – Historical comparisons: We assessed the accuracy of the Group's approved operating plan in relation to the forecasting process in the past. We considered whether projected margins are achievable with reference to recent business performance, operating plans, and allowing for adjustments including the contingency applied in determining the value of the deferred tax asset. – Our experience: We assessed the Group's approach to the assessment of recoverability and challenged the approach with reference to our understanding of the business, forecast periods used by peers, and the requirements of the relevant accounting standards. – Sensitivity analysis: We carried out independent sensitivity analyses of taxable profits to assumptions such as expected weather losses, the development of claims reserves, expenses and projected future growth rates.

<p>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of deferred tax assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. We assessed the risk reduced reflecting the increase in contingency in the UK business profit forecast. Financial statements (note 27) disclose the sensitivity estimated by the Group.</p>	<ul style="list-style-type: none"> — Our tax expertise: With the support of our own tax specialists and their knowledge of tax legislation, we also assessed the extent to which projected profits were taxable, in particular the Group's assumptions about how accumulated tax losses and other similar items can be utilised within the Group against the UK business, and Royal & Sun Alliance Insurance Limited as the taxable legal entity, in particular. — Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of the assumptions applied in the calculation and the adequacy of the Group's disclosures in respect of the sensitivity of the valuation of the deferred tax asset to key assumptions. <p>We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.</p> <p>Our results As a result of our work, we found the level of deferred tax assets recognised to be acceptable (2022 result: acceptable).</p>
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<p>Valuation of acquired intangible assets 2023: £219 million</p> <p>New Risk in 2023</p> <p><i>Refer to page 56 (accounting policy) and pages 60-62 (financial disclosures).</i></p>	
<p>The risk</p> <p>Subjective valuation:</p> <p>The valuation of acquired intangible assets acquired as part of the acquisition of business from Direct Line Group in October 2023, comprising customer relationships and distribution networks, are based on assumptions that are used in determining the level of expected future cashflows.</p> <p>The assumptions of broker attrition rates and useful economic lives for the distribution channels are based on historical information as well as expected future changes based on a market participant's view.</p> <p>Judgement is required to determine appropriate royalty rates and discount rates that reflect a market participant's view.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the intangible assets recognised in respect of this acquisition has a high degree of estimation uncertainty. Financial statements (note 6) disclose the sensitivity estimated by the Group.</p>	<p>Our response</p> <p>With the assistance of our own valuations specialists, our procedures included:</p> <ul style="list-style-type: none"> — Assessing valuer's credentials: We evaluated the Group's external valuer's competence, objectivity, capability and scope of work. — Methodology choice: We assessed the appropriateness of the methodologies used in the valuation compared to our industry experience and the requirements of IFRS. — Our sector experience and benchmarking assumptions: We applied our market and valuation experience, and knowledge of the industry, to challenge the methodology and key assumptions applied by the Group's valuer and benchmark the key assumptions and the valuation as a whole against industry peers. — Sensitivity analysis: We carried out independent sensitivity analysis of the valuation of intangible assets to reasonably possible alternative assumptions related to attrition rates, royalty rates, useful economic lives and the discount rate. — Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of assumptions applied in the valuation and the sensitivity of the valuation of intangible assets to key assumptions. <p>We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.</p> <p>Our results As a result of our work, we found the valuation of intangible assets recognised on acquisition to be acceptable (2022 result: not applicable).</p>

<p>Voluntary change in accounting policy for parent company's investment in subsidiaries 2023 £3,005 million; 2022: £2,595 million (restated)</p> <p>Risk vs 2022 ▲</p> <p><i>Refer to pages 129 and 130 (accounting policy) and pages 129 and 132 (financial disclosures).</i></p>	
The risk	Our response
<p>The carrying amount of the parent company's ('The Company') investment in subsidiaries represents 96% (2022: 97%) of the company's total assets.</p> <p>In previous periods the accounting policy was to value the subsidiaries at fair value, and our associated key audit matter was the calculation of that fair value. In 2023, the Company voluntarily changed its accounting policy to recognise the parent company's investment in subsidiaries at cost less accumulated impairment.</p> <p>There is judgement involved in determining the appropriateness of a voluntary change in accounting policy in accordance with the requirements of IFRS, and in applying that change in policy retrospectively.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> – Assessing principles: We assessed the Company's consideration of the requirements of IFRS against the requirements of IAS 27 Separate financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. – Assessing application: We compared the Company's measurement of cost less accumulated impairment to historic accounting records, and evaluated their assessment of impairment indicators in the current year. – Assessing transparency: We considered the adequacy of the Company's disclosures in respect of the change in accounting policy disclosed in note 4. <p>We did not seek to place reliance on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.</p> <p>Our results: We found the assessment of the change in accounting policy in recognising the parent company's investment in subsidiaries as 'cost less accumulated impairment' to be acceptable.</p>

Following the successful completion of the pension buy-in transaction during the year, the sensitivity of the financial statements to changes in the valuation of post employment benefits and obligations has significantly reduced. Therefore it is not separately identified as a Key Audit Matter in our report this year, but continues to be subject to audit procedures.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £39.9m (2022: £29m based on net earned premiums), determined with reference to a benchmark of insurance revenue (of which it represents 0.85% (2022: 0.9% of net earned premiums)).

We have changed the benchmark from net earned premiums in the prior year to insurance revenue in the current year to reflect the change in financial statement captions with the adoption of IFRS 17.

Materiality for the parent company financial statements as a whole was set at £38m (2022: £26m), and with reference to a benchmark of net assets of which it represents 1.1% (2022: 0.8%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group was set at 65% (2022: 75%) of materiality for the financial statements as a whole, which equates to £25.9m (2022: £21.7m). We applied this percentage in our determination of performance materiality this year based on the level of aggregation risk following business transactions and the adoption of IFRS 17.

Performance materiality for the parent company was set at 75% (2022: 75%) of materiality, which equates to £28.5m (2022: £19.5m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk for the parent company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.9m (2022: £1.4m) in the Group financial statements; and £1.9m (2022: £1.3m) in the parent company financial statements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

In assessing our scoping, we considered the Group's reporting units as five (2022: five) components. We subjected the in-scope UK component to a full scope audit. The Ireland component was instructed to perform an audit of account balance relating to the valuation of liability for incurred claims and specified procedures over cash balance. Specified risk-focused audit procedures were also performed over investments and cash balances within one of the UK-based components, where specific risks were identified.

This scoping decision was made in order to provide further coverage over the Group's results. The components for which we performed specified risk-focused procedures were not financially significant enough to subject to a full scope audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated below. For calculation of our scope in relation to profit presented below, we have included only the full scope component.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the following percentages of the Group's results (comparatives presented below the table):					
	Number of components	Group insurance revenue	Group liability for incurred claims	Total profits and losses that made up Group profit before tax	Group total assets
Audits for group reporting purposes	1 (1)	88%	84%	13%	83%
Audit of account balance over insurance contract liabilities and specified risk-focused audit procedures over reinsurance debtors, cash and investments	2 (2)	0%	11%	0%	2%
Total	3 (3)	88%	95%	13%	85%

The components within the scope of our work accounted for 92% of Group net earned premium under IFRS 4 in 2022. The components within the scope of our work accounted for 89% of Group total assets, 92% of Group insurance contract liabilities and 53% of the total profits and losses which made up Group profit before tax under IFRS 4 in 2022.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above, and the information to be reported back. The Group team approved the component materialities, which ranged from £15m to £31m (2022: £12m to £27m), having regard to the mix of size and risk profile of the Group across the components. The audit procedures over the Irish component (2022: Irish component) were performed by a component audit team. The audit procedures over the completeness and accuracy of the investment balances within the in-scope UK reporting components were conducted by EY's Intact Financial Corporation audit team in Canada. We communicated our audit risk assessment, participated in the scoping of planned audit procedures, agreed the information to be reported back and auditor oversight procedures were performed, including review of the audit documentation.

All other audit procedures, as well as the parent company audit, were performed by the Group team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited nil (2022: nil) component overseas locations during the year and instead maintained the virtual interactions with overseas teams. Video and telephone conference meetings were held with the component auditors and local management. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. We reviewed the component team's audit documentation.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- adverse insurance reserves development and operational performance
- a deterioration in claims experience, potentially caused by market wide catastrophe event(s) or economic factors such as inflation; and
- a deterioration in the valuation of the Group's investments arising from a significant change in the economic environment and any resulting impact on liquidity and capital strength.

We considered whether these risks could plausibly affect the Group's regulatory capital or liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Evaluation of the consistency, arithmetical accuracy and reasonableness of the data and assumptions used in management's Going Concern assessment paper.
- Consideration of whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit Committee, internal audit and management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Performing analytical procedures to identify any unusual or unexpected fluctuations and relationships in the account balances.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the full scope component audit team of relevant fraud risks identified at the Group level and request to the full scope component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements. In view of the overall quantum of pipeline premium as a proportion of insurance revenue, and the minimal judgement and estimation involved in the recognition of the remaining premium income, we rebutted the presumed risk of fraud in revenue recognition.

We also identified fraud risks related to the valuation of liability of incurred claims, valuation of deferred tax assets and valuation of intangible assets, in response to the level of estimation and judgement in these balances and possible pressures to meet profit targets. Further detail in respect of valuation of liability for incurred claims, deferred tax asset and intangible assets is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test for the full scope component, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom-used accounts and those posted by individuals who do not typically post journals.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to the full scope component audit team of relevant laws and regulations identified at Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct regulation and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 29, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report 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 Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London
E14 5GL
05 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

		31 December 2023	31 December 2022	1 January 2022
	Note	£m	Restated ¹	Restated ¹
			£m	£m
Assets				
Cash and cash equivalents	7	320	362	500
Financial assets	7	5,486	5,334	5,530
Investment property	7/17	285	291	371
Reinsurance contract assets	12	1,756	1,718	1,626
Income taxes receivable		1	1	2
Deferred tax assets	27	266	267	148
Property and equipment	16	108	121	91
Intangible assets	15	547	307	273
Goodwill	15	350	24	39
Other assets	18	251	436	729
Total assets		9,370	8,861	9,309
Liabilities				
Insurance contract liabilities	12	5,968	5,806	5,599
Financial liabilities related to investments	8	42	26	58
Income taxes payable		2	1	4
Debt outstanding	19	134	174	165
Other liabilities	18	412	358	352
Total liabilities		6,558	6,365	6,178
Equity				
Equity attributable to shareholders		2,812	2,496	2,975
Non-controlling interests		-	-	156
Total equity		2,812	2,496	3,131
Total equity and liabilities		9,370	8,861	9,309

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The following explanatory notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved on 5 March 2024 by the Board of Directors and are signed on its behalf by:



Ken Anderson
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

For the year ended

		31 December 2023	31 December 2022
	Note	£m	Restated ¹ £m
Income			
Insurance revenue	12	3,987	4,140
Insurance service expense	12, 25	(3,665)	(3,837)
Insurance service result from insurance contracts		322	303
Expenses from reinsurance contracts	12	(808)	(942)
Income from reinsurance contracts	12	631	752
Net expense from reinsurance contracts		(177)	(190)
Insurance service result		145	113
Net investment income	23	185	137
Net gains on investment portfolio	23	5	50
Net investment return		190	187
Insurance finance (expense) income	23	(179)	30
Reinsurance finance income (expense)	23	60	(26)
Net insurance financial result		(119)	4
Net investment return and net insurance financial result		71	191
Other net (losses) gains	24	(7)	46
Other income	29	30	7
Other expense	25	(86)	(79)
Integration and restructuring costs	26	(162)	(91)
Finance costs	30	(10)	(11)
(Loss) profit before tax		(19)	176
Income tax (expense) income	27	(70)	16
(Loss) profit for the period		(89)	192
Attributable to:			
Shareholders		(89)	197
Non-controlling interests		-	(5)
		(89)	192

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The following explanatory notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended

		31 December 2023	31 December 2022
	Note	£m	Restated ¹ £m
(Loss) profit for the period		(89)	192
Items that may be reclassified to the income statement:			
Exchange gains net of tax on translation of foreign operations	41	6	20
Fair value losses on available for sale financial assets net of tax ²		-	(329)
Fair value gains on FVTOCI assets net of tax ³	41	70	-
		76	(309)
Items that will not be reclassified to the income statement:			
Pension – remeasurement of defined benefit asset/liability net of tax	41	(742)	(355)
Movement in property revaluation surplus net of tax	41	(3)	(2)
		(745)	(357)
Total other comprehensive expense for the period	41	(669)	(666)
Total comprehensive expense for the period		(758)	(474)
Attributable to:			
Shareholders		(758)	(486)
Non-controlling interests		-	12
		(758)	(474)

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

² Not applicable for the year ended 31 December 2023 as related to IAS 39 Financial instruments. Refer to note 3 - Adoption of new and revised accounting standards.

³ Not applicable for the year ended 31 December 2022 as related to IFRS 9. Refer to note 3 - Adoption of new and revised accounting standards.

The following explanatory notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Ordinary share capital	Ordinary share premium	Preference shares	Tier 1 notes	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to Shareholders	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 December 2022 (restated)	1,563	282	125	-	(224)	54	696	2,496	-	2,496
Impact of the initial application of IFRS 9 ¹	-	-	-	-	98	-	(99)	(1)	-	(1)
Balance at 1 January 2023 (restated)	1,563	282	125	-	(126)	54	597	2,495	-	2,495
Total comprehensive income										
Loss for the period	-	-	-	-	-	-	(89)	(89)	-	(89)
Other comprehensive income (expense) for the period	-	-	-	-	67	6	(742)	(669)	-	(669)
	-	-	-	-	67	6	(831)	(758)	-	(758)
Transactions with owners of the Group										
Contribution and distribution										
Dividends	-	-	-	-	-	-	(9)	(9)	-	(9)
Shares issued for cash	-	1,084	-	-	-	-	-	1,084	-	1,084
	-	1,084	-	-	-	-	(9)	1,075	-	1,075
Balance at 31 December 2023	1,563	1,366	125	-	(59)	60	(243)	2,812	-	2,812

For the year ended 31 December 2022

Balance at 31 December 2021 (as reported)	1,269	282	125	297	105	53	804	2,935	156	3,091
Impact of the initial application of IFRS 17 ²	-	-	-	-	-	-	40	40	-	40
Balance at 1 January 2022 (restated)	1,269	282	125	297	105	53	844	2,975	156	3,131
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	197	197	(5)	192
Other comprehensive (expense) income for the period	-	-	-	-	(329)	1	(355)	(683)	17	(666)
	-	-	-	-	(329)	1	(158)	(486)	12	(474)
Transactions with owners of the Group										
Contribution and distribution										
Dividends	-	-	-	-	-	-	(12)	(12)	(2)	(14)
Shares issued for cash	294	-	-	-	-	-	-	294	-	294
Tier 1 note redemption (note 36)	-	-	-	(297)	-	-	22	(275)	-	(275)
	294	-	-	(297)	-	-	10	7	(2)	5
Changes in shareholders' interests in subsidiaries										
	-	-	-	-	-	-	-	-	(166)	(166)
Balance at 31 December 2022 (restated)	1,563	282	125	-	(224)	54	696	2,496	-	2,496

¹ Restated for the adoption of IFRS 9. Refer to note 3 - Adoption of new and revised accounting standards.

² Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The following explanatory notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended

		31 December 2023	31 December 2022
	Note	£m	Restated ¹
		£m	£m
Operating activities			
(Loss) profit before tax		(19)	176
Income tax paid, net		(5)	(4)
Adjustments for non-cash items	31	46	113
Changes in other operating assets and liabilities	31	(377)	64
Net cash flows (used in) provided by operating activities		(355)	349
Investing activities			
Business combinations, net of cash acquired	6	(520)	-
Proceeds from sale of businesses	6	-	77
Proceeds from sale of investments		3,173	1,790
Purchases of investments		(3,232)	(2,225)
Purchases of intangibles and property and equipment		(130)	(133)
Net cash flows used in investing activities		(709)	(491)
Financing activities			
Payment of lease liabilities		(10)	(13)
Redemption of long-term borrowings	19	(40)	-
Redemption of equity instruments	36	-	(275)
Proceeds from issuance of ordinary shares	20	1,084	294
Payment of dividends on preferred shares and interest on tier 1 notes		(9)	(12)
Payment of dividends to non-controlling interests		-	(2)
Net cash flows provided by financing activities		1,025	(8)
Net decrease in cash and cash equivalents		(39)	(150)
Cash and cash equivalents at beginning of the period		354	492
Effect of exchange rate changes on cash and cash equivalents		(3)	12
Cash and cash equivalents at end of the period		312	354
Composition of cash and cash equivalents			
Cash		208	187
Cash equivalents		112	175
Overdrafts		(8)	(8)
Cash and cash equivalents, end of period		312	354
Other relevant cash flow disclosures – operating activities			
Interest payable		(10)	(11)
Interest receivable		184	155
Dividends receivable		11	14

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The following explanatory notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the Company

The Group is an indirect subsidiary of IFC. Its parent is 2283485 Alberta Limited (a Canadian incorporated company), a wholly owned subsidiary of IFC, the ultimate controlling party. It operates in the UK, Ireland and Continental Europe.

These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's significant operating subsidiaries are listed in Appendix A. Several of the Group's subsidiaries are regulated by the Financial Conduct Authority and/or the Prudential Regulation Authority.

The registered office of the Company is Floor 8, 22 Bishopsgate, London, EC3M 3AU, United Kingdom.

2. Glossary of abbreviations

12mECL	12-month expected credit loss	HTC	Held-to-collect
AFS	Available-for-sale	HTC&S	Held-to-collect and sell
AOCI	Accumulated other comprehensive income (loss)	IAS	International Accounting Standard
CAD	Canadian Dollar, Canada's official currency	IASB	International Accounting Standards Board
CPI	Consumer price index	IFRS	International Financial Reporting Standards
DB	Defined benefits	LTECL	Lifetime expected credit loss
ECL	Expected credit losses	OCI	Other comprehensive income
EUR (€)	Currency of the Euro zone countries in Europe	PAA	Premium Allocation Approach
FVTOCI	Fair value through other comprehensive income	RPI	Retail price index
FVTPL	Fair value through profit or loss	SPPI	Solely payments of principal and interest
GBP (£)	British pound sterling, UK's official currency	UK	United Kingdom
GMM	General Measurement Model	USD	US Dollar, United States official currency

3. Adoption of new and revised accounting standards

The Group adopted IFRS 17 – *Insurance Contracts* (IFRS 17) in conjunction with IFRS 9 – *Financial instruments* (IFRS 9) on 1 January 2023, which replace IFRS 4 – *Insurance Contracts* (IFRS 4) and IAS 39 – *Financial instruments: recognition and measurement* (IAS 39), respectively. While IFRS 9 was effective for annual periods beginning on or after 1 January 2018, IFRS 4 allowed a temporary exemption to delay the implementation of IFRS 9 until IFRS 17 was adopted.

- IFRS 17 was applied retrospectively as at 1 January 2022. As a result, comparative information was restated; and
- IFRS 9 was applied retrospectively and the Group elected to recognise any IFRS 9 measurement differences by adjusting its consolidated financial statements on 1 January 2023. As a result, comparative information was not restated.

Refer to note 4 for more details on IFRS 17 and IFRS 9.

3.1 IFRS 17 - Insurance Contracts

The nature and the effect of the changes in accounting policies can be summarised, as follows:

a) Changes to classification, recognition and measurement

The Group applies IFRS 17 to the same scope of contracts previously reported under IFRS 4. As a result, the adoption of IFRS 17 did not change the classification of the Group's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts.

IFRS 17 introduces the GMM for the recognition and measurement of insurance contracts, which requires measuring insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. In addition, entities have the option to use a simplified measurement model (the PAA), for short-duration contracts; this model is applicable to all of the Group's insurance and reinsurance contracts except in limited circumstances where the GMM is required.

The accounting under the PAA is similar to IFRS 4, but differs in the following key areas:

- Discount rate** – The liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Group has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, only Provisions for losses and loss adjustment expenses (claims liabilities) where there is a long period from incident to claims settlement were discounted, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.
- Risk adjustment** – The liability for incurred claims includes an explicit risk adjustment which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Like the risk margin, the risk adjustment includes the benefit of diversification.
- Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. Under IFRS 17 the loss component of onerous contracts measured

based on projected profitability is recognised immediately in the Consolidated income statement, resulting in earlier recognition compared to IFRS 4.

The Group's classification and measurement of insurance and reinsurance contracts is explained in note 4 – Summary of material accounting policies.

b) Changes to presentation and disclosure

IFRS 17 provides specific guidance for the presentation and disclosure of insurance and reinsurance contracts.

Consolidated balance sheet

Changes in the balance sheet line items are introduced by IFRS 17. The previously reported line items insurance debtors, insurance contract liabilities, and other related assets and liabilities are presented together by portfolio on a single line called Insurance contract liabilities or assets. The previously reported line items reinsurers' share of insurance contract liabilities, reinsurance debtors, reinsurance liabilities, and other related assets and liabilities are presented together by portfolio on a single line called Reinsurance contract assets or liabilities.

Portfolios are composed of groups of contracts covering similar risks and managed together. Portfolios of insurance and reinsurance contracts issued and reinsurance contracts held are presented separately between:

- i. portfolios of insurance and reinsurance contracts issued that are assets;
- ii. portfolios of reinsurance contracts held that are assets;
- iii. portfolios of insurance contracts and reinsurance contracts issued that are liabilities; and
- iv. portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with IFRS 17

Consolidated statement of income

Changes in line items are introduced by IFRS 17, which requires separate presentation of Insurance revenue, Insurance service expenses and Insurance finance income or expense. The following previously reported line items are no longer disclosed: gross written premiums, net earned premiums, net claims and underwriting and policy acquisition costs.

c) Transition

On 1 January 2022, the transition date to IFRS 17, the Group identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied unless it was impracticable to do so, derecognised any existing balances that would not exist had IFRS 17 always applied and recognised any resulting net difference in equity.

On transition to IFRS 17 on 1 January 2022, the Group's Equity attributable to shareholders was positively impacted by approximately £40m after tax, mainly due to the discounting of Claims liabilities applying the principles of the new standard. IFRS 17 also resulted in presentation changes as described above.

The following tables summarise the impact of IFRS 17 on the Group.

Impact of IFRS 17 on the Consolidated balance sheet

As at 1 January 2022	IFRS 4 £m	Impact of IFRS 17 £m	IFRS 17 £m
Total assets	11,898	(2,589)	9,309
Total liabilities	(8,807)	2,629	(6,178)
Equity attributable to shareholders	(2,935)	(40)	(2,975)
Equity attributable to non-controlling interests	(156)	-	(156)

Measurement impact of IFRS 17

As at 1 January 2022	IFRS 17 £m
Discount rate	90
Risk adjustment and other re-measurement of claims liabilities	(20)
Onerous contracts	(12)
Other	(18)
Net impact on Equity attributable to shareholders	40

Full retrospective approach

On transition, the Group has applied the full retrospective approach to all contracts issued.

3.2 IFRS 9 - Financial instruments

The Group adopted IFRS 9 on 1 January 2023. The comparative information was not restated and continues to be reported under IAS 39.

On transition to IFRS 9 on 1 January 2023, the Group's Equity attributable to shareholders was negatively impacted by £1m, which equates to the ECL calculated on its amortised cost loans.

IFRS 9 also resulted in reclassifications from Revaluation reserves to Retained earnings as follows:

- i. certain equity instruments previously classified as AFS were classified as FVTPL which will result in increased volatility in the Consolidated income statement subsequently;
- ii. the FVTPL designation of some fixed income instruments changed on transition date; and
- iii. the ECL calculated on instruments at fair value previously in OCI were recycled to Retained earnings (subsequently to the Consolidated income statement).

As at 1 January 2023, the Group reclassified £98m of unrealised losses (after tax) from Revaluation reserves to Retained earnings. The following table summarises the classification and measurement impacts of IFRS 9 on transition. The adoption of IFRS 9 had no significant impact on the Group's other financial assets or liabilities.

Impact of IFRS 9 on the classification and measurement of investments

As at 1 January 2023	Measurement category		Carrying amount		
	IAS 39	IFRS 9	IAS 39	Impact of IFRS9	IFRS 9
	£m	£m	£m	£m	£m
Cash and cash equivalents	Amortised cost	Amortised cost	362	-	362
Debt securities	AFS	FVTOCI	4,689	(2,471)	2,218
	FVTPL	FVTPL ¹	-	2,471	2,471
Equities	AFS	n/a	212	(212)	-
	FVTPL	FVTPL	-	212	212
Loans	Amortised cost	Amortised cost ²	433	(1)	432
			5,696	(1)	5,695

¹ Includes £304m of debt securities classified as FVTPL as they do not pass the SPPI test. £2,167m of debt securities have been designated as FVTPL on adoption of IFRS 9.

² The IFRS 9 carrying amount includes an ECL impact of £1m.

Hedge accounting

IFRS 9 includes an accounting policy choice to continue applying existing hedge accounting rules under IAS 39 until a project to review macro hedging is complete, which the Group has elected to apply.

4. Summary of material accounting policies

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4.1 Basis of presentation

These consolidated financial statements and the accompanying notes are prepared in accordance with UK-adopted IAS and the requirements of the Companies Act 2006. They were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2024.

Comparative information has been restated due to the adoption of IFRS 17.

The material accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been applied consistently to all periods presented, except for IFRS 9 Financial instruments adopted on 1 January 2023, as described in note 3.

Except where otherwise stated, all figures included in the consolidated financial statements are presented in millions of pounds sterling (£m).

Going concern

The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board have reviewed the Group's ongoing commitments for at least the next twelve months. The Board's assessment included review of the Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with IFC. The risk profile, both current and emerging, has been considered, as well as the implications for capital. These assessments include sensitivity analysis and stress testing of the forward-looking capital projections, assessing a 1-in-10 year market risk shock and reduction of longer-term underwriting profitability. Key risk indicators demonstrate that the risk appetite is aligned to the available capital. In making their assessment, the Board have reviewed the latest position on business interruption losses and availability of reinsurance to recover incurred claims and there has been no significant change in the estimated ultimate position based on these updates. The Board have considered the impact of events after the balance sheet date, with none identified which could impact the Group's ability to continue as a going concern.

Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the Consolidated statement of financial position and the approval of the consolidated financial statements.

4.2 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries.

Subsidiaries are entities where the Company has the power over the relevant activities of the investee, is exposed to, or has rights to variable returns from its involvement with the investee; and, has the ability to affect those returns through its power over the investee. All subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases and any gain or loss is recognised in Other net gains (losses).

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee or the sharing of control in a joint arrangement. In such cases, judgement is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Company is exposed and the degree to which the Company can use its power to affect its returns from investees.

Acquisitions or disposals of equity interests in a subsidiary that do not result in the Company obtaining or losing control are treated as equity transactions and recognised as acquisitions or disposals of Non-controlling interests in the Consolidated statement of changes in equity. All balances, transactions, income and expenses and profits and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

4.3 Insurance and reinsurance contracts

The Group adopted IFRS 17 on 1 January 2023. It was applied retrospectively as at 1 January 2022 and as a result the comparative information has been restated. Refer to note 3 – Adoption of new accounting standards for the impact on the adoption of IFRS 17.

IFRS 17 requires management to use judgements, estimates and assumptions, further details of which are provided in note 12 – Insurance and reinsurance contracts.

IFRS 17 accounting policies are described below.

a) Classification

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Group determines whether it has significant insurance risks by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

The Group issues insurance contracts in the normal course of business (direct business) and holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Group. The Group may acquire insurance and reinsurance contracts through a business combination or transfer of contracts. All references apply to insurance contracts issued and acquired and reinsurance contracts held and acquired by the Group, unless otherwise stated.

b) Separating components from insurance and reinsurance contracts

Insurance and reinsurance contracts are assessed to determine whether they contain components which must be accounted for under an IFRS other than the insurance contract standard. The Group's insurance and reinsurance contracts do not include any components that require separation.

c) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Group divides its direct and ceded business into portfolios. Management uses judgement in considering the main geographic areas, lines of business, distribution channels and legal entities in which it operates as the relevant drivers for establishing its various portfolios. Portfolios are then divided into groups of contracts based on expected profitability. Such groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts.

Portfolios of insurance contracts that are assets and those that are liabilities and portfolios of reinsurance contracts that are assets and those that are liabilities are presented separately in the Consolidated statement of financial position.

d) Recognition

Groups of insurance and reinsurance contracts are recognised from the earliest of the following:

- i. the beginning of the coverage period (except for proportionate coverage reinsurance that could be recognised at a later date when any underlying insurance contract is initially recognised);
- ii. the date that the first payment is due; or
- iii. the date when facts and circumstances indicate that the group of contracts is potentially onerous.

Groups of contracts are established on initial recognition and their composition is not revised subsequently.

Any premiums received before the recognition of the corresponding group of insurance contracts are recognised as deferred revenues in Other liabilities. When the group of contracts are recognised as per above the premiums received are reclassified to the liability for remaining coverage.

e) Contract boundary

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract.

Cash flows are within the boundary of insurance and reinsurance contracts if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with services.

A substantive obligation or right ends when the Group has the practical ability to reassess risks and can set a price or level of benefits that fully reflects those risks.

f) *Measurement models*

The Group uses different measurement models depending on the type of contract.

Type of contract	Measurement model
All of the Group's insurance and reinsurance contracts except for retroactive reinsurance contracts	PAA
Retroactive reinsurance contracts (accepted and ceded) to cover adverse development of existing claims	GMM

The carrying amount of a group of insurance contracts at the end of each reporting period is comprised of the following:

Component	Description	Relates to
Liability for remaining coverage	The obligation to provide coverage after the reporting period for insured events that have not yet occurred.	Future service
Liability for incurred claims	The obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been notified, and other incurred insurance expenses.	Past service

Premium Allocation Approach

The Group applies the PAA when measuring the liability for remaining coverage as follows:

	Description
Overview	Simplified measurement model which may be applied to insurance contracts when: <ul style="list-style-type: none"> i. the coverage period is one year or less; or ii. for contracts longer than one year, and there is no material difference in the liability for remaining coverage between the PAA and the GMM.
Contracts applying this model	All insurance and reinsurance contracts, except in limited circumstances where the GMM is required.
Initial and subsequent measurement	The liability for remaining coverage includes: <ul style="list-style-type: none"> i. premiums received; ii. minus insurance acquisition cash flows paid net of the amortisation of the insurance acquisition cash flows recognised; iii. minus any amounts recognised as insurance revenue for the services provided; iv. minus any investment component paid or transferred to the liability for incurred claims; and v. plus any loss component for onerous contracts.
Onerous contracts	The Group assumes that no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information, forecast information and historic experience (refer to Onerous contracts below).
Other policies	The Group: <ul style="list-style-type: none"> i. does not discount the liability for remaining coverage; and ii. allocates insurance acquisition cash flows to related groups and amortises them over the coverage period of those groups.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts.

General Measurement Model

The Group applies the GMM when measuring the liability for remaining coverage as follows:

	Description
Overview	<p>Default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.</p> <p>The liability for remaining coverage includes:</p> <ol style="list-style-type: none"> i. Fulfilment cash flows are measured using current estimates and are comprised of: <ul style="list-style-type: none"> • discounted estimates of future cash flows; and • a risk adjustment for non-financial risk (risk adjustment) which is the compensation required for bearing uncertainty. ii. Contractual service margin, which is the unearned profit that is recognised as services are provided.
Contracts applying this model	A limited number of contracts for retroactive reinsurance contracts covering adverse development of existing claims.
Initial and subsequent measurement	<p>At initial recognition, unless the group of contracts is onerous, the contractual service margin is measured at an amount that results in no income or expenses arising from:</p> <ol style="list-style-type: none"> i. initial recognition of fulfilment cash flows; ii. any cash flows arising from the contracts in the group at that date; and iii. any amount arising from the derecognition of assets or liabilities previously recognised for cash flows related to the group. <p>Subsequently, the contractual service margin is adjusted for:</p> <ol style="list-style-type: none"> i. the effect of any new contracts; ii. interest accreted at the discount rates at initial recognition (locked-in discount rate); iii. changes in fulfilment cash flows relating to future service, except to the extent that such: <ul style="list-style-type: none"> • increases exceed the contractual service margin, in which case the excess is recognised as a loss in the Consolidated income statement and a loss component is recognised; • decreases are allocated to the loss component, reversing losses previously recognised in the Consolidated income statement; iv. the effect of any currency exchange differences; and v. amounts recognised as insurance revenue for services provided, determined by allocating the contractual service margin over the current and remaining service coverage period. <p>Changes in fulfilment cash flows related to current services are recognised immediately in the Consolidated income statement which include:</p> <ol style="list-style-type: none"> i. changes in risk adjustment for expired risk; and ii. experience adjustments which are the difference between estimated premiums and claims and other insurance service expenses incurred in the period.
Onerous contracts	Groups of contracts are assessed as onerous when fulfilment cash flows exceed the carrying amount of the liability for remaining coverage.
Reinsurance contracts	<p>Reinsurance contracts are measured on the same basis as insurance contracts, except:</p> <ol style="list-style-type: none"> i. they include an allowance for non-performance risk by the reinsurer; ii. the risk adjustment represents the amount of risk being transferred to the reinsurer; iii. day 1 gains/losses are recognised initially as a contractual service margin and released to the Consolidated income statement as the reinsurer renders services, except for day 1 losses related to events before initial recognition; and iv. changes in fulfilment cash flows are recognised in the Consolidated income statement if changes in the fulfilment cash flows in the related underlying ceded contracts have been recognised in the Consolidated income statement. Otherwise, changes in the fulfilment cash flows adjust the contractual service margin.

Onerous contracts

For onerous contracts, a loss component determined based on estimated fulfilment cash flows is included in the liability for remaining coverage when insurance contracts are issued with a loss recognised immediately in the Consolidated income

statement. The loss component is reversed to the consolidated income statement over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

At initial recognition, the loss-recovery component is calculated by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts where some contracts in the underlying group are not covered by the group of reinsurance contracts. The loss-recovery component is included in the asset for remaining coverage and the recovery is recognised immediately in Income from reinsurance contracts.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group applies the same analysis it has performed for groups potentially onerous at initial recognition.

Liability for incurred claims

For contracts measured under PAA, the Group measures its liability for incurred claims as follows:

Generally, the liability for incurred claims is discounted to consider the time value of money. However, for contracts measured under the PAA only, the Group is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Group has elected to discount all of its liability for incurred claims.

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the Group and include an explicit risk adjustment.

Liability for incurred claims include periodic payment orders which are settlements in the form of annuities awarded by UK courts on some high value injury claims where the claimant's quality of life has been impaired due to severe injuries. These annuities are payable until death and increase annually, applying a defined index set in the court decision, usually linked to care provider professionals' salaries.

Refer to note 12.4 Significant accounting judgements, estimates and assumptions for more details.

g) Modification and derecognition

The Group derecognises insurance contracts when:

- i. the rights and obligations relating to the contract are extinguished; or
- ii. the contract is modified such that it results in a change in the measurement, substantially changes the contract boundary, or requires the modified contract to be included in a different group.

In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification as an adjustment to the relevant liability for remaining coverage.

h) Insurance revenue

Insurance revenue on direct business is allocated over the coverage period and includes:

- i. premium receipts net of cancellations and sales taxes (excluding any investment component); and
- ii. other insurance revenue which includes fees collected from policyholders in connection with the costs incurred for the Group's yearly billing plans.

i) Insurance service expenses

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

- i. incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts;
- ii. amortisation of insurance acquisition cash flows; and
- iii. losses and reversal of losses on onerous contracts.

The Group has elected to present changes in risk adjustment related to the non-financial portion in Insurance service result and changes in the financial portion (unwinding and change in discount rates) in Net insurance financial result.

j) Insurance acquisition cash flows

Insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts and are presented in the liability for remaining coverage. These cash flows include direct costs such as commissions and indirect costs such as salaries, rent and technology costs. The PAA provides the option to expense insurance acquisition cash flows as they are incurred. The Group has elected to amortise these costs on a straight-line basis over the coverage period of the related groups. The related groups are the groups of contract containing the initial contract and groups that will include insurance contracts that are expected to arise from renewals of the insurance contract in that group.

Where the insurance acquisition cash flows are paid before the related group of insurance contracts is recognised, an asset is recognised for each related group of insurance contracts. This asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

k) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the discount unwinding and changes in discount rates and the effect of financial risk and changes in financial risk. The Group has elected to record the changes in discount rates in Net insurance financial result.

l) Net expense from reinsurance contracts

Net expense from reinsurance contracts comprises amounts expected to be recovered from reinsurers less other fulfilment expenses (Income from reinsurance contracts) and an allocation of reinsurance premium paid (Expense from reinsurance contracts).

The Group treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts expected to be recovered from reinsurers and includes commissions not contingent on claims as a reduction of the allocation of reinsurance premiums.

m) Investment component

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

4.4 Financial instruments

The Group adopted IFRS 9 on 1 January 2023. The comparative information was not restated and continues to be recognised under IAS 39. Refer to note 3 – Adoption of new accounting standards for the impact of the adoption of IFRS 9.

IFRS 9 requires management to use judgements, estimates and assumptions, further details of which are provided in note 11 – Financial risk.

IFRS 9 accounting policies are described below:

a) Classification and measurement of financial instruments

Financial assets

Business model assessment

The Group determines its investment business model by considering its insurance business. In addition, judgement is used in concluding which model aligns best with its core business objectives and practices. Factors that are used in business model decisions include how insurance business generate profits and cash flow, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis. The Group's business models fall into two categories, which are indicative of the key strategies to generate returns:

- i. the Group's primary business model is HTC&S which provides a desired flexibility to support the Group's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities; and
- ii. the Group also carries certain financial assets under a HTC business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

The Group also specifically designates, on an individual basis, a portion of investments as FVTPL to reduce accounting mismatch in the Consolidated income statement. This designation is irrevocable.

SPPI assessment

Financial assets which are held within HTC&S and HTC business models are assessed to evaluate if their contractual cash flows are comprised of SPPI. Contractual cash flows generally meet SPPI criteria if such cash flows reflect compensation for basic credit risk and customary returns from a debt instrument which also includes time value for money. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments

The classification and measurement of debt instruments is dependent on the business (refer to *Business model assessment* above) model and cash flow characteristics of the asset as described below. They are reclassified when and only when business model for managing those assets changes.

Amortised cost	FVTOCI	FVTPL
Assets held for the collection of contractual cash flows. Cash flows represent solely payments of principal and interest.	Assets held for the collection of contractual cash flows and for selling the financial assets. Cash flows represent solely payments of principal and interest.	Assets that do not meet the criteria for amortised cost or FVTOCI are mandatorily measured at FVTPL. Irrevocable election can be made (on an instrument-by-instrument basis) to designate assets as FVTPL instead of amortised cost or FVTOCI if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments

There are two measurement categories under which an equity instrument could be classified:

FVTPL	FVTOCI
Default classification for all equity instruments.	Irrevocable election (on an instrument-by-instrument basis) on the date of acquisition. Designation is not permitted if the equity instrument is held for trading.

Financial instruments

Classification and measurement of the Groups most significant financial instruments under IFRS 9

Classification	Financial instruments	Description	Initial and subsequent measurement
FVTOCI	Debt securities	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices at the end of the period (except as noted below for Level 3 instruments), with changes in fair value recognised in OCI when unrealised or in Net gains or losses when realised or impaired.
Designated as FVTPL on initial recognition	Debt securities backing insurance and reinsurance contracts	A portion of the Group's investments backing its insurance and reinsurance contracts has been voluntarily designated as FVTPL to eliminate the accounting mismatch caused by fluctuations in fair values of underlying insurance and reinsurance contracts due to changes in discount rates. The Group ensures that the duration of debt securities designated as FVTPL is approximately equal to the duration of insurance and reinsurance contracts.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (for financial assets) or ask prices (for financial liabilities) at end of period, with changes in fair value recognised in Net gains or losses. The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognised in foreign exchange gains or losses in OCI.
Classified as FVTPL and instruments in a hedging arrangement	Equity instruments	All ordinary share portfolios, classified as FVTPL by default.	
	Derivative financial instruments	Derivatives used for economic hedging purposes and for the purpose of modifying the risk profile of the Group's investment portfolio as long as the resulting exposures are within the investment policy guidelines.	
	Other instruments	Investments in mutual and private funds.	
Amortised cost – other financial assets	Cash and cash equivalents	Highly liquid investments held to meet short-term requirements that are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at amortised cost using the effective interest method.
	Loans	Direct lending under illiquid credit investment mandates.	
Amortised cost - financial liabilities	Debt outstanding	Financial liabilities with fixed or determinable payments and maturity date.	Initially measured at fair value at the issuance date net of transaction costs. Subsequently measured at amortised cost using the effective interest method.

Classification and measurement of the Company's most significant financial instruments under IAS 39

Classification	Financial instruments	Description	Initial and subsequent measurement
AFS	Debt securities	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (except as noted below for Level 3 instruments) at end of period, with changes in fair value recognised in OCI (when unrealised) or in Net gains (losses) on investment portfolio when realised or impaired.
	Equity instruments	Investments neither classified nor designated as FVTPL	
	Other instruments	Investments in mutual and private funds	Refer to Note 10 Fair value measurement for details on the fair value measurement of Level 3 investments.
Instruments in a hedging arrangement	Derivative financial instruments	Derivatives used for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio as long as the resulting exposures are within the investment policy guidelines.	The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognised in foreign currency gains (losses) in OCI.
Amortised cost - Cash and cash equivalents, loans	Cash and cash equivalents	Highly liquid investments that are readily convertible into a known amount of cash are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at amortised cost using the effective interest method.
	Loans	Direct lending under illiquid credit investment mandates.	
Amortised cost - Other financial liabilities	Debt outstanding	Financial liabilities with fixed or determinable payments and maturity date	Initially measured at fair value at the issuance date net of transaction costs. Subsequently measured at amortised cost using the effective interest method.

b) Revenue and expense recognition

Net investment income

Net investment income is recognised as follows:

- i. FVTOCI and AFS debt security interest is recognised in Interest income using the effective interest rate method, including the amortisation of premiums earned or discounts incurred as well as transaction costs;
- ii. FVTPL debt security interest is recognised in Interest income using the same methodology, except that transaction costs are expensed as incurred.
- iii. Interest income from loans is recognised on an accruals basis, using the effective interest rate method; and
- iv. Dividends are recognised when the shareholders' right to receive payment is established, which is the ex-dividend date.

Net gains (losses) on investment portfolio

Gains and losses on the sale of FVTOCI debt securities under IFRS 9 and AFS debt and equity securities under IAS 39 are calculated on a first in, first out basis.

Transaction costs

Transaction costs associated with the acquisition of financial instruments classified or designated as FVTPL are expensed as incurred; otherwise, transaction costs are capitalised on initial recognition and amortised using the effective interest rate method.

Transaction costs incurred at the time of disposition of a financial instrument are expensed as incurred.

c) Impairment

IFRS 9

The Group assesses, on a forward-looking basis, the ECL associated with its assets carried at amortised cost and FVTOCI debt securities. The impairment methodology applied depends on whether there has been a significant increase in credit risk or an actual default since the initial recognition of the financial asset.

Staging	Debt securities
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Stage 1 (12 months)	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing)
Stage 2 (Life-time)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired
Stage 3 (Life-time)	Financial instrument is credit impaired. See note 11 – Financial risk.

At each reporting date, the Group recognises an allowance for debt instruments measured at FVTOCI or at amortised cost:

- i. the ECL does not reduce the carrying amount of FVTOCI financial assets, which remains at their fair value. Instead, an amount equal to the allowance and its subsequent changes is reclassified from OCI to the Consolidated income statement. Refer to note 11 – financial risk for details; and
- ii. the ECL for financial instruments measured at amortised cost reduces the carrying amount of these financial assets with a corresponding expense recognised in the Consolidated income statement.

IFRS 9 provides a simplification where an entity may assume that the criterion for recognising lifetime ECL is not met if the credit risk on the financial instrument is low (investment grade) at the reporting date. The Group will apply the low credit risk simplification to its investment grade assets with a quoted market price. This represents approximately 99% of the debt securities portfolio as at 31 December 2023 (31 December 2022: 99%).

For other debtors and accrued rent, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IAS 39

The Group determines, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Those financial assets are impaired according to either a debt, equity or loans impairment model. The appropriate impairment model is determined based on the characteristics of each instrument. Objective evidence of impairment includes:

- i. Debt impairment model:
 - One or more loss events (a payment default for example) that occurred after initial recognition that has an impact on the estimated future cash flows of the financial asset.
 - Increased probability that the future cash flows will not be recovered based on counterparty credit rating considerations.
- ii. Equity impairment model:
 - A significant, prolonged, or a significant and prolonged decline in the fair value of an investment below cost.
 - Information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which an issuer operates, indicating that the cost of an equity instrument may not be recovered.
- iii. Loans impairment model
 - A payment default of when there are objective indications that the counterparty will not honour its obligations.

d) *Derecognition of financial assets and financial liabilities*

Financial assets are no longer recognised when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are no longer recognised when they have expired or have been cancelled.

e) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are offset, and the net amount is recognised on the Consolidated statement of financial position, only when there is:

- i. a legally enforceable right to offset the recognised amounts; and
- ii. an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.6 Derivative financial instruments and hedge accounting

The Group enters a variety of derivative financial instruments to manage its exposure arising from financial assets and financial liabilities. Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index. The Company uses derivatives for economic hedging purposes and for the purpose of modifying the risk profile of the Group's investment portfolio, as long as the resulting exposures are within the investment policy guidelines.

Derivatives are initially measured at fair value at the trade date and subsequently remeasured at fair value at the end of each reporting date. Derivative financial instruments with a positive fair value are recognised as assets and presented in Other assets, while derivative financial instruments with a negative fair value are recognised as liabilities and presented in Financial liabilities related to investments.

Changes in fair value are recognised in Net gains (losses) on investment portfolio unless the derivative financial instruments are part of a qualified hedging relationship.

Derivatives that qualify for hedge accounting

In certain circumstances, these derivatives also meet the requirements for hedge accounting, in which case, a hedging relationship is designated and formally documented at inception by describing the risk management objective and strategy, the hedged item and the methodology used to assess hedge effectiveness. Risk management strategies when eligible for hedge accounting have been designated as net investment hedges in a foreign operation, cash flow hedges or fair value hedges.

- i. *Net investment hedges* – The Group uses foreign currency derivatives to manage its book value exposure to foreign operations with a functional currency other than GBP. Where the Group has elected to apply hedge accounting, the effective portion of gains or losses on hedging derivatives, together with foreign exchange translation gains or losses on foreign operations, is recognised in Foreign currency gains (losses) in OCI.
- ii. *Cash flow hedges* – The Group uses “fixed to fixed” cross currency interest rate swaps to hedge changes in the fair value of fixed income securities. Where the Group has elected to apply hedge accounting, the effective portion of changes in the fair value of the derivatives are recognised in OCI and the ineffective portion is recognised in Net gains (losses) on investment portfolio in the Consolidated income statement.
- iii. *Fair value hedges* – The Group uses “fixed to floating” cross currency interest rate swaps and interest rate swaps to hedge changes in the fair value of fixed income securities. Where the Group has elected to apply hedge accounting, the gains and losses on hedging instruments are recognised in Net gains (losses) on investment portfolio in the Consolidated income statement and the change in fair value of the hedged item that are attributable to the hedged risk is transferred from AOCI to the Consolidated income statement.

Hedge effectiveness is evaluated at inception and throughout the term of the hedge. Hedge accounting is only applied when the Group expects that the hedging relationship will be highly effective in achieving offsetting changes in fair value or changes in cash flows attributable to the risk being hedged. For net investment hedges, effectiveness is evaluated by using the dollar offset method based on spot foreign currency rates, which is not expected to result in any ineffectiveness.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item. In the case of a sale or early termination of the hedged item, any balance remaining in AOCI as a result of hedge accounting with this hedged item is reclassified to Net income.

Derivatives not designated for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedging instruments in formal hedge accounting relationships. Changes in the fair value of such derivatives are recognised in Net gains (losses) on investment portfolio in the Consolidated income statement. Refer to note 9 Derivative financial instruments for details.

4.5 Business combinations

Business combinations are accounted for using the acquisition method. The purchase consideration is measured at fair value at acquisition date. At that date, the identifiable assets acquired, and liabilities assumed, are measured at their fair value. Acquisition-related costs are expensed as incurred. When the Group acquires a business, it assesses the financial assets acquired and the financial liabilities assumed for appropriate classification and designation in accordance with the contractual term, economic circumstances, and relevant conditions at the acquisition date. The excess of the purchase consideration over the fair value of the net identifiable assets acquired and liabilities assumed in a business combination results in Goodwill. When the excess is negative, a bargain gain is recognised in the Consolidated income statement.

4.7 Intangible assets and goodwill

Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's share in the net identifiable assets acquired and liabilities assumed in a business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to the CGU that is expected to benefit from the business combination in which they arose. Impairment testing is performed at least annually, or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of a CGU with its carrying amount. Impairment testing is undertaken at the lowest level at which goodwill is monitored for internal management purposes, which corresponds to the Group's operating segments.

Upon disposal of a portion of a CGU through sale of a business as defined within IFRS 3, the carrying amount of goodwill related to the portion of the CGU sold is included in the determination of gains and losses on disposal. The carrying amount is determined based on the relative fair value of the disposed portion to the total CGU.

Intangible assets

The Group's intangible assets include internally developed software, externally acquired software and intangible assets relating to distribution networks, customer lists and trade names.

Intangible assets with finite economic lives are amortised over their useful lives and assessed for impairment whenever there is an

indication that the intangible asset may be impaired. Intangible assets with indefinite lives, as well as those intangible assets that are under development, are not subject to amortisation, but are tested for impairment on an annual basis at the CGU level. Amortisation of intangible assets is included in Other expense in the Consolidated income statement.

Refer to note 15 Goodwill and intangible assets for further information.

4.8 Translation of foreign operations

The results and financial position of subsidiaries and associates whose functional currency is not Sterling are translated into Sterling as follows:

- i. assets and liabilities for each statement of financial position presented are translated at closing exchange rates at the end of the period;
- ii. income and expenses for each income statement are translated at average exchange rates during each period; and
- iii. all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income within the foreign currency translation reserve. Further information can be found in note 41. When a foreign entity is sold, the cumulative exchange differences relating to that foreign entity are recognised in the Consolidated income statement as part of the gain or loss on disposal.

Foreign currency transactions

Transactions denominated in foreign currencies are initially recognised in the functional currency of the related entity using the exchange rates in effect at the date of the transaction.

- i. monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognised in the Income statement;
- ii. non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined; and
- iii. revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

The rates of exchange used in the preparation of the consolidated financial statements are as follows:

	As at			Average rate for the years	
	31 December 2023	31 December 2022	1 January 2022	2023	2022
EUR	1.15	1.13	1.19	1.15	1.17
CAD	1.69	1.64	1.71	1.68	1.61
USD	1.27	1.20	1.35	1.24	1.23

4.9 Property and equipment

Property and equipment is comprised of equipment (comprising fixtures, fittings and other equipment including computer hardware and motor vehicles) and Group occupied property and is initially recognised at cost.

Equipment is measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset only when it is probable that the expenditure will result directly in future economic benefits to the Group, and the cost can be measured reliably. After initial recognition Group occupied property is measured at fair value.

The estimated useful lives of property and equipment are as follows:

Group occupied buildings	normally 30 years
Fixtures and fittings	10 years
Equipment	3 – 5 years

The useful economic life and residual value are reviewed on an annual basis. Where the carrying value of an asset is deemed to be greater than its recoverable amount the asset is impaired. Impairment losses on non-revalued assets are recognised in the Consolidated income statement. Impairment losses on revalued assets are recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses may be subsequently reversed if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are recognised in the Consolidated income statement except for reversals of impairment losses on revalued assets which are recognised in other comprehensive income similarly to the initially recorded impairment loss.

Gains and losses on disposal are recognised based on the carrying amount of the asset. On disposal of buildings, any associated revaluation surplus is transferred to retained earnings.

4.10 Investment property and rental income

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value. The fair value methodology is set out in more detail in note 10 – Fair value measurement. Rental income and gains and losses are recognised in net investment return in the Consolidated income statement. Rental income from operating leases on investment property is in the Consolidated income statement on a straight line basis over the length of the lease.

4.11 Leases

The Group as lessee

A lease liability and right-of-use asset is recognised for all lease obligations the Group has as a lessee, except for the following recognition exemptions that the Group has elected to use: lease contracts that at the commencement date have a lease term of 12 months or less and that do not contain a purchase option and lease contracts for which the underlying asset is of low value.

The lease liability is recognised at the inception of a lease as the present value of the fixed and certain variable lease payments, plus any guaranteed residual values, any termination penalties if the lease term assumes termination options will be exercised, and the purchase option value if it is reasonably certain that it will be exercised.

Interest is accrued on the lease liability based on the discount rate at commencement of the lease and is accounted for in finance costs. The discount rate is the rate implicit in the lease, except where this rate cannot be readily determined, in which case the Group's incremental borrowing rate is used. Subsequent payments are deducted from the lease liability.

The right-of-use asset is initially measured as the value of the lease liability, adjusted for any initial direct costs incurred to obtain the lease restoration provisions and any lease payments made before the commencement of the lease.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. It is depreciated over the shorter of the useful life or the period of the contract on a straight line basis. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and equipment' policy.

The lease liability is subsequently re-measured when there are changes in lease term, in the expectation regarding whether a purchase option would be exercised or not, in any expected residual value guarantee or changes in variable lease payments that are dependent upon an index or rate (from the date that these take effect).

Remeasurements in the lease liability are reflected in the measurement of the corresponding right-of-use asset with reductions being restricted to the carrying value. When the asset is reduced to zero, any remaining remeasurement is recognised in the Consolidated income statement.

The Group as lessor

Where the Group act as a lessor the lease will be classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, or otherwise as an operating lease (refer to 'Investment property and rental income' policy).

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables within Other assets at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables.

4.12 Current and deferred tax

Current and deferred tax are recognised in the Consolidated income statement, except to the extent that the tax arises from a transaction or event recognised either in OCI or directly in equity. Any exceptions to this, as permitted under IAS 12 Income Taxes are disclosed in note 27 Income taxes. To the extent that deferred tax assets are recognised or derecognised in the period and it is not possible to attribute this directly to either the Consolidated income statement or OCI, as is the case typically for brought forward tax losses, then these amounts are attributed between the Consolidated income statement and OCI transactions using a reasonable pro rata split based on historical movements.

Current taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments for prior years.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

Deferred tax in respect of the unremitted earnings of overseas subsidiaries and principal associated undertakings is recognised as an expense in the year in which the profits arise, except where the remittance of earnings can be controlled and it is probable that remittance will not take place in the foreseeable future, in which case the tax charge is recognised on dividends receivable.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses and temporary differences can be utilised.

IFRIC 23 Uncertainty over income tax treatments is applied to the recognition and measurement of both current and deferred tax assets and liabilities. In cases where the applicable tax regulation is subject to interpretation, the positions taken in tax returns are recognised

in full in the determination of the tax charge in the financial statements, if the Group considers that it is probable that the taxation authority will accept those positions. Otherwise, provisions are established based on management's estimate and judgement of the likely amount of the liability/recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple outcomes. No provision is made for possible Pillar Two tax liabilities.

4.13 Share-based payments

The fair value of the employee share options and other equity settled share-based payments is calculated at the grant date and recognised as an expense over the vesting period. The vesting/maturity of share awards can be dependent on service and performance conditions, as well as market conditions. The assumption of the number of shares expected to vest is revised at the end of each reporting period, with the corresponding credit or charge recognised immediately in the income statement. Where an option is cancelled by an employee, the full value of the option (less any value previously recognised) is recognised at the cancellation date.

The cash-settled awards are recognised as an expense over the vesting period with a corresponding financial liability reported in other liabilities. This liability is remeasured at each reporting date based on the current share price, with any fluctuations in the liability also recorded as an expense until it is settled.

Further information on the share schemes the Group operates can be found in note 28.

4.14 Post-employment benefits and obligations

The Group operates both defined contribution and defined benefit schemes.

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are charged in the Consolidated income statement in the period in which the underlying employment services are provided to the Group.

A defined benefit scheme refers to any other pension scheme; specifically, the Group's defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The value of the net defined benefit liability/asset recognised in the Consolidated statement of financial position for each individual post-employment scheme is calculated as the difference between the present value of the defined benefit obligations of the scheme and the fair value of the scheme assets out of which the obligations are to be settled.

For those schemes in a net liability (deficit) position, the net liability is recognised in the Consolidated statement of financial position in Other liabilities. For those schemes in a net asset (surplus) position, the net asset is recognised in the Consolidated statement of financial position in Other assets only to the extent that the Group can realise an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the scheme or when the scheme liabilities are settled.

The amounts charged (or credited where relevant) in the Consolidated income statement relating to post-employment defined benefit schemes are as follows:

- i. the current service cost: this is the present value of additional benefits payable for employees' services provided during the reporting period;
- ii. the past service costs and gains or losses on settlement: these are changes to the obligations already established for past service costs that have arisen from an amendment to the terms of the scheme or a curtailment of the benefits payable by the scheme. These are recognised at the earlier of when the terms of the scheme are amended or the curtailment occurs or, where applicable, when the Group recognises related restructuring costs or termination benefits;
- iii. net interest on the net defined benefit liability/asset: this is determined by applying the discount rate applied to the defined benefit obligation for the period to the net defined benefit liability/asset, and results in a net interest expense/income; and
- iv. the administration costs of operating the pension schemes.

Remeasurements of the net defined benefit liability/asset recognised in OCI comprises actuarial gains and losses as a result of changes in assumptions and experience adjustments in the calculation of the defined benefit obligation, and return on scheme assets excluding interest during the year. Further information is provided in note 29 Employee future benefits.

4.15 Current vs non-current

In line with industry practice, the Group's Consolidated statement of financial position is not presented using current and non-current classifications, but in order of liquidity.

The assets and liabilities considered as non-current include: deferred tax assets, property and equipment, intangible assets, goodwill, deferred tax liabilities, outstanding debt including issued debt and elements of financial investments, insurance contract liabilities and reinsurance contract assets.

The assets and liabilities considered as current include cash and cash equivalents, and elements of financial investments, insurance contract liabilities and reinsurance contract assets.

The remaining balances are of a mixed nature. The current and non-current portions of such balances are provided in the respective notes.

5. Material accounting judgements, estimates and assumptions

5.1 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to use judgements, estimates and assumptions that can have a significant impact on the recognised amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date, as well as recognised amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

The key estimates that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities in the next twelve months are the assumptions used in the estimation of the ultimate outcome of the claim events that have occurred but remain unsettled at the end of the reporting period; the assumptions used in the measurement of deferred tax assets; and the assumptions used in determining the useful economic lives and recoverable amounts for intangible assets. The key areas where management has applied judgement are the assessment of expected credit losses of financial assets and the valuation of intangible assets.

Further information on the key judgements, estimates and assumptions is provided in the following notes:

Descriptions	Reference	Descriptions	Reference
Global economic environment	Note 5.2	Impairment of goodwill and intangible assets	Note 15.3
Business combinations and disposals	Note 6	Valuation and impairment of financial assets	Note 10
Insurance and reinsurance contracts	Note 12.4	Measurement of income taxes	Note 27.5
Valuation of intangible assets	Note 15.1		

5.2 Global economic environment

Global financial market volatility

The Group continued to observe a significant volatility in financial markets. Several recession indicators are pointing to difficult quarters ahead. Inflation has cooled but remains above targets, with central banks reaffirming their intention to bring it into line. The increase in interest rates is affecting asset values and the Group is closely monitoring the impact of lower commercial real estate values and the decrease in lending appetite from US banks.

The increased uncertainty required management to use judgements, estimates and assumptions related to the Group's exposure to the Global economic environment. As a result, additional disclosures are provided on the Group's exposure to the Global economic environment in the following areas:

- i. the valuation of investments (note 10); and
- ii. the valuation of the liability for incurred claims (note 12).

Climate change

Climate change trends are giving rise over time to different weather patterns and therefore general insurance claims experience. The judgements made in respect of the valuation of the liability for incurred claims takes our observed reported experience into account and use common actuarial techniques to estimate ultimate costs. When selecting our future weather event claims experience assumption for our operational plan, we consider average experience over a recent period plus a judgmental allowance in recognition of climate change trends, along with any other relevant considerations such as exposure changes.

Russia-Ukraine and Israel-Gaza wars

The wars in Ukraine and Gaza have caused instability in the global economy and markets. While its direct exposure to Russia-Ukraine and Israel-Gaza is immaterial, the Group continues to closely monitor for any indirect impacts.

6. Business combinations and disposals

6.1 Business acquisition completed in 2023

On 6 September 2023, the Group announced that it had entered into an agreement to acquire the brokered Commercial lines operations of DLG, a general insurer with leading market positions in the UK (the DLG brokered commercial lines acquisition). The acquisition is expected to strengthen the Group's UK Commercial lines platform, broaden its broker distribution network and expand its current Commercial lines product offering.

The acquisition was approved by the Board of Directors of both companies and closed on 26 October 2023, following approval by DLG's shareholders on 19 October 2023.

The purchase price includes an initial cash consideration of £520m paid on 26 October 2023, with potential for up to a further £30m contingent payment under earnout provisions relating to the financial performance of the acquired business lines.

The acquisition was structured through several agreements as described below:

- i. *business combination* - the business transfer agreement related to new business franchise and certain operations, renewal rights, data, brands, employees, contractors, third party contracts and premises for which the operational transfer is expected to occur in the second quarter of 2024. The business transfer agreement resulted in a business combination as the Group assumes control from the closing date. As a result, the acquired net assets were consolidated from that date;
- ii. *quota share reinsurance agreement* - the reinsurance agreement related to premiums written but not yet earned starting from 1 October 2023. As a result, substantially all of the future economics of the business were transferred to the Group before policies will be renewed by the Group starting in the second quarter of 2024. The reinsurance agreement was recognised in direct insurance results in the fourth quarter of 2023. In addition, if approved by the High Court of Justice in England and Wales, these policies will be legally transferred to the Group. The quota share reinsurance arrangement was not part of the business combination; and
- iii. *administration and transitional services arrangements* - the Group entered into certain arrangements to ensure the servicing of policies during the transition.

As part of the acquisition, DLG will retain claims incurred related to premiums earned pre 1 October 2023. As a result, the Group is not exposed to any development on prior-year claims related to premiums earned pre 1 October 2023.

The purchase price of £520m and expected related integration costs of approximately £45m were funded through a capital injection by IFC, via a subscription of one share in the Company at a premium of £565m.

The following table summarises the consideration and the preliminary fair value of the assets acquired and liabilities assumed as at the acquisition date. The final determination of the fair value will be completed within the prescribed period of one year following the acquisition.

As at the acquisition date (26 October 2023)	£m
Purchase price	
Cash consideration	520
Contingent consideration ¹	3
Total purchase price	523
Fair value of the identifiable assets acquired and liabilities assumed	
Assets	
Intangible assets ²	229
Other	2
Liabilities	
Deferred tax liabilities ³	(32)
Other	(2)
Total identifiable net assets acquired	197
Goodwill	326

¹ Recorded at fair value based on estimates of future profitability metrics, discounted using information as of the measurement date and classified in Level 3 of the fair value hierarchy.

² Intangible assets are comprised of distribution channels (£188m), trade names (£31m) and acquired technology (£10m).

³ The valuation of deferred tax liabilities involves an element of Management judgement in relation to contractual arrangements to be finalised in 2024.

The distribution networks are amortised over a 15-year period and trade names are amortised over an 8-year period.

The fair value of the acquired distribution networks was determined using discounted cash flows with the key estimates and assumptions as follows:

- i. cash flow projections, including estimated growth rates and profitability, broker attrition rates, synergies and contributory asset charges such as capital required to operate; and
- ii. the discount rate was based on the weighted-average cost of capital for comparable companies with similar activities.

Trade names were determined using the relief-from royalty method, an income approach using a projection of growth to which a royalty rate is applied. The key estimates and assumptions are the growth rate, the useful life, the royalty rate and the discount rate.

The fair values of the intangible assets recognised at the acquisition date are sensitive to the assumptions used, as shown in the following table:

	Distribution Channels	Trade Names
As at 31 December 2023	£m	£m
1 year increase in useful life	5	4
50 basis point decrease in the royalty rate	n/a	(11)
50 basis point decrease in the discount rate	13	-

Goodwill reflects new business growth, tax synergies and the quality of the acquired businesses. Goodwill is not deductible for tax purposes.

From 1 October to 31 December 2023, the contribution from the acquisition, including the Quota share agreement, to Insurance revenue and Loss before tax was £153m and £16m respectively for the year ended 31 December 2023. On a pro-forma basis from 1 January 2023, the contribution to Insurance revenue would have been £549m. The pro-forma basis was calculated using historical information and is not necessarily indicative of the Insurance revenue that would have been derived if the acquisition occurred on 1 January 2023, or the Insurance revenue that may be obtained in the future. The contribution to Loss before tax on a pro-forma basis cannot be determined based on historical information as the business acquired was operated in conjunction with other business activities that have not been acquired by the Group. On a pro-forma basis from 1 January 2023, the amortisation expense related to the acquired intangible assets would have been £20m.

For the year ended 31 December 2023, the Group recognised integration costs of **£5m** in the line Integration and restructuring costs in relation to the acquisition.

6.2 Disposals

Disposals announced in 2023

UK Personal lines

On 28 March 2023, the Group announced its exit from the Personal lines motor market in the UK as part of initiatives aimed at improving the strength and sustainability of the business. The exit includes an agreement to introduce MORE THAN direct motor customers to Swinton Insurance, a brand of Atlanta Insurance Intermediaries Limited, upon renewal.

Subsequently, on 7 December 2023, the Group announced it had entered into an agreement to sell its UK direct Personal lines operations to Admiral for an initial cash consideration of £85m, with potential for up to £33m of further consideration subject to the fulfilment of certain retention thresholds. The sale was approved by the Boards of Directors of both the Group and Admiral and is expected to close during the first half of 2024. The transaction will result in the transfer of renewal rights, brands and employees. However, the Group will retain claims incurred prior to closing. Consequently no assets or liabilities on the Consolidated statement of financial position are held for sale at 31 December 2023.

On the same date, the Group announced its exit from the UK Home and Pet partner and broker contracts resulting in a complete exit from the UK Personal lines market. The results for UK Personal lines are included in continuing operations for 2023 as it did not represent a separate major line of business or geographical area of operation.

The Group recorded restructuring costs of £89m in Integration and restructuring costs for the year ended 31 December 2023 related to these transactions.

Disposals completed in 2022

Royal & Sun Alliance Insurance (Middle East)

On 7 July 2022, the Group sold its 50% shareholding in Royal & Sun Alliance Insurance (Middle East). The Group recorded a profit of £31m on the sale. The results for Royal & Sun Alliance (Middle East) are included in continuing operations for 2022 as it did not represent a separate major line of business or geographical area of operation.

Royal & Sun Alliance Insurance Agency inc.

On 1 January 2022 the Group sold its 100% shareholding in Royal & Sun Alliance Insurance Agency inc. recording a profit of £5m on the sale.

7. Investments

7.1 Classification of investments

As at 31 December 2023 (IFRS 9)	FVTPL			FVTOCI	Amortised Cost	Total carrying amount
	Designated as FVTPL	Mandatorily measured as FVTPL	Measured at FVTPL			
	£m	£m	£m			
Cash and cash equivalents	-	-	-	-	320	320
Investment property	-	-	285	-	-	285
Equity securities	-	199	-	-	-	199
Debt & fixed income securities	1,739	314	-	2,843	-	4,896
Loans	-	-	-	-	391	391
	1,739	513	285	2,843	711	6,091

As at 31 December 2022 (IAS 39)	Fair value		Amortised cost	Total carrying amount
	AFS	Measured as FVTPL		
	£m	£m		
Cash and cash equivalents	-	-	362	362
Investment property	-	291	-	291
Equity securities	212	-	-	212
Debt & fixed income securities	4,689	-	-	4,689
Loans	-	-	433	433
	4,901	291	795	5,987

The disposal of the Group's operations in the Middle East reduced financial assets by £318m in 2022.

7.2 Carrying amounts of investments

The following tables analyse the cost/amortised cost, gross unrealised gains and losses, and fair value of financial assets.

As at 31 December 2023 (IFRS 9)	FVTPL investments	Other investments			Total investments
	Carrying amount	Cost/amortised cost	Unrealised gains	Unrealised losses	Carrying amount
	£m	£m	£m	£m	£m
Cash and cash equivalents	-	320	-	-	320
Investment property	285	-	-	-	285
Equity securities	199	-	-	-	199
Debt & fixed income securities	2,053	2,957	26	(140)	4,896
Loans	-	391	-	-	391
	2,537	3,668	26	(140)	6,091

As at 31 December 2022 (IAS 39)	FVTPL	Other investments				Total
	investments					investments
	Carrying amount £m	Cost/ amortised cost £m	Unrealised gains £m	Unrealised losses £m	Carrying amount £m	Carrying amount £m
Cash and cash equivalents	-	362	-	-	362	362
Investment property	291	-	-	-	-	291
Equity securities	-	208	13	(9)	212	212
Debt & fixed income securities	-	5,028	15	(354)	4,689	4,689
Loans	-	433	-	-	433	433
	291	6,031	28	(363)	5,696	5,987

7.3 Collateral

The following table summarises the investment-related collateral:

As at 31 December	2023 £m	2022 £m
Collateral pledged	1,379	1,319
Collateral accepted	451	446

At 31 December 2023, collateral pledged consisted of government debt securities of **£52m** (2022: £40m), non-government debt securities of **£324m** (2022: £313m), and cash and cash equivalents of **£1m** (2022: £6m). The debt securities of **£376m** (2022: £353m) are included in the balance sheet as FVTOCI debt securities and the Group's right to recover the cash pledged of **£1m** (2022: £7m) is included in other assets. The terms and conditions of the collateral pledged are market standard in relation to letter of credit facilities, derivative transactions and repurchase agreements.

Total collateral pledged is **£1,379m** (2022: £1,319m) including the collateral pledged pertinent to reinsurance arrangements with related parties (note 32).

At 31 December 2023, collateral accepted consisted of government and non-government debt securities of **£418m** (2022: £416m) in respect of stock lending arrangements, which the Group is permitted to sell or repledge in the event of default by the owner. **£416m** of debt securities on the Consolidated statement of financial position are lent out under these arrangements (2022: £399m). Cash and cash equivalents of **£33m** (2022: £30m) is also accepted as collateral. The obligation to repay the cash is included in the balance sheet in other liabilities. The fair value of the collateral accepted is **£451m** (2022: £446m). The terms and conditions of the collateral held are market standard. The assets held as collateral are readily convertible into cash.

8. Financial liabilities related to investments

	2023 £m	2022 £m
Accounts payable to investment brokers on unsettled trades	17	1
Derivative financial liabilities	25	25
	42	26

9. Derivative financial instruments

The following table summarises the types of derivatives used by the Group.

Types of derivatives used

Derivatives	Description	Objective	Designation
<i>Forwards</i>	<i>Contractual obligation to exchange:</i>		
Currency	One currency for another at a predetermined future date	Mitigate risk arising from foreign currency fluctuations on: <ul style="list-style-type: none"> i. foreign currency cash inflows and outflows impacting the Group's operations; and ii. the Group's net investment in foreign operations. 	Not designated Net investment hedge
<i>Swaps</i>	<i>Over-the-counter contracts:</i>		
Interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount	Modify or mitigate exposure to interest rate fluctuations	Fair value hedge
Cross currency interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount and in two different currencies	Modify or mitigate exposure to interest rate and foreign currency fluctuations	Cash flow hedge and Fair value hedge
Equity	In which two counterparties exchange a series of cash flow based on a basket of stocks, applied to a notional amount	Mitigate exposure to equity market fluctuations	Not designated
Inflation	That transfer inflation risk from one party to another	Modify exposure to inflation risk	Not designated

The following table presents the notional amount by remaining term to maturity and fair value of the derivatives held by the Group based on their designation in qualifying hedge accounting relationships.

As at 31 December 2023			Term to maturity (notional amount)				Fair Value	
			Less than 1 year	From 1 to 5 years	Over 5 years	Total	Asset	Liability
Type of hedge	Risk Hedged	Instrument type	£m	£m	£m	£m	£m	£m
Designated for hedge accounting								
Net investment hedges	Currency	Currency forward contracts	148	-	-	148	-	-
Cash flow hedges	Currency and interest rate	Cross currency interest swaps	3	25	16	44	-	5
Fair value hedges	Currency and interest rate	Cross currency interest swaps	-	3	-	3	-	1
Fair value hedges	Interest rate	Interest rate swaps	-	-	54	54	17	-
			151	28	70	249	17	6
Not designated for hedge accounting								
		Currency forward contracts	438	-	-	438	8	2
		Equity swaps	96	-	-	96	1	4
		Inflation swaps	-	-	120	120	33	13
			534	-	120	654	42	19
			685	28	190	903	59	25

As at 31 December 2022

Type of hedge	Risk hedged	Instrument type	Term to maturity (notional amount)				Fair Value	
			Less than 1 year	From 1 to 5 years	Over 5 years	Total	Asset	Liability
			£m	£m	£m	£m	£m	£m
Designated for hedge accounting								
Net investment hedges	Currency	Currency forward contracts	168	-	-	168	-	5
Cash flow hedges	Currency and interest rate	Cross currency interest swaps	-	29	16	45	-	8
Fair value hedges	Currency and interest rate	Cross currency interest swaps	-	5	-	5	-	-
Fair value hedges	Interest rate	Interest rate swaps	-	-	54	54	18	1
			168	34	70	272	18	14
Not designated for hedge accounting								
		Currency forward contracts	304	-	-	304	4	2
		Equity swaps	-	-	-	-	-	-
		Inflation swaps	-	-	120	120	28	9
			304	-	120	424	32	11
			472	34	190	696	50	25

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one counterparty to the other. In certain circumstances, such as a credit default, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events. The tables below provide information on the impact of the netting arrangements.

As at 31 December 2023

	Amounts subject to enforceable netting arrangements					
	Effect of offsetting in balance sheet			Related items not offset		
	Gross amounts	Amounts offset	Net amounts reported	Financial instruments	Financial collateral	Net amount
	£m	£m	£m	£m	£m	£m
Derivative financial assets	59	-	59	(23)	(32)	4
Derivative financial liabilities	25	-	25	(23)	-	2

As at 31 December 2022

	Amounts subject to enforceable netting arrangements					
	Effect of offsetting in balance sheet			Related items not offset		
	Gross amounts	Amounts offset	Net amounts reported	Financial instruments	Financial collateral	Net amount
	£m	£m	£m	£m	£m	£m
Derivative financial assets	50	-	50	(19)	(31)	-
Derivative financial liabilities	25	-	25	(19)	(6)	-

10. Fair value measurement

The fair value of financial instruments on initial recognition is normally the transaction price, being the value of the consideration. After initial recognition, the fair value of financial instruments is based on available information and categorised according to a three-level fair value hierarchy.

Fair value hierarchy

The three-level fair value hierarchy comprises:

- i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- ii. Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (Level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For Level 1 and Level 2 investments, the Group uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded, the Group determines whether the prices meet the criteria for classification as a Level 1 valuation. The price provided is classified as a Level 1 valuation when it represents the price at which the investment traded at the reporting date, taking into account the frequency and volume of trading of the individual investment, together with the spread of prices that are quoted at the reporting date for such trades. Typically, investments in frequently traded government debt would meet the criteria for classification in the Level 1 category. Where the prices provided do not meet the criteria for classification in the Level 1 category, the prices are classified in the Level 2 category. Market traded securities only reflect the possible impact of climate change to the extent that this is built into the market price at which securities are trading.

In certain circumstances, the Group does not receive pricing information from an external provider for its financial investments. In such circumstances the Group calculates fair value, which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

Investment property

Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS), and are undertaken by independent RICS registered valuers. Valuations are based on the comparative method with reference to sales of other comparable buildings and take into account the nature, location and condition of the specific property together with factoring in the occupational lease terms and tenant covenant strength as appropriate. The valuations also include an income approach using discounted future cash flows, which uses unobservable inputs, such as discount rates, rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease. The valuations reflect yield ranges between **5.4%** to **12.1%** and a weighted average of **6.4%** as at 31 December 2023 (5.0% to 10.8% and 6.3%, respectively, as at 31 December 2022).

Private fund structures

Loan funds are principally valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 31 December 2023 range from **4.2%** to **9.5%** and have a weighted average of **6.7%** (31 December 2022: 3.0% to 11.6% and 7.0%, respectively). If necessary the Group will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

Derivative financial instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or other indices.

The items presented in the following table are measured in the Consolidated statement of financial position at fair value, with the exception of Issued debt, which is measured at amortised cost. The table does not include financial assets and liabilities not measured at fair value for which the carrying value is a reasonable approximation of fair value.

Cash and cash equivalents, loans, other assets and other liabilities and issued debt

For cash and cash equivalents, loans, commercial paper, other assets, liabilities, accruals and issued debt, their carrying amounts are considered to be reasonable approximations of their fair values. Loans represent direct lending for investment purposes.

The items presented in the following table are measured in the Consolidated statement of financial position at fair value, with the exception of Issued debt, which is measured at amortised cost. The table does not include financial assets and liabilities not measured at fair value for which the carrying value is a reasonable approximation of fair value.

10.1 Fair value hierarchy

As at 31 December 2023	Level 1	Level 2		Level 3	Total
	Valued using quoted (unadjusted market prices)	Valued using models			
		with observable inputs	without observable inputs		
	£m	£m	£m	£m	£m
Equity securities	130	-	69	199	199
Debt securities	1,019	3,563	314	4,896	4,896
Derivative assets	-	59	-	59	59
Group occupied property	-	-	19	19	19
Investment properties	-	-	285	285	285
Total assets measured at fair value	1,149	3,622	687	5,458	5,458
Derivative liabilities	-	25	-	25	25
Total liabilities measured at fair value	-	25	-	25	25

As at 31 December 2022	Level 1	Level 2		Level 3	Total
	Valued using quoted (unadjusted market prices)	Valued using models			
		with observable inputs	without observable inputs		
			£m	£m	
Equity securities	122	-	90	212	
Debt securities	806	3,598	285	4,689	
Derivative assets	-	50	-	50	
Group occupied property	-	-	18	18	
Investment properties	-	-	291	291	
Total assets measured at fair value	928	3,648	684	5,260	
Derivative liabilities	-	25	-	25	
Total liabilities measured at fair value	-	25	-	25	

10.2 Fair value categorisation (level 3 assets)

As at 31 December 2023 (IFRS 9)	Classified as FVTPL	Mandatorily measured as FVTPL	Investment property	Group occupied property	Total
	Equity securities	Debt securities			
	£m	£m			
Balance, beginning of period	90	285	291	18	684
Total (losses) gains recognised in:					
Income statement ¹	(3)	1	(9)	-	(11)
Other comprehensive income	-	-	-	(4)	(4)
Purchases	-	127	12	5	144
Disposals	(17)	(87)	(9)	-	(113)
Exchange adjustment	(1)	(12)	-	-	(13)
Balance, end of year	69	314	285	19	687

¹Includes £15m of losses in relation to securities and property recognised on the Consolidated statement of financial position at 31 December 2023. These losses are recognised in Net gains (losses) on investment portfolio.

As at 31 December 2022 (IAS 39)	AFS				Total
	Equity securities	Debt securities	Investment property	Group occupied property	
	£m	£m	£m	£m	
Balance, beginning of the period	111	250	371	18	750
Total gains (losses) recognised in:					
Income statement ¹	2	8	(27)	-	(17)
Other comprehensive income	5	(3)	-	(3)	(1)
Purchases	12	142	7	3	164
Disposals	(41)	(129)	(60)	-	(230)
Exchange adjustment	1	17	-	-	18
Balance, end of year	90	285	291	18	684

¹Includes £27m of losses in relation to securities and property recognised on the Consolidated statement of financial position at 31 December 2022. These losses are recognised in Net gains (losses) on investment portfolio.

10.3 Fair value sensitivity (level 3 assets)

The following table shows the level 3 available for sale financial assets carried at fair value as at the balance sheet date, the main assumptions used in the valuation of these instruments and reasonably possible decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions ¹			
		2023		2022	
		Current fair value	Decrease in fair value	Current fair value	Decrease in fair value
		£m	£m	£m	£m
Available for sale financial assets and property					
	Main assumptions				
Group occupied property - land and buildings	Property valuation	19	(1)	18	(1)
Investment properties	Cash flows; discount rate	285	(20)	291	(20)
Level 3 available for sale financial assets:					
Equity securities	Cash flows; discount rate	69	(1)	90	(1)
Debt securities	Cash flows; discount rate	314	(5)	285	(3)
Total		687	(27)	684	(25)

¹ The Group's investments in financial assets classified at level 3 in the hierarchy are primarily investments in various private fund structures investing in debt instruments where the valuation includes estimates of the credit spreads on the underlying holdings. The estimates of the credit spread are based upon market observable credit spreads for what are considered to be assets with similar credit risk. Reasonably possible alternative valuations for these instruments have been determined using an increase of 50bps in the credit spread used in the valuation (31 December 2022: 50bps). Reasonably possible alternative assumptions for property have been determined using an increase of 50bps in the equivalent yield (31 December 2022: 50bps).

11. Financial risk

Financial risk refers to the risk of financial loss predominantly arising from investment transactions entered into by the Group, and also to a lesser extent arising from insurance contracts, and includes the following risks:

- i. Credit risk
- ii. Market risk, including price, interest rate and currency rate risks
- iii. Liquidity risk

The Group undertakes a number of strategies to manage these risks including the use of derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and long-term inflation. The Group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The use of derivatives is governed by the Group Investment Policy. The adoption of IFRS 17 and IFRS 9 has not changed the way the Group manages financial risk.

11.1 Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial or contractual obligations to the Group. The Group's credit risk exposure is largely concentrated in its predominantly investment grade fixed income investment portfolio reducing the risk of default. Also to a lesser extent credit risk exists in its premium receivables and reinsurance assets, loans and cash and cash equivalents.

Credit risk is managed at both a Group level and at an operational level. Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. brokers and policyholders). Local credit committees are responsible for ensuring that these exposures are within the risk appetite of the local operations. Exposure monitoring and reporting for fixed income investments and premium receivables is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level. In addition, the Credit Ratings Review Committee reviews the credit ratings of material investment exposures and unrated investments.

The Group's credit risk appetite and credit risk policy are reviewed by the BRC and approved by the Board on an annual basis, to ensure limits remain within its quantitative appetite. This is done through the setting of Group policies, procedures and limits.

In defining its appetite for credit risk the Group looks at exposures at both an aggregate and operating segment level, distinguishing between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risks and risks to receiving premiums due from policyholders and intermediaries) and credit risks incurred for the purposes of generating a return (e.g. invested assets' credit risk).

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the credit rating of the counterparty, to ensure that the Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.

The Group's investment management strategy primarily focuses on debt instruments of investment grade issuers and seeks to limit the overall credit exposure with respect to any one issuer by ensuring limits have been based upon credit quality. Restrictions are placed on the Group's core fixed income investment manager as to the level of exposure to various credit rating categories including unrated securities.

The Group is also exposed to credit risk from the use of reinsurance in the event that a reinsurer fails to settle its liability to the Group.

The Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Group. Group standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are rarely used and are excluded from the Group's list of approved reinsurers. The exceptions are fronting arrangements for captives, where some form of collateral is generally obtained, and some global network partners. At 31 December 2023 the extent of collateral held by the Group against reinsurance contract assets was **£39m** (2022: £47m), which in the event of a default would be called and recognised on the balance sheet. This collateral consists of letters of credit and security agreements.

The Group's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Group monitors its aggregate exposures by reinsurer group, being total exposure (as defined in the Reinsurance Risk Management Policy (RRMP)) as a percentage of IFC's shareholders' equity; the maximum percentages allowed depend on various factors including the Reinsurer's financial credit rating. The three active reinsurance groups to which the Group has the largest reinsurance asset recoverable are Berkshire Hathaway, Lloyds of London and Fairfax Financial Holdings (2022: Berkshire Hathaway, Lloyd's of London and Talanx). At 31 December 2023 the reinsurance asset recoverable from each of these groups does not exceed **7.8%** (2022: 7.8%) of the Group's total financial assets.

On 27 February 2023 the Trustees of the Group's two major UK DB pension plans (the UK plans) entered into an agreement with PIC, a specialist insurer of defined benefit pension plans, to purchase buy-ins, as part of its de-risking strategy. The buy-in agreement transferred the remaining economic and demographic risks associated with these plans to PIC and removed the volatility in relation to these plans from the Group's Consolidated statement of financial position. The main risk that the Group retains is counterparty risk, with market risk on the assets that were remaining in the UK plans at the transaction date now largely removed.

The credit profile of the Group's assets exposed to credit risk is shown below. Also shown below is the Group's maximum exposure to credit risk.

Credit Quality

The Group's risk management strategy, for public fixed income, is to invest in high quality issuers and to limit the amount of credit exposure within respect to any one issuer by imposing limits based on credit quality. The Group's public fixed income investment portfolio has over 99% invested in investment grade securities. This excludes indirect investment through debt funds. In the case of funds, specific policy limits apply to manage the overall exposure to these investments. Management monitors subsequent credit rating changes on a regular basis.

The following table presents the credit quality of the Group's debt securities.

As at 31 December	2023	2022
Debt & fixed income securities:		
AAA	33%	32%
AA	24%	25%
A	25%	24%
BBB	17%	18%
<BBB	1%	1%
	100%	100%

The table below presents the Group's maximum exposure to credit risk without considering any collateral held or other credit enhancements available to the Group to mitigate this risk. Maximum exposure to credit risk is defined as the carrying amount of the asset.

As at 31 December	2023	2022
	£m	(Restated)¹
		£m
Cash and cash equivalents	320	362
Debt & fixed income securities	4,896	4,689
Loans	391	433
Reinsurance contract assets	1,756	1,718
Other financial assets ²	650	656
Credit risk exposure	8,013	7,858

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

² Mainly includes other receivables and recoverables, financial assets related to investments and accrued investment income.

Impairment assessment under IFRS 9

The Group's ECL assessment and measurement method is set out below. The IFRS 9 impairment assessment applies to financial assets measured at FVTOCI and amortised cost. It does not apply to FVTPL financial assets or assets within the scope of IFRS 17.

Expected credit loss

The Group assesses the possible default events within 12 months for the calculation of the 12mECL for investments in stage 1 of the ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal. Lifetime ECL is required to be calculated for instruments in stages 2 or 3. In all instances, the expected loss given default is based

on external historical data.

Significant increase in credit risk and default

The Group continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Group also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- i. the internal rating of the counterparty indicating default or near-default;
- ii. the counterparty having past due liabilities to public creditors or employees;
- iii. the counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and
- iv. the counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Group considers a financial instrument credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a LTECL.

Forward-looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as GDP growth, unemployment, equity markets indexes and other economic inputs.

The Group's debt instruments measured at FVTOCI and loans measured at amortised cost are in stage 1 of the ECL model. Due to the high quality of the Group's investment portfolio, the allowance for ECL was not significant as at 31 December 2023.

11.2 Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in equity and property prices, interest rates and foreign currency exchange rates. Market risk arises in assets and liabilities measured at fair value although these risks may be mitigated by matching the duration of these assets and liabilities. Market risk also includes the risk that interest rate cash flows fluctuate due to changes in market interest rates. At Group level, it also arises in relation to the international businesses, through foreign currency risk. Market risk is subject to the BRC's risk management framework, which is subject to review and approval by the Board.

Market risk can be broken down into three key components:

Equity and property risk

At 31 December 2023 the Group held investments classified as equity securities FVTPL of **£199m** (2022: AFS equity securities £212m). These include interests in structured entities (as disclosed in note 35) and other investments where the price risk arises from interest rate risk rather than from equity market price risk. The Group considers that within equity securities, investments with a fair value of **£129m** (2022: £121m) may be more affected by equity index market price risk than by interest rate risk. An equity hedging programme was put in place from 1 January 2023. On this basis a 15% fall in the value of equity index prices would result in the recognition of losses of **£3m** in the Consolidated income statement net of equity hedges. As 31 December 2022 a 15% fall in the value of equity index prices would have resulted in the recognition of £15m losses in other comprehensive income.

In addition, the Group holds investments in properties and in group occupied properties which are subject to property price risk. A decrease of 15% in property prices would result in the recognition of losses of **£43m** (2022: £44m) in the income statement and **£3m** (2022: £3m) in other comprehensive income.

This analysis assumes that there is no correlation between interest rate and property market rate risks. It also assumes that all other assets and liabilities remain unchanged and that no management action is taken. Actual results may differ materially from these estimates for a variety of reasons and therefore these sensitivities should be considered as directional estimates.

This analysis is presented gross of the corresponding tax impact as the tax position is affected by other factors, including current year profitability and the ability to recognise deferred tax assets.

Interest rate risk

Interest rate risk arises primarily from the Group's investments in long-term debt and fixed income securities and their movement relative to the value placed on insurance liabilities. This impacts both the fair value and amount of variable returns on existing assets as well as the cost of acquiring new fixed maturity investments.

Given the composition of the Group's investments as at 31 December 2023, the table below illustrates the impact to the income statement and other comprehensive income of a hypothetical 100bps change in interest rates on fixed income securities and cash that are subject to interest rate risk.

Changes in the income statement and other comprehensive income (OCI):

Decrease in income statement	Decrease in other comprehensive income
---------------------------------	---

	2023 £m	2022 £m	2023 £m	2022 £m
Increase in interest rate markets:				
Impact on fixed income securities and cash of an increase in interest rates of 100bps	(56)	(57)	(79)	(68)

The Group principally manages interest rate risk by holding investment assets (predominantly fixed income) that generate cash flows which broadly match the duration of expected claim settlements and other associated costs. Refer to note 12.5 - Sensitivity analysis for sensitivity information in respect of the liability for incurred claims.

The sensitivity of the fixed interest securities of the Group has been modelled by reference to a reasonable approximation of the average interest rate sensitivity of the investments held within each of the portfolios. The effect of movement in interest rates is reflected as a one-time rise of 100bps on 1 January 2024 and 1 January 2023 on the following year's income statement and other comprehensive income.

The analysis on the table above is presented gross of the corresponding tax impact as the tax position is affected by other factors, including current year profitability and the ability to recognise deferred tax assets.

Currency risk

The Group incurs exposure to currency risk as follows:

- i. operational currency risk – by holding investments and other assets and by underwriting and incurring liabilities in currencies other than the currency of the primary environment in which the operating segments operate, the Group is exposed to fluctuations in foreign exchange rates that can impact both its profitability and the reported value of such assets and liabilities; and
- ii. structural currency risk – by investing in overseas subsidiaries the Group is exposed to the risk that fluctuations in foreign exchange rates impact the reported profitability of foreign operations to the Group, and the value of its net investment in foreign operations.

The material foreign currency denominated subsidiaries are denominated in EUR.

Operational currency risk is principally managed within the Group's individual operations by broadly matching assets and liabilities by currency and liquidity. However, operational currency risk overall is not significant.

Structural currency risk is managed at a Group level through currency forward contracts, swaps and foreign exchange options within predetermined limits set by the Board. In managing structural currency risk, the needs of the Group's subsidiaries to maintain net assets in local currencies to satisfy local regulatory solvency and internal risk based capital requirements are taken into account.

	31 December 2023	31 December 2022
	EUR £m	EUR £m
Consolidated net assets of foreign operations	270	257
Less: foreign-currency derivatives, notional amount	(148)	(168)
Total net currency exposure	122	89

Equity attributable to shareholders is stated after taking account of the effect of currency forward contracts, swaps and foreign exchange options.

The table below illustrates the impact of a hypothetical 10% change in the EUR exchange rate on equity attributable to shareholders when retranslating into sterling.

	10% strengthening in Pounds Sterling against Euro £m	10% weakening in Pounds Sterling against Euro £m
Movement in equity attributable to shareholders at 31 December 2023	(11)	14
Movement in equity attributable to shareholders at 31 December 2022	(8)	10

Changes arising from the retranslation of foreign subsidiaries' net asset positions from their primary currencies into Sterling are taken through the foreign currency translation reserve and so consequently these movements in exchange rates have no impact on profit or loss.

11.3 Liquidity risk

Liquidity risk refers to the risk of loss to the Group as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. To help mitigate this risk, the BRC sets limits on assets held by the Group designed to match the maturities of its assets to that of its liabilities.

A large proportion of investments are maintained in short-term (less than one year) highly liquid securities, which are used to manage the Group's operational requirements based on actuarial assessment and allowing for contingencies.

The Group maintains additional liquidity facilities for contingency purposes. These facilities included uncommitted overdraft arrangements in each of the key operating entities, as well as the ability to enter repurchase agreements to cover short-term fluctuations in cash and liquidity requirements.

The following table summarises the contractual maturity dates. Provision for losses and loss adjustment expenses are presented and are analysed by remaining estimated duration until settlement.

Financial assets by contractual maturity

As at 31 December 2023 (IFRS 9)	Less than one year	From one to five years	Over five years	No specific maturity	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	320	-	-	-	320
Investment property	-	-	-	285	285
Equity securities	-	-	-	199	199
Debt & fixed income securities	644	2,606	1,332	314	4,896
Loans	48	90	253	-	391
	1,012	2,696	1,585	798	6,091

As at 31 December 2022 (IAS 39)	Less than one year	From one to five years	Over five years	No specific maturity	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	362	-	-	-	362
Investment property	-	-	-	291	291
Equity securities	-	-	-	212	212
Debt & fixed income securities	644	2,561	1,188	296	4,689
Loans	-	-	-	433	433
	1,006	2,561	1,188	1,232	5,987

Financial liabilities by contractual maturity

As at 31 December 2023

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subordinated guaranteed US\$ bonds ¹	-	-	-	-	-	7	-	7	7
Guaranteed subordinated notes due 2045 ¹	-	-	-	-	-	-	119	119	119
Borrowings	8	-	-	-	-	-	-	8	8
Derivative liabilities	25	-	-	-	-	-	-	25	25
Lease liabilities ¹	11	12	7	6	5	22	16	79	67
Other financial liabilities	275	10	7	1	-	2	3	298	298
Total	319	22	14	7	5	31	138	536	524
Interest on bonds and notes	9	7	1	1	1	-	-	19	

¹ Maturity profile shown on an undiscounted basis.

As at 31 December 2022

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
	£m	£m	£m	£m	£m	£m	£m		£m
Subordinated guaranteed US\$ bonds ¹	-	-	-	-	-	7	-	7	7
Guaranteed subordinated notes due 2045 ¹	-	-	-	-	-	-	159	159	159
Borrowings	8	-	-	-	-	-	-	8	8
Derivative liabilities	-	8	4	3	-	1	9	25	25
Lease liabilities ¹	10	10	10	5	5	22	20	82	71
Other financial liabilities	249	23	3	-	1	2	1	279	279
Total	267	41	17	8	6	32	189	560	549
Interest on bonds and notes	9	9	7	1	1	2	-	29	-

¹ Maturity profile shown on an undiscounted basis

The capital and interest payable on the bonds and notes have been included until the earliest dates on which the Group has the option to call the instruments and the interest rates are reset. For further information on terms of the bonds and notes, see note 19.

Insurance and reinsurance contracts by maturity

The following table summarises the maturity profile of portfolios of insurance and reinsurance contracts based on the undiscounted future cash flows expected to be paid out in the periods presented.

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	No specific maturity	Total
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2023								
Insurance contract liabilities ¹	(2,748)	(1,143)	(628)	(372)	(221)	(639)	-	(5,751)
Reinsurance contract assets ¹	838	351	181	101	57	193	-	1,721
31 December 2022 (Restated)²								
Insurance contract liabilities ¹	(2,660)	(1,110)	(614)	(366)	(213)	(616)	-	(5,579)
Reinsurance contract assets ¹	861	351	187	103	60	204	-	1,766

¹ Excludes the liability for remaining coverage under the PAA.

² Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

12. Insurance and reinsurance contracts

12.1 Insurance revenue

For the year ended 31 December 2023	2023	2022
	£m	£m
Contracts measured under PAA	3,877	3,956
Contracts measured under the GMM		
Amounts related to changes in liability for remaining coverage		
Risk adjustment recognised for the risk expired	3	7
Expected incurred claims and other insurance service expense	107	177
Total insurance revenue	3,987	4,140

12.2 Reconciliation of movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the period as a result of cash flows and amounts recognised in the Consolidated income statement.

The Group presents a table that separately analyses movements in the liability for remaining coverage and the liability for incurred claims and reconciles these movements to the line items in the Consolidated income statement.

A second reconciliation is presented for contracts measured under the GMM, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment and the contractual service margin.

Insurance contracts analysis by remaining coverage and incurred claims

For the year ended 31 December 2023

	Liability for remaining coverage		Liability for incurred claims			Total £m
	Excluding loss component £m	Loss component £m	Contracts under GMM £m	Contracts under PAA		
				Present value of future cash flows £m	Risk adjustment £m	
Insurance contract balances, beginning of period	(446)	(100)	(29)	(5,050)	(196)	(5,821)
Changes in comprehensive income:						
Insurance revenue	3,987	-	-	-	-	3,987
Incurred claims and other insurance service expense	-	84	(85)	(2,967)	(77)	(3,045)
Amortisation of insurance acquisition cash flows	(727)	-	-	-	-	(727)
Losses and reversal on onerous contracts	-	(43)	-	-	-	(43)
Adjustments to liabilities for incurred claims	-	-	-	79	71	150
Insurance service expense	(727)	41	(85)	(2,888)	(6)	(3,665)
Investment component	71	-	-	(71)	-	-
Insurance service result from insurance contracts	3,331	41	(85)	(2,959)	(6)	322
Insurance finance income	6	-	-	(178)	(7)	(179)
Exchange rate differences	-	-	-	8	1	9
Total changes in comprehensive income	3,337	41	(85)	(3,129)	(12)	152
Cash flows						
Premium received	(4,175)	-	-	-	-	(4,175)
Claims and other insurance service expense paid	-	-	89	2,882	-	2,971
Insurance acquisition cash flows	894	-	-	-	-	894
Total cash flows	(3,281)	-	89	2,882	-	(310)
Disposal of business ¹	(12)	-	-	-	-	(12)
Amounts transferred from insurance acquisition cash flows	21	-	-	-	-	21
Insurance contract balances, end of period	(381)	(59)	(25)	(5,297)	(208)	(5,970)

¹Includes the write-off of insurance acquisition cash flows related to the UK Personal lines exit. Refer to note 6.2 - Disposals for more details.

For the year ended 31 December 2022

	Liability for remaining coverage		Liability for incurred claims			Total £m
	Excluding loss component £m	Loss component £m	Contracts under PAA			
			Contracts under GMM £m	Present value of future cash flows £m	Risk adjustment £m	
Insurance contract balances, beginning of period	(612)	(13)	(58)	(4,749)	(182)	(5,614)
Changes in comprehensive income:						
Insurance revenue	4,140	-	-	-	-	4,140
Incurred claims and other insurance service expense	-	65	(116)	(2,938)	(61)	(3,050)
Amortisation of insurance acquisition cash flows	(720)	-	-	-	-	(720)
Losses and reversal on onerous contracts	-	(157)	-	-	-	(157)
Adjustments to liabilities for incurred claims	-	-	-	43	47	90
Insurance service expense	(720)	(92)	(116)	(2,895)	(14)	(3,837)
Investment component	90	-	-	(90)	-	-
Insurance service result from insurance contracts	3,510	(92)	(116)	(2,985)	(14)	303
Insurance finance income (expense)	(8)	5	(3)	33	2	29
Exchange rate differences	(15)	-	-	(16)	(2)	(33)
Total changes in comprehensive income	3,487	(87)	(119)	(2,968)	(14)	299
Cash flows						
Premium received	(4,207)	-	-	-	-	(4,207)
Claims and other insurance service expense paid	-	-	148	2,571	-	2,719
Insurance acquisition cash flows	860	-	-	-	-	860
Total cash flows	(3,347)	-	148	2,571	-	(628)
Disposal of business	15	-	-	96	-	111
Amounts transferred from insurance acquisition cashflows	11	-	-	-	-	11
Insurance contract balances, end of period	(446)	(100)	(29)	(5,050)	(196)	(5,821)

The disposal of the Group's operations in the Middle East reduced gross insurance contract liabilities by £111m.

Insurance contracts analysis by measurement component – Contracts measured under the GMM

For the year ended 31 December 2023

	Present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
Insurance contract liabilities, beginning of period	(320)	(9)	(329)
Changes in comprehensive income:			
Changes that relate to current services:			
Risk adjustment recognised for the risk expired	-	4	4
Experience adjustments	41	-	41
Changes that relate to future services:			
Changes in estimates that do not adjust the contractual service margin	(28)	(1)	(29)
Insurance service result from insurance contracts	13	3	16
Insurance finance income	-	-	-
Total changes in comprehensive income	13	3	16
Cash flows:			
Claims and other insurance service expenses paid	89	-	89
Total cash flows	89	-	89
Insurance contract liabilities, end of period	(218)	(6)	(224)

For the year ended 31 December 2022

	Present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
Insurance contract liabilities, beginning of period	(465)	(16)	(481)
Changes in comprehensive income:			
Changes that relate to current services:			
Risk adjustment recognised for the risk expired	-	7	7
Experience adjustments	62	-	62
Changes that relate to future services:			
Changes in estimates that do not adjust the contractual service margin	(50)	(2)	(52)
Insurance service result from insurance contracts	12	5	17
Insurance finance income	(15)	2	(13)
Total changes in comprehensive income	(3)	7	4
Cash flows:			
Claims and other insurance service expenses paid	148	-	148
Total cash flows	148	-	148
Insurance contract liabilities, end of period	(320)	(9)	(329)

12.3 Insurance contracts

Insurance contract liabilities

	31 December 2023	31 December 2022
	£m	£m
Insurance contract liabilities		
Insurance contract balances	5,970	5,821
Assets for insurance acquisition cash flows	(2)	(15)
	5,968	5,806

Assets for insurance acquisition cash flows

31 December 2023 31 December 2022
£m £m

Opening balance	15	17
Amounts incurred during the year	8	12
Amounts derecognised and included in the measurement of insurance contracts	(21)	(11)
Impairment losses and reversals	-	(3)
Closing balance	2	15

Reinsurance contracts analysis by remaining coverage and incurred claims

For the year ended 31 December 2023

	Asset for remaining coverage		Asset for incurred claims		Total £m
	Excluding loss recovery component £m	Loss recovery component £m	Contracts under PAA		
			Present value of future cash flows £m	Risk adjustment £m	
Reinsurance contract assets, beginning of year	(77)	5	1,737	53	1,718
Changes in comprehensive income:					
Allocation of reinsurance premiums	(867)	-	-	-	(867)
Commissions ceded	59	-	-	-	59
Expense from reinsurance contracts	(808)	-	-	-	(808)
Amounts recoverable for incurred claims and other expenses	-	(5)	672	14	681
Loss recoveries and reversals on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(26)	(17)	(43)
Changes in non-performance risk of reinsurers	-	-	(7)	-	(7)
Income from reinsurance contracts	-	(5)	639	(3)	631
Net expense from reinsurance contracts	(808)	(5)	639	(3)	(177)
Reinsurance finance income (expense)	(2)	-	61	1	60
Exchange rate differences	-	-	(5)	-	(5)
Total changes in comprehensive income	(810)	(5)	695	(2)	(122)
Cash flows					
Premium paid	871	-	-	-	871
Amounts received	-	-	(711)	-	(711)
Total cash flows	871	-	(711)	-	160
Reinsurance contract assets, end of year	(16)	-	1,721	51	1,756

For the year ended 31 December 2022

	Asset for remaining coverage		Asset for incurred claims		Total £m
	Excluding loss recovery component £m	Loss recovery component £m	Contracts under PAA		
			Present value of future cash flows £m	Risk adjustment £m	
Reinsurance contract assets, beginning of year	(62)	-	1,652	36	1,626
Changes in comprehensive income:					
Allocation of reinsurance premiums	(990)	-	-	-	(990)
Commissions Ceded	48	-	-	-	48
Expense from reinsurance contracts	(942)	-	-	-	(942)
Amounts recoverable for incurred claims and other expenses	-	(1)	732	16	747
Loss recoveries and reversals on onerous contracts	-	6	-	-	6
Adjustments to assets for incurred claims	-	-	(1)	1	-
Changes in non-performance risk of reinsurers	-	-	(1)	-	(1)
Income from reinsurance contracts	-	5	730	17	752
Net expense from reinsurance contracts	(942)	5	730	17	(190)
Reinsurance finance expense	(11)	-	(15)	-	(26)
Exchange rate differences	(4)	-	15	-	11
Total changes in comprehensive income	(15)	-	-	-	(15)
Cash flows					
Premium paid	921	-	-	-	921
Amounts received	-	-	(615)	-	(615)
Total cash flows	921	-	(615)	-	306
Disposal of business	20	-	(30)	-	(10)
Non-cash transfer	1	-	-	-	1
Reinsurance contract assets, end of year	(77)	5	1,737	53	1,718

Reinsurance contracts analysis by measurement component – Contracts measured under the GMM

For the year ended 31 December 2023

	Present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
Reinsurance contract assets, beginning of period	2	11	13
Changes in comprehensive income:			
Changes that relate to future services			
Changes in estimates that do not adjust the contractual service margin	(2)	(8)	(10)
Net expense from reinsurance contracts	(2)	(8)	(10)
Reinsurance finance income (expense)	-	1	1
Total changes in comprehensive income	(2)	(7)	(9)
Reinsurance contract assets, end of period	-	4	4

For the year ended 31 December 2022

	Present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
Reinsurance contract assets, beginning of period	5	36	41
Changes in comprehensive income:			
Changes that relate to future services			
Changes in estimates that do not adjust the contractual service margin	(1)	(13)	(14)
Net expense from reinsurance contracts	(1)	(13)	(14)
Reinsurance finance expense	(2)	(12)	(14)
Total changes in comprehensive income	(3)	(25)	(28)
Reinsurance contract assets, end of period	2	11	13

12.4 Significant accounting judgements, estimates and assumptions

Liability for incurred claims - Estimate of undiscounted future cash flows

The Group establishes claims liabilities to cover the estimated liability for the cash flows associated with incurred losses, including loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Group. The ultimate cost of claims liabilities is estimated using a range of standard actuarial claims projection techniques in accordance with generally accepted actuarial methods.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project expected future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and, where relevant, expected loss ratios. Historical claims development is analysed by accident period, geographical area, as well as significant business line and claim type. Catastrophic events are separately addressed, either by being reserved at the face value of loss adjuster estimates in the case of very large reported losses, or separately projected to reflect their future development from using relevant judgements.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that represents the probability weighted best estimate expected value outcome per selected actuarial technique from the range of projections, taking account of all the uncertainties involved.

A particular area of consideration during the year ended 31 December 2023 has been the continued high inflationary trends. The Group has observed inflation driven increases to the assessed cost of claims across many different lines of business and types of claims, consistent with the general economic environment and the wider insurance industry. Focus has been placed on reviewing changes in inflation assumptions, updating methodologies to project the ultimate cost of claims given the changing trends, ensuring consistency of reserving assumptions with other areas of the business and running sensitivity tests to understand the impact of alternative assumptions in order to gain comfort over the final selections. Whilst Inflationary trends are now in the main included within the data and reserve models for short tail damage classes, it is likely to remain as a key area of risk and uncertainty for long tail liability classes for the purpose of estimating the ultimate cost of claims during 2024.

Discount rates

The liability for incurred claims under the PAA and GMM and the liability for remaining coverage under the PAA, when onerous, and under the GMM, is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates of investment grade bonds that the Group believes reflect the nature of the liabilities and are a suitable proxy for assessing the value of the illiquidity.

Discount rates applied for discounting of future cash flows are listed below:

Yield curves used to discount cash flows for insurance and reinsurance contracts for major currencies

	31 December 2023				31 December 2022			
	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
GBP	5.01%	4.52%	4.42%	4.50%	4.88%	4.95%	4.99%	5.05%
EUR	3.52%	3.15%	3.07%	3.15%	3.33%	3.59%	3.76%	3.93%
CAD	4.87%	4.32%	4.21%	4.19%	5.03%	4.77%	4.65%	4.60%
USD	5.17%	4.67%	4.60%	4.73%	5.00%	4.89%	4.87%	5.01%
Periodic payment orders	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Risk adjustment

The risk adjustment is the compensation that the Group would require for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Group would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The main non-financial risks considered in determining the risk adjustment are:

- i. the level of uncertainty in the best estimate;
- ii. the variability of key claims inflation assumptions; and
- iii. possible economic and legislative changes.

The Group has estimated the risk adjustment based on the loss distribution from the Group's approved economic capital model. The loss distribution is estimated using standard statistical techniques in accordance with generally accepted actuarial principles. Percentile estimates for loss distributions are highly uncertain. They contain a large number of judgements on possible future outcomes. This may mean that the percentile moves year on year whilst our approach to calibrating the loss distribution remains consistent. The Group estimates that the net risk adjustment, which relates to the risk retained by the Group after reinsurance, is at the **76th** percentile of the assessed loss distribution at 31 December 2023 (31 December 2022: 78th percentile).

The main assumptions underlying these techniques are:

- i. historical claims development can be used to generate the full range of potential outcomes; and
- ii. expert judgments to allow for the correlation between line of business and region.

Additional qualitative judgment is used to assess the extent to which there are events not included in the historic data.

Liability for remaining coverage under the PAA (when onerous) and GMM - Estimate of undiscounted future cash flows

The Group calculates the best estimate of the future cash flows which represents an expected mean, taking into account the likely scenarios.

When estimating future cash flows, the Group includes all cash flows on a mean basis that are within the contract boundary. The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

12.5 Sensitivity analysis

The liability for incurred claims' sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on the Consolidated income statement. Movements in these assumptions may be non-linear and may be correlated with one another.

Sensitivity analysis (liability for incurred claims) – Impact on the Consolidated income statement

	31 December 2023 ¹				31 December 2022 ¹			
	Gross of reinsurance ²		Net of reinsurance ³		Gross of reinsurance ²		Net of reinsurance ³	
	Reserves	Discount rate	Reserves	Discount rate	Reserves	Discount rate	Reserves	Discount rate
	+5%	+1%	+5%	+1%	+5%	+1%	+5%	+1%
Liability for incurred claims	(318)	153	(201)	88	(313)	143	(191)	79

¹ Decreases in reserves and discount rates would produce symmetrical sensitivity values.

² Represents the liability for incurred claims excluding net payables included in incurred claims and including claims reported under the GMM.

³ Represents the net liability for incurred claims excluding net payables included in incurred claims and including net claims reported under the GMM.

12.6 Reconciliation of the liability for incurred claims to undiscounted value

As at December 31	2023			2022 (Restated) ¹		
	Direct £m	Ceded £m	Net £m	Direct £m	Ceded £m	net £m
Undiscounted value	(5,504)	1,610	(3,894)	(5,335)	1,656	(3,679)
Effect of time value of money	389	(113)	276	390	(140)	250
Undiscounted risk adjustment	(225)	65	(160)	(214)	95	(119)
Periodic payment orders ²	(247)	110	(137)	(244)	110	(134)
Liability for incurred claims before net payables	(5,587)	1,672	(3,915)	(5,403)	1,721	(3,682)
Net payables included in incurred claims	(142)	104	(38)	(172)	82	(90)
Reclass of claims reported under the GMM	199	(4)	195	300	(13)	287
Liability for incurred claims	(5,530)	1,772	(3,758)	(5,275)	1,790	(3,485)

¹ Restated for the adoption of IFRS 17 – Insurance contracts. Refer to Note 3 – Adoption of new and revised accounting standards.

² The net periodic payment orders are net of discount and include risk adjustment of £4m as at 31 December 2023 (£5m as at 31 December 2022).

12.7 Prior-year claims development

The claims development table below demonstrates the extent to which the original claim cost estimates in any one accident year has subsequently developed favourably (lower than originally estimated) or unfavourably. This table illustrates the variability and inherent uncertainty in estimating the claims estimate on a yearly basis. The ultimate claims cost for any accident year is not known until all claims payments have been made. For property insurance, payout of claims liabilities generally occurs shortly after the occurrence of the loss. For casualty (long-tailed) coverages, the loss may not be paid, or even reported, until well after the loss occurred. The estimated ultimate claims payments at the end of each subsequent accident year demonstrate how the original estimate has been revised over time.

The following table presents the estimates of cumulative incurred claims after reinsurance with subsequent developments during the periods and together with cumulative payments to date.

As at 31 December	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & Prior	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimates of undiscounted net cumulative claims	1,321	1,157	1,069	1,011	1,046	1,272	1,419	1,065	1,344	1,296		
Revised estimates												
One year later		1,191	1,084	994	1,049	1,299	1,383	1,052	1,310	1,342		
Two years later			1,065	1,028	1,038	1,277	1,374	1,067	1,254	1,303		
Three years later				1,010	1,042	1,270	1,404	1,079	1,249	1,239		
Four years later					1,028	1,271	1,394	1,094	1,249	1,227		
Five years later						1,268	1,406	1,086	1,260	1,223		
Six years later							1,399	1,084	1,227	1,223		
Seven years later								1,077	1,224	1,226		
Eight years later									1,221	1,217		
Nine years later										1,242		
Current estimate	1,321	1,191	1,065	1,010	1,028	1,268	1,399	1,077	1,221	1,242		
Cumulative net claims paid to date		(506)	(572)	(623)	(785)	(1,084)	(1,275)	(983)	(1,174)	(1,203)		
Undiscounted net claims	1,321	685	493	387	243	184	124	94	47	39	277	3,894
Effect of time value of money												(276)
Undiscounted risk adjustment												160
Periodic payment orders												137
Net liability for incurred claims before net payables and claims reported under the GMM												3,915
Net payables included in incurred claims												38
Reclass of claims reported under the GMM ¹												(195)
Net liability for incurred claims²												3,758

¹ Includes the acquired claims and retroactive reinsurance reclassifications from liability for incurred claims to liability for remaining coverage.

² Refer to Note 12.6 - Reconciliation of the liability for incurred claims to undiscounted value for reconciliation with the aggregate net carrying amounts of the Groups of insurance contracts.

The original reserve estimates are evaluated quarterly for redundancy or deficiency. The evaluation is based on actual payment in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

To eliminate the distortion resulting from changes in foreign currency rates, all amounts denominated in currencies other than GBP have been translated into GBP using the exchange rate in effect as at 31 December 2023.

13. Insurance risk

The Group principally underwrites general insurance contracts as well as motor, home and pet to individuals. The Group's exposure to concentration of insurance risk in terms of the geographical area in which risks have been underwritten has been provided in note 30 Operating segments. The adoption of IFRS 17 has not changed the way the Group manages insurance risk.

Most of the insurance risk to which the Group is exposed is of a short-tail nature. Policies generally cover a 12-month period. The following table presents the average duration of the net liability for incurred claims.

Average duration in years of the net liability for incurred claims¹

Year ended 31 December	2023	2022
Net liability for incurred claims ¹	2.6	2.6

¹ Represents the net liability for incurred claims excluding net payables included in incurred claims and including net claims reported under the GMM. Includes the duration of periodic payment orders of 19.5 years as at 31 December 2023 (19.6 years as at 31 December 2022).

The Group is exposed to risks arising from insurance contracts as set out below:

- i. underwriting and pricing risk (Note 13.1);
- ii. fluctuation in the timing, frequency and severity of claims relative to expectations (Note 13.2);
- iii. large, unexpected losses arising from a single event such as a catastrophe (Note 13.3);
- iv. risk related to the liability for incurred claims (Note 13.4); and
- v. inadequate reinsurance protection (Note 14.1).

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Group is to ensure that a sufficient liability for incurred claims is established to cover future insurance claim payments related to past insured events. The Group's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Group.

The liability for incurred claims is the Group's best estimate of its expected ultimate cost of resolution and administration of claims. Expected claim cost inflation is considered when estimating the liability for incurred claims, thereby mitigating inflation risk. The composition of the Group's insurance risk, as well as the methods employed to mitigate risks, are described hereafter.

13.1 Underwriting and pricing risk

Underwriting risk refers to the risk that claims arising are higher (or lower) than assumed in pricing due to bad experience including catastrophes, weakness in controls over underwriting or portfolio management, claims management issues or policy wording interpretation issues.

The majority of underwriting risk to which the Group is exposed is of a short-term nature, and generally does not exceed 12 months. Annual policies allow the Group to respond to changing weather patterns when managing the global catastrophe risk. The Group's underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of the type, amount of risk, and geography in order to ensure that the Group minimises the volatility of its insurance result.

Underwriting limits are in place to enforce appropriate risk selection criteria and pricing with all of the Group's underwriters having specific licences that set clear parameters for the business they can underwrite, based on their expertise.

The Group has developed enhanced methods of recording exposures and concentrations of risk and has a centrally managed Global Underwriting Forum looking at Group underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate. The Group has a portfolio management process across all its operating segments where key risk indicators are tracked to monitor emerging trends, opportunities and risks. This provides greater control of exposures in high risk areas as well as enabling a prompt response to adverse claims development.

Pricing for the Group's products is generally based upon historical claim frequencies and claim severity averages, adjusted for inflation and modelled catastrophes, trended forward to recognise anticipated changes in claim patterns after making allowance for other costs incurred by the Group, conditions in the insurance market and a profit loading that adequately covers the cost of capital. For climate risk exposures, weather peril models and geolocation tools are employed to support sophisticated risk assessments and underwriting of residential and commercial properties.

Passing elements of our insurance risk to reinsurers is another key strategy employed in managing the Group's exposure to insurance risk, including protection against losses from severe weather events (see more details for the catastrophe reinsurance treaty in note 39). The Group Board determines a maximum level of risk to be retained by the Group as a whole. The net retained risk is distributed across the Group in accordance with Group and local risk appetite. The strategy is dependent on being able to secure reinsurance cover on appropriate commercial and contractual terms and the nature of the programme presents risks in that recoveries are contingent on the particular pattern of losses and aggregation across the Group.

The Group remains primarily liable as the direct insurer on all risks reinsured, although the reinsurer is liable to the Group to the extent of the insurance risk it has contractually accepted responsibility for.

Concentration by lines of business

	2023		2022 (Restated) ¹	
	Insurance revenues	Net liability for incurred claims ²	Insurance revenues	Net liability for incurred claims ²
Personal lines	37%	33%	39%	32%
Commercial lines	63%	67%	61%	68%

¹ Restated for the adoption of IFRS 17. Refer to note 3 – Adoption of new and revised accounting standards.

² Represents the net liability for incurred claims excluding net payables included in incurred claims and including net claims reported under the GMM.

13.2 Risk related to the timing, frequency and severity of claims

With the occurrence of claims being unforeseeable, the Group is exposed to the risk that the number and the severity of claims could exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Group's risk exposure. Further, the Group enforces a policy of actively managing and promptly pursuing claims, to reduce its exposure to unpredictable future developments that could negatively impact the business. The Group regularly reviews large losses and contentious matters to ensure that an appropriate liability for incurred claims is established and approved.

13.3 Catastrophe risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as a natural disaster or any climatic, environmental, technological, political, or geopolitical risk. Catastrophes can have a significant impact on the underwriting income of an insurer. Changing climate conditions may add to the unpredictability, frequency and severity of natural disasters and create additional uncertainty as to future trends and exposures.

Catastrophic events include natural disasters and unnatural events:

- i. there are a wide variety of natural disasters including but not limited to earthquakes, hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, solar storms, severe winter weather and wildfires; and
- ii. unnatural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks.

Despite the use of sophisticated models, the incidence and severity of catastrophic events are inherently unpredictable. The extent of losses from a catastrophic event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event.

The Group manages its exposure to catastrophe risk by imposing limits of insurance, deductibles, exclusions and strong underwriting guidelines on contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is almost exclusively on an excess-of-loss basis (per event or per risk), but some proportional cessions are performed on specific portfolios. Ceded reinsurance complies with regulatory guidelines. Retention limits for the excess-of-loss reinsurance vary by product line.

13.4 Liability for incurred claims risk

The principal assumption underlying the liability for incurred claims estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. Liability for incurred claims estimates are also based on various quantitative and qualitative factors, including, where relevant:

- i. average claim costs, including claim handling costs (severity);
- ii. average number of claims by accident period (frequency);
- iii. trends in claim severity and frequency;
- iv. payment patterns;
- v. claims inflation including social inflation;
- vi. other factors, for example changes in business mix, changes in claims handling or in the wider claims environment such as the expected level of insurance fraud;
- vii. discount rate; and
- viii. risk adjustment (refer to Note 12.4 – Significant accounting judgments, estimates and assumptions for more details).

Refer to Note 12.5 – Sensitivity analysis for the liability for incurred claims' sensitivity to certain key assumptions.

Most or all the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Group's ability to accurately assess the risk of insurance contracts that the Group underwrites. There will be a lag, in some cases significant, between the occurrence of the insured event and the time it is reported to the Group and additional lags between the time of reporting and final settlement of claims.

The Group's Reserving Committee provides regional actuaries a forum to present their estimates to business stakeholders and get their feedback to ensure consistency across divisions within each region on key assumptions. Additionally, the Group Chief

Actuary being a member of each regional Reserving Committee ensures that macro-level assumptions are considered consistently across regions.

14. Reinsurance

In the ordinary course of business, the Group reinsures certain risks with reinsurers to limit its maximum loss in the event of catastrophic events or other significant losses.

The catastrophe reinsurance programme for the Group is provided on a combined basis with IFC's operations in Canada and the US. The following table summarises the net retention and coverage limits for multi-risk events and catastrophes for UK and Europe located events.

Reinsurance net retention and coverage limits

As of 1 January	2023	2022
	£m	£m
Retention ¹	125	75
Coverage limits ²	1,600	1,350

¹ Excludes reinstatement premiums and co-participations between the retention level and coverage limits.

² Represents the ground up limits before co-participations.

Effective 1 January 2023, for UK events the Group increased its coverage limits to reflect changes in exposures including inflationary impacts. Catastrophe retentions have increased in 2023 to reflect reinsurance market conditions.

Effective 1 January 2024, the Group increased its retention and coverage limits to £150m and £2.1bn respectively, to reflect the impact of the DLG brokered commercial lines acquisition.

The Group's approach for setting limits is consistent with prior years.

15. Goodwill and intangible assets

15.1 Summary of goodwill and intangible assets

	Goodwill	Externally acquired software	Internally generated software	Trade names and customer relationships ¹	Distribution networks	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2023	73	73	626	3	-	775
Additions ²	326	10	119	32	187	674
Derecognised ³	-	-	(52)	-	-	(52)
Exchange adjustment	(2)	-	-	-	-	(2)
At 31 December 2023	397	83	693	35	187	1,395
Accumulated amortisation						
At 1 January 2023	-	72	321	2	-	395
Amortisation charge	-	-	56	1	2	59
Amortisation on derecognition ³	-	-	(3)	-	-	(3)
At 31 December 2023	-	72	374	3	2	451
Accumulated impairment						
At 1 January 2023	49	-	-	-	-	49
Exchange adjustment	(2)	-	-	-	-	(2)
At 31 December 2023	47	-	-	-	-	47
Carrying amount at 31 December 2023	350	11	319	32	185	897

¹ Customer relationships includes customer lists.

² Goodwill of £326m and intangible assets of £229m have been acquired during the year ended 31 December 2023 in relation to the DLG brokered commercial lines acquisition. Refer to note 6 - Business combinations and disposals for further information.

³ £49m of internally generated software assets have been derecognised in relation to the Group's exit from the UK personal lines insurance market. An additional £6m has been expensed as incurred. These charges are recognised in Integration and restructuring costs in the Consolidated income statement.

	Goodwill	Externally acquired software	Internally generated software	Customer related intangibles ¹	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2022	99	79	558	13	749
Additions	-	-	107	-	107
Disposals ²	(34)	(8)	(7)	(11)	(60)
Derecognised ³	-	-	(34)	-	(34)
Exchange adjustment	8	1	2	1	12
At 31 December 2022	73	72	626	3	774
Accumulated amortisation					
At 1 January 2022	-	76	289	12	377
Amortisation charge	-	1	38	-	39
Amortisation on disposals	-	(6)	(4)	(11)	(21)
Amortisation on derecognition ³	-	-	(4)	-	(4)
Exchange adjustment	-	1	1	1	3
At 31 December 2022	-	72	320	2	394
Accumulated impairment					
At 1 January 2022	60	-	-	-	60
Impairment on disposals of subsidiaries	(15)	-	-	-	(15)
Impairment on derecognition	-	-	-	-	-
Exchange adjustment	4	-	-	-	4
At 31 December 2022	49	-	-	-	49
Carrying amount at 31 December 2022	24	-	306	1	331

¹ Customer related intangibles includes customer lists.

² The disposal of the Group's operations in the Middle East has reduced goodwill and other intangible assets by £23m in 2022, comprising £22m Cost on disposals and £1m Amortisation on disposals.

³ Ongoing strategic review of internally generated software assets has identified certain assets for which no future economic benefits are expected. As a result the Group has de-recognised assets with a net book value of £30m. Following the adoption of IFRS 17, these charges are recognised in Integration and restructuring costs in the Consolidated income statement.

The carrying value of intangible assets not yet available for use at 31 December 2023 is **£136m** (31 December 2022: £146m). This primarily relates to the implementation of strategic software assets in the UK and Ireland.

Amortisation expense of **£36m** (2022: £38m) has been charged to Insurance service expense, with **£20m** recognised in Integration and restructuring costs and the remainder recognised in Other expense.

15.2 Allocation of goodwill to the CGUs

Goodwill is allocated to the CGUs, or group of CGUs, that are expected to benefit from the business combination in which they arose.

In 2023, goodwill was acquired in relation to the DLG brokered commercial lines acquisition. Refer to note 6 - Business combinations and disposals for more details.

	2023	2022
	£m	£m
UK	326	-
International (Ireland)	24	24
Total goodwill	350	24

15.3 Impairment testing

When testing for impairment, the CGU to which goodwill and intangibles have been allocated is compared to the recoverable amount as determined by a value in use calculation. Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill or intangible asset is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Group.

The value in use calculation uses cash flow projections based on operational plans approved by management covering a three year period. The operational plans use best estimates of future premiums, operating expenses and taxes using historical trends, general geographical market conditions, industry trends and forecasts and other available information, as discussed in more detail in the Strategic Report. These plans reflect the Group's assessment of the impact of the current challenging economic environment and of the financial impacts of climate-related losses associated with the physical risks of changing weather patterns. Using up-

to-date catastrophe models and building identifiable trends into our weather planning, technical pricing and exposure management are key parts of the Group's underwriting guidance.

Cash flows beyond the operational plan period are extrapolated using the estimated growth rates which management deem appropriate for the CGU. The cash flow forecasts are adjusted by appropriate discount rates. When testing for intangible asset impairment (including those not available for use), a consistent methodology is applied although future cash flow projection years are not extrapolated beyond the asset's useful economic life.

The range of pre-tax discount rates used for goodwill and intangible impairment testing, which reflect specific risks relating to the CGU at the date of evaluation, and weighted average growth rates used in 2023 for the CGUs within each operating segment are shown below. The pre-tax discount rate reflects an assessment of IFC's cost of capital and of RSA's external debt and equity. For International operations, those rates are adjusted to take into account the currency and country risks.

In determining a cost of capital, data over a period of time is utilised to avoid short term market volatility. The growth rates make allowance for improvements in trade performance, where these are forecast in the three year operational plan for the CGU.

	Pre-tax discount rate		Weighted average growth rate	
	2023	2022	2023	2022
UK	15%	19%	4%	6%
International	8%	9%	2%	2%

No impairments have been identified, with recoverable value sufficiently exceeding carrying value across the Group.

15.4 Sensitivities

No impairment loss on goodwill or other intangible assets has been recognised for the years ended 31 December 2023 and 2022.

The key assumptions used to determine the recoverable amount of each group of CGUs were tested for sensitivity by applying 1% changes to the cost of capital and future growth rates, neither of which would result in an impairment.

	Change in recoverable amount less carrying value			
	Goodwill	Recoverable amount less carrying value	Discount rate +1%	Weighted average growth rate - 1%
UK	326	1,241	(61)	25
International (Ireland)	24	558	(110)	(91)
Total goodwill	350	1,799	(171)	(66)

16. Property and equipment

Property and equipment is split between property and equipment owned and right-of-use assets as follows:

	2023	2022
	£m	£m
Property and equipment owned (see below)	62	66
Right-of-use assets (note 34)	46	55
Total property and equipment	108	121

Right-of-use assets relate to leased properties and other equipment. Further information can be found in note 34.

Property and equipment owned

	Group occupied property - land and buildings	Other ¹	Total	Group occupied property - land and buildings	Other	Total
	2023	2023	2023	2022	2022	2022
	£m	£m	£m	£m	£m	£m
Cost/valuation						
At 1 January	18	134	152	18	125	143
Additions	5	7	12	3	23	26
Disposals	-	(10)	(10)	-	(15)	(15)
Revaluation adjustments	(4)	-	(4)	(3)	-	(3)
Exchange adjustment	-	1	1	-	1	1
At 31 December	19	132	151	18	134	152
Accumulated depreciation						
At 1 January	-	77	77	-	78	78
Depreciation charge	-	10	10	1	9	10
Depreciation on disposals	-	(10)	(10)	-	(12)	(12)
Revaluation adjustments	-	-	-	(1)	-	(1)
Exchange adjustment	-	-	-	-	2	2
At 31 December	-	77	77	-	77	77
Accumulated impairment						
At 1 January	-	10	10	-	10	10
Impairment charge	-	2	2	-	-	-
At 31 December	-	12	12	-	10	10
Carrying amount at 31 December	19	43	62	18	47	65

¹ Other includes fixtures, fittings and other equipment.

Depreciation expenses of **£10m** (2022: £10m) have been charged to insurance service expense.

The carrying amount of Group occupied property that would have been recognised had the assets been carried under the cost model at 31 December 2023 is **£10m** (2022: £6m).

The Group occupied property reserve at 31 December 2023 is **£19m** (2022: £18m).

17. Investment property

Investment property of **£285m** (2022: 291m), relating to freehold and leasehold land and buildings, is held for long term rental yields and is not occupied by the Group.

The movement in the carrying value of investment property is detailed below:

	31 December 2023	31 December 2022
	£m	£m
At 1 January	291	371
Purchases	12	7
Sales	(9)	(60)
Fair value losses	(9)	(27)
Investment property at 31 December	285	291
Expected to be recovered after 12 months	285	291

Investment properties are included in the Group's investment portfolio to provide investment returns over the longer term in accordance with the Group's investment strategy. Investment properties are managed by external managers.

The lease agreements are normally drawn up in line with local practice and the Group has no significant exposure to leases that include contingent rents.

18. Other assets and liabilities

18.1. Other assets

	31 December 2023	31 December 2022 Restated ¹
	£m	£m
Derivatives designated as accounting hedging instruments (note 9)	17	18
Other derivatives (note 9)	42	32
Other debtors	75	74
Collateral assets	1	6
Pension plan surplus (note 29)	23	225
Accrued interest and rent	51	46
Prepayments	42	36
Total other assets	251	437
To be settled within 12 months	205	233
To be settled after 12 months	46	204

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new accounting standards.

18.2. Other liabilities

	31 December 2023	31 December 2022 Restated ¹
	£m	£m
Other creditors	79	56
Collateral liabilities	33	30
Accruals	173	164
Deferred income	4	6
Lease liabilities (note 34)	67	71
Pension liabilities (note 29)	22	4
Provisions	34	27
Total other liabilities	412	358
To be settled within 12 months	334	265
To be settled after 12 months	78	93

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new accounting standards.

19. Debt outstanding

	Maturity date	Initial term (years)	Fixed rate	Coupon payment	Principal amount	Amortised cost	
						31 December 2023	31 December 2022
						£m	£m
GBP notes	Oct-45	31	5.13%	Oct.	£120m	119	159
US bonds	Oct-29	30	8.95%	Apr. & Oct.	\$9m	7	7
Total loan capital						126	166
Credit facility	May-27					8	8
Total debt outstanding						134	174

The dated guaranteed subordinated notes were issued on 10 October 2014 at a fixed rate of 5.125%. The nominal bonds, with a remaining £120m nominal value, have a maturity date of 10 October 2045. The Group has the right to repay the notes on specific dates from 10 October 2025. If the bonds are not repaid on that date, the applicable rate of interest would be reset at a rate of 3.852% plus the appropriate benchmark gilt for a further five year period. £40m of these bonds (nominal value) were repurchased and cancelled in June 2023 (principle amount £120m 31 December 2023; £160m 31 December 2022).

The subordinated guaranteed US\$ bonds were issued in 1999 and have a nominal value of \$9m and a redemption date of 15 October 2029. The rate of interest payable on the bonds is 8.95%.

The bonds and the notes are contractually subordinated to all other creditors of the Group such that in the event of a winding up or of bankruptcy, they are able to be repaid only after the claims of all other creditors have been met.

The Group has the option to defer interest payments on the bonds and notes, but has to date not exercised this right.

There have been no defaults on any bonds or notes during the year.

19.1 Movement in debt outstanding

	2023	2022
Year ended 31 December	£m	£m
Balance, beginning of year	174	173
Repayment of debt	(40)	-
Exchange rate differences	-	1
Balance, end of year	134	174

19.2 Movement in accrued interest payable on issued debt

	2023	2022
Year ended 31 December	£m	£m
Balance, beginning of year	2	2
Interest paid	(7)	(9)
Interest charged	7	9
Balance, end of year¹	2	2

Balance included within Other liabilities on the Statement of financial position.¹

20. Share capital

The issued share capital of the parent company is fully paid and is summarised in the following table:

	31 December 2023		31 December 2022	
	Number	£m	Number	£m
Ordinary Shares of £1 each	1,563,286,979	1,563	1,563,286,973	1,563
Preference shares of £1 each	125,000,000	125	125,000,000	125
	1,688,286,979	1,688	1,688,286,973	1,688

The movement of Ordinary Shares in issue, their nominal value and the associated share premiums during the period are as follows:

	Number of shares	Nominal value	Share premium
		£m	£m
At 1 January 2023	1,563,286,973	1,563	282
Capital injection from 2283485 Alberta Limited	6	-	1,084
At 31 December 2023	1,563,286,979	1,563	1,366

	Number of shares	Nominal value	Share premium
		£m	£m
At 1 January 2022	1,269,484,814	1,269	282
Issued in respect of employee share schemes	183	-	-
Capital injection from Regent Bidco Limited	293,801,976	294	-
At 31 December 2022	1,563,286,973	1,563	282

21. Non-controlling interests

During 2022, the Group disposed of its shareholding in Royal & Sun Alliance (Middle East) BSC ©. Prior to this, Royal & Sun Alliance Insurance (Middle East) BSC © owned 50% of the ordinary share capital of Al Alamiya for Cooperative Insurance Company, a company operating in the Kingdom of Saudi Arabia and 52.5% of Al Ahlia Insurance Company SAOG, a company operating in the Sultanate of Oman. These shareholdings were sold on 7 July 2022 (see note 6).

During 2022 the dividends paid to the non-controlling interests in Middle East were **£2m**.

22. Capital management

22.1 Capital management

It is a key regulatory requirement that the Group maintains sufficient capital to support its exposure to risk. Accordingly, the Group's capital management strategy is closely linked to its monitoring and management of risk. The Group's capital objectives consist of striking the right balance between the need to support claims liabilities and ensure the confidence of policyholders, exposure to other risks, support competitive pricing strategies, meet regulatory capital requirements, and providing adequate returns for its shareholder.

The Group's overall capital position is primarily comprised of shareholders' equity and subordinated loan capital and aims to maximise shareholder value, while maintaining financial strength and adequate regulatory capital. In addition, the Group aims to hold sufficient capital so as to maintain its single 'A' credit rating.

The Group holds an appropriate level of capital to satisfy all applicable regulations. Compliance with regulatory requirements is embedded within the BRC mandate, for the protection of the Group's policyholders and the continuation of the Group's ability to underwrite.

22.2 Regulatory solvency position during 2023

The Group operates a Prudential Regulation Authority (PRA) approved Solvency II Internal Model which forms the basis of the primary Solvency II solvency capital ratio (SCR) measure. The internal model is used to support, inform and improve the Group's decision making. It is used to inform the Group's optimum capital structure, its investment strategy, its reinsurance programme and target returns for each portfolio.

The Group has been subject to regulatory supervision throughout 2023. As at 31 December 2023, the Group's unaudited estimated coverage of its Solvency II SCR is approximately **1.7 times** (31 December 2022: 1.7 times).

22.3 Movement in tangible net asset value (TNAV)

TNAV is one of many capital metrics used by the Group and reconciles to IFRS net assets as follows:

	2023	2022
		Restated ¹
	£m	£m
Equity attributable to shareholders at 31 December	2,812	2,496
Less: preference share capital	(125)	(125)
Less: goodwill and intangibles	(897)	(331)
TNAV at 31 December	1,790	2,040

¹Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The key movements in TNAV are as follows:

	2023	2022
		Restated ¹
	£m	£m
As at 1 January	2,040	2,240
Profit after tax ²	(33)	238
Exchange gains/(losses) net of tax	6	(3)
Fair value gains net of tax	66	(329)
Pension fund losses net of tax	(742)	(357)
Dividends (note 40)	(9)	(12)
Goodwill and intangible additions and disposals	(622)	(52)
Share issue (note 20)	1,084	294
Share-based payments	-	21
As at 31 December	1,790	2,040

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

² Profit after tax excludes amortisation and impairment of intangible assets.

22.4 Own risk and solvency assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA.

The Group defines its ORSA as a series of interrelated activities by which it establishes:

- i. the quantity and quality of the risks which it seeks to assume or to which it is exposed;
- ii. the level of capital required to support those risks; and
- iii. the actions it will take to achieve and maintain the desired levels of risk and capital.

The assessment considers both the current position and the positions that may arise during the planning horizon of the Group (typically the next three years). It looks at both the expected outcome and the outcome arising when the plan assumptions do not materialise as expected.

The assessments of how much risk to assume and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk assumed or retained in order to make the most efficient use of capital available or else to return excess capital to capital providers. In other situations, where the risks assumed give rise to a capital requirement that is greater than the capital immediately available to support those risks, it will be necessary either to reduce the risk assumed or to obtain additional capital.

The assessment of risk and solvency needs is in principle carried out continuously. In practice, the assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is submitted to the Group's regulators as part of the normal supervisory process. The ORSA is reviewed by the BRC and approved by the Board.

The ORSA report was delivered to the Board in July 2023. This outlined the balance sheet resilience to market stresses through the consideration of reverse stress testing, based on market and pensions impacts. The report concluded that RSA remains well capitalised, aided by increased capital generation following the completion of the pension buy-in transaction, which represents a material de-risking of RSA's balance sheet. Further information in respect of the pension buy-in is included in note 29 Employee future benefits.

23. Net investment return and net insurance financial result

23.1 Net investment return and net insurance financial result

Years ended 31 December	2023 (IFRS 9) £m	2022 (IAS 39) £m
Net investment income	185	137
Net gains on investment portfolio	5	50
Net investment return	190	187
Net insurance financial result	(119)	4
Net investment return and net insurance financial results	71	191

23.2 Net investment income

Years ended 31 December	2023 (IFRS 9) £m	2022 (IAS 39) £m
Interest income calculated using the effective interest method:		
Debt securities classified as FVTOCI ¹	64	-
Debt securities classified as AFS ²	-	112
Loans and cash and cash equivalents at amortised cost	25	1
Interest and similar income on securities designated as FVTPL	57	4
Interest or similar income on securities mandatorily measured as FVTPL	25	-
Interest income	171	117
Dividend income:		
AFS ²	-	14
FVTPL	11	-
Dividend income	11	14
Investment property rental income	12	14
Investment income	194	145
Expenses	(9)	(8)
Net investment income	185	137

¹ Not applicable for the year ended 31 December 2022, as related to IFRS 9. Refer to note 3 - Adoption of new accounting standards.

² Not applicable for the year ended 31 December 2023, as related to IAS 39. Refer to note 3 - Adoption of new accounting standards.

23.3 Net gains (losses) on investment portfolio

Years ended 31 December

	2023 (IFRS 9)			2022 (IAS 39)		
	Fixed income £m	Equity and property £m	Total £m	Fixed income £m	Equity and property £m	Total £m
Net gains (losses) from:						
Financial instruments:						
Classified as FVTOCI ¹	92	-	92	-	-	-
Classified as AFS ²	-	-	-	(436)	(20)	(456)
Designated or mandatorily measured as FVTPL	56	7	63	-	-	-
	148	7	155	(436)	(20)	(456)
Derivatives ³	-	-	-	-	11	11
Investment property	-	(9)	(9)	-	(27)	(27)
Net foreign currency gains (losses)	(47)	1	(46)	75	-	75
ECL expense ⁴	(1)	-	(1)	-	-	-
Impairment losses from equities ²	-	-	-	-	(10)	(10)
Other	-	-	-	-	1	1
	100	(1)	99	(361)	(45)	(406)
Recognised in:						
Consolidated income statement - net gains (losses) on investment portfolio	8	(1)	7	75	(25)	50
Consolidated statement of comprehensive income	92	-	92	(436)	(20)	(456)
Total gains (losses) on investment portfolio	100	(1)	99	(361)	(45)	(406)

¹ Not applicable for the year ended 31 December 2022, as related to IFRS 9. Refer to note 3 - Adoption of new accounting standards.

² Not applicable for the year ended 31 December 2023, as related to IAS 39. Refer to note 3 - Adoption of new accounting standards.

³ Excluding foreign currency contracts, which are recognised in Net foreign currency gains/(losses) on investments. Derivatives are mandatorily measured at FVTPL, except when part of a documented hedging arrangement.

⁴ ECL expense is not significant due to the high credit quality of the investment portfolio.

23.4 Net insurance financial result

Years ended 31 December

	2023 £m	2022 £m
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	(226)	(82)
Changes in discount rates and other financial assumptions	(28)	230
Net foreign currency gains (losses)	75	(118)
Insurance finance income (expense)	(179)	30
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	71	27
Changes in discount rates and other financial assumptions	7	(75)
Net foreign currency (losses) gains	(18)	22
Reinsurance expense	60	(26)

24. Other net gains (losses)

	31 December 2023	31 December 2022
	£m	£m
Other net foreign currency (losses) gains	(1)	7
(Loss) gain on disposal of businesses ¹	(6)	39
	(7)	46

¹Further information on sales is included in note 6.2 - Disposals. (Loss) gain on disposal of businesses includes gains and losses recognised in the Consolidated income statement on the liquidation of legal entities as well as gains and losses realised on sales.

25. Other expense

Year ended 31 December 2023

	Amortisation of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
	£m	£m	£m	£m
Claims and adjustment expenses	-	2,650	-	2,650
Risk adjustment	-	6	-	6
Losses on onerous contracts ¹	-	(41)	-	(41)
Commissions	467	-	-	467
Premium taxes and levies	1	-	-	1
Allocated indirect expenses ²	259	323	68	650
Amortisation of acquired intangible assets	-	-	3	3
Administration and other expenses	-	-	15	15
	727	2,938	86	3,751
Represented by:				
Insurance service expense	727	2,938	-	3,665
Other expense	-	-	86	86
	727	2,938	86	3,751

¹ Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.

² Mainly includes salaries, rent and technology costs.

Year ended 31 December 2022

	Amortisation of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
	£m	£m	£m	£m
Claims and adjustment expenses	-	2,689	-	2,689
Risk adjustment	-	14	-	14
Losses on onerous contracts ¹	-	92	-	92
Commissions	514	-	-	514
Premium taxes and levies	6	-	-	6
Allocated indirect expenses ²	212	310	53	575
Administration and other expenses	-	-	26	26
	732	3,105	79	3,916
Represented by:				
Insurance service expense	732	3,105	-	3,837
Other expense	-	-	79	79
	732	3,105	79	3,916

¹ Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.

² Mainly includes salaries, rent and technology costs.

26. Integration and restructuring costs

Integration costs include restructuring costs related to an acquisition or to the Group being acquired. Restructuring and other costs include restructuring costs not related to an acquisition, including impairment expenses, and expenses related to the implementation of significant new accounting standards.

Year ended 31 December	2023 £m	2022 £m
Integration costs ¹	(54)	(91)
Restructuring and other costs	(108)	-
	(162)	(91)

¹ For amounts related to the DLG Commercial Lines acquisition, refer to note 6 - Business combinations and disposals.

27. Income taxes

27.1 Income tax expense recognised in the Consolidated income statement

The tax amounts charged (credited) in the Consolidated income statement are as follows:

	2023 £m	2022 £m
Current tax:		
Charge for the year	35	4
Adjustments in respect of prior years	(1)	-
Total current tax	34	4
Deferred tax:		
Charge (credit) for the year	36	(20)
Total deferred tax	36	(20)
Current tax	34	4
Deferred tax	36	(20)
Total tax charge (credit) to income statement	70	(16)

27.2 Effective income tax rate

	2023	2022
	£m	£m
Loss (profit) on ordinary activities before tax	19	(176)
Tax at the UK rate of 23.5% (2022: 19.0%)	(4)	33
Tax effect of:		
Income / gains not taxable (or taxed at lower rate)	(1)	(22)
Expenses not deductible for tax purposes	2	1
Non-taxable loss (gain) on sale of subsidiaries	5	(7)
Decrease of current tax in respect of prior periods	(1)	-
De-recognition (recognition) of prior year deferred tax assets	35	(15)
Non-recognition of current year deferred tax assets	-	1
Different tax rates of subsidiaries operating in other jurisdictions	-	5
Effect of change in tax rates	-	(7)
IFRS 17 transitional adjustment	42	-
Other	(8)	(5)
Income tax expense (credit)	70	(16)
Effective tax rate	368%	24%

The main drivers of the Group's tax charge (and high effective tax rate) for year ended 31 December 2023 are as follows:

- i. the significant contributions paid to the UK pension plans in respect of the buy-ins (refer to note 29 Employee future benefits) mean that the tax relief for a portion of these contributions is deferred and becomes deductible in years 2024-26. These deferred contributions create a new deferred tax asset which is recognised in OCI, where the buy-in transactions are accounted for. Due to restrictions on UK deferred tax asset recognition, the new OCI deferred tax asset has displaced previously recognised temporary differences in the income statement. This de-recognition results in a £81m deferred tax charge in the consolidated income statement, with an offsetting £81m deferred tax credit in OCI. There is no change in the net deferred tax asset on the Consolidated statement of financial position;
- ii. the recognised deferred tax asset increased by £41m (predominantly in the UK, £35m), due to increased forecast future taxable profits. This partially offsets the £81m de-recognition noted in (i) above, and is further offset by a recognition of £6m from other movements, resulting in an overall de-recognition of £35m deferred tax assets in the Consolidated income statement in the year. See the deferred tax disclosures below for further details;
- iii. a current tax charge of £42m arises as a result of the taxable IFRS 17 transitional adjustment in the UK coming into the charge to tax in full in 2023.
- iv. A £42m deferred tax liability was recognised for this transitional adjustment, which was fully offset by a recognition of £42m additional deferred tax assets. The IFRS 17 deferred tax liability was released in the period, as the profits came into the tax charge. However, as a result of the significant pension contributions in the period (see (i) above) more than offsetting the taxable profits for the period, the IFRS 17 deferred tax asset was derecognised in the Consolidated income statement.

27.3 Income tax recognised in other comprehensive income

The current tax and deferred income tax charged (credited) to each component of other comprehensive income is as follows:

	Current Tax		Deferred Tax		Total	
	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
Fair value gains and losses	-	-	22	(100)	22	(100)
Remeasurement of net defined benefit pension liability	(29)	-	(89)	1	(118)	1
Total credited to OCI	(29)	-	(67)	(99)	(96)	(99)

Foreign exchange arising on the revaluation of current and deferred tax balances is reported through other comprehensive income within the foreign currency translation reserve.

The Group applies judgement in identifying uncertainties over income tax treatments under IAS 12 and IFRIC 23. Provisions for uncertain tax treatments are based on our assessment of probable outcomes which take into consideration many factors, including interpretations of tax law and prior experience. At the end of the reporting period, provisions recognised in respect of uncertain tax positions for the Group totalled less than £10m (2022: less than £10m).

27.4 Tax rates

The table below provides a summary of the current tax and deferred tax rates for the year in respect of the largest jurisdictions in which the Group operates.

	2023		2022	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
UK	23.50%	25.00%	19.00%	25.00%
Ireland	12.50%	12.50%	12.50%	12.50%

Tax assets and liabilities are recognised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

In May 2021, the change in the UK tax rate from 19% to 25% from 1 April 2023 was substantively enacted. This change impacts the UK current tax rate and a blended rate is used for current tax in the period. A 25% UK deferred tax rate is used as the UK temporary differences unwind in periods with a 25% tax rate.

27.5 Current and deferred tax

Current tax

	Asset		Liability	
	2023 £m	2022 £m	2023 £m	2022 £m
To be settled within 12 months	1	1	(2)	1
To be settled after 12 months	1	-	-	-
Current tax position at 31 December	2	1	(2)	1

Deferred tax

	Asset		Liability	
	2023 £m	2022 £m	2023 £m	2022 £m
Deferred tax position	266	267	-	-

There is a £1m reduction in deferred tax assets during the period (2022: £119m increase).

Tax assets and liabilities are recognised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Whilst there has not been significant change in the deferred tax asset on the Consolidated statement of financial position, there have been a number of changes in the categories of deferred tax asset recognised by the Group in the period; predominantly in the UK.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The recognition approach is consistent with that applied at 31 December 2022.

The majority of the deferred tax asset recognised based on future profits is in respect of the UK. The evidence for the future taxable profits is a five-year forecast based on the three-year operational plans prepared by the relevant businesses and a further two years of extrapolation, which are subject to internal review and challenge, including by the Board. An additional £41m of deferred tax assets was recognised during the period due to an increase in forecast taxable profits; £35m of which was in the UK with the balance in Ireland (£5m) and Spain (£1m).

The UK forecast profits for DTA purposes are prudent and therefore assume 0% annual UK premium growth in the projection period (31 December 2022: 4.0% across UK business lines) and no overseas premium growth where relevant to UK profit projections. The base forecasts also incorporate a contingency of £70m per annum for the first three years and £55m per annum for the last two years (31 December 2022: £35m per annum). The contingencies were increased in recognition of the potential impact for additional integration or exit costs in the forecast horizon given recent announced transactions. Whilst contingency has been built into the base forecasts for DTA purposes, the increase in recognised UK DTA due to future profits was based on a further stressed scenario compared to the operational plans, which included a 3% deterioration in COR, a decline in return of investment income of 175 basis points and a worsening of the exited results by £30m pa in years 1 to 3. The DTA recognition will be reassessed in 2024 once the Direct Line commercial lines integration journey is more advanced, the personal lines run-offs are further progressed and continued improvement in UK profitability has been demonstrated.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. Further stress and scenario tests are also run over the level of DTA supported by UK forecast profits to assess their impact on the recognised DTA. The impact is summarised below. These sensitivities are run on the base case scenario and their impact is already included in the scenario selected for DTA recognition. The relationship between the UK deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

Deferred tax sensitivities

	2023	2022
	£m	£m
1% increase in COR ¹ across all 5 years	(22)	(18)
1 year reduction in the forecast modelling period	(66)	(47)
50 basis points decrease in bond yields	(6)	(7)

¹ COR is a measure of underwriting performance and is the ratio of underwriting costs expressed in relation to earned premiums (refer to note 42 Alternative performance measures).

A deferred tax asset of £21m is recognised in respect of temporary differences arising from unrealised losses on the FVTOCI bond portfolio (31 December 2022: £83m). On adoption of IFRS 9 on 1 January 2023, a portion of the OCI bond portfolio was re-designated as FVTPL, triggering a tax transitional adjustment. The £34m deferred tax asset previously recognised on the unrealised losses on these bonds in the AFS reserve was transferred to retained earnings on 1 January 2023 and now forms a new deferred tax asset for the transitional adjustment. There was no impact on the total amount of deferred tax recognised. The tax transitional adjustment will be relieved over 10 years via the income statement. This deferred tax asset has decreased by £5m in 2023 (and unwinds into current tax via the Consolidated income statement).

On transition to IFRS17, the Group measured each group of insurance contracts as if the standard had always applied and recognised the resulting net difference in equity (see note 3). The deferred tax effect of the retrospective application of IFRS17 was included in the adjustment to equity. In the UK, a deferred tax liability was recognised on transition together with an offsetting deferred tax asset, resulting in no net impact. The current tax treatment of the IFRS17 transitional adjustment differs between territories. In the UK, the full transitional adjustment is subject to tax in 2023, whereas for others the current tax impact is spread over a number of periods; for example, in Ireland, over five years. The UK IFRS17 deferred tax liability has reversed in 2023 on the transitional adjustment coming into the charge to current tax. The offsetting deferred tax asset has also been derecognised in 2023. Both amounts were reversed in the income statement. This results in no change in the net UK deferred tax asset on the Consolidated statement of financial position.

The tax relief for a portion of the 2023 pension contributions paid to RSA's pension schemes is deferred under UK tax rules and becomes deductible in years 2024-26 (on a straight-line basis). The 2023 contributions are significantly higher than previous periods because of the buy-in transaction (refer to note 29.6 for transaction details). The deferred contributions create a new category of deferred tax asset which is recognised in OCI where the underlying transaction is accounted for. Due to restrictions on deferred tax asset recognition and its priority of use, the new OCI deferred tax asset (£81m) has displaced previously recognised temporary differences in the Consolidated income statement. This results in no change in the net UK deferred tax asset on the Consolidated statement of financial position.

The UK group has recognised a £32m deferred tax liability arising from the acquisition of the DLG broker commercial lines business due to differences between the accounting and tax value of acquired intangible assets (refer to note 6 for further detail). This deferred tax liability has been partially offset by the recognition of additional deferred tax assets (£16m).

Movement in the net deferred tax assets

	2023	2022
	£m	£m
Net deferred tax asset at 1 January	267	148
Amounts (charged) credited to the Consolidated income statement	(36)	13
Amounts credited to other comprehensive income	67	99
Amounts arising on business combination	(32)	-
Effect of change in tax rates - Consolidated income statement	-	7
Net deferred tax asset at 31 December	266	267

Major deferred tax assets (liabilities) recognised by the Group

	1 January 2023	Charged to Consolidated income statement	Charged to Consolidated OCI	Charged to Consolidated statement of financial position	31 December 2023
	£m	£m	£m	£m	£m
Net unrealised losses (gains) on investments	43	-	(22)	-	21
Tax losses and unused tax credits	15	11	8	-	34
Other deferred tax reliefs	162	(71)	-	-	91
Net insurance contract liabilities	2	(4)	-	-	(2)
Retirement benefit obligations	(1)	-	81	-	80
Capital allowances	91	(21)	-	-	70
IFRS 17 transitional adjustment	(42)	42	-	-	-
Provisions and other temporary differences	(3)	7	-	(32)	(28)
Net deferred tax asset at 31 December	267	(36)	67	(32)	266

Unrecognised tax assets

At the end of the reporting period, the Group had the following unrecognised tax assets:

	2023		2022	
	Gross amount	Tax effect	Gross amount	Tax effect
	£000	£000	£000	£000
Trading tax losses	2,087	489	2,119	496
Deductible temporary differences	501	125	272	68
Capital tax losses	1,274	319	1,285	321
Unrecognised tax assets as at 31 December	3,862	933	3,676	885

The Group's unrecognised trading losses are located in the UK, Ireland, France, Luxembourg and Jersey and represent losses which are not expected to be utilised within the forecast profit period. The Group's unrecognised deductible temporary differences are predominantly located in the UK. Unrecognised capital losses mainly relate to the UK (£1,273m), with the remainder in Ireland, and have not been recognised as it is not considered probable that they will be utilised in the future as most UK and Ireland capital gains are exempt from tax. £3m (31 December 2022: £2m) of the gross trading tax losses are attributable to Luxembourg and will expire in 2036.

Pillar Two

In October 2021, various countries and jurisdictions, including Canada, UK, Ireland and the European Union, agreed to implement the Organization for Economic Co-operation and Development's Pillar Two rules. The proposed rules are designed to ensure that large multinational enterprises pay a minimum effective corporate tax rate (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate.

In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules, which amended IAS 12 – Income taxes, for fiscal years beginning as of 31 December 2023. The amendments include a temporary exception from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work. The UK Group has applied this exception.

Pillar Two legislation has been enacted or substantively enacted in a number of jurisdictions in which the UK Group operates, including UK and Ireland. The legislation is effective from 1 January 2024. The Pillar 2 rules in the UK and other jurisdictions include a qualified domestic minimum top-up tax (QDMTT) which ensures that the jurisdiction retains primary taxation rights over

any additional Pillar Two tax payable in respect of income arising in the territory rather than this falling to the Group parent entity. The UK Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes based on the most recent tax filings, country-by-country reporting, and financial statements for its subsidiaries impacted by these rules. Based on this assessment, the Pillar Two effective tax rate in most of the jurisdictions in which the UK Group operates is above 15%. However, there are a limited number of jurisdictions in which the UK Group operates, including the United Arab Emirates, Isle of Man and the Channel Islands, where the statutory tax rate may mean that the Pillar Two effective tax rate is below 15%. The UK Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions. The liability for any Pillar Two income taxes in these jurisdictions is expected to fall to the Group's parent Intact Financial Corporation once Canada enacts their Pillar Two legislation. However, this may change in the future as territories continue to enact their own Pillar Two legislation and QDMTT.

28. Share-based payments

The total amount included within staff costs in the Consolidated income statement in respect of all share scheme plans in 2023 is set out below.

28.1 Analysis of share scheme costs

	2023	2022
	£m	£m
Long term incentive plan (LTIP) - IFC shares	7	9
Save as you earn (SAYE) - IFC shares	3	2
Total	10	11

28.2 Analysis of awards

	2023		2022	
	Awarded during the year	Total value granted	Awarded during the year	Total value granted
	£m	£m	£m	£m
LTIP - IFC shares	8	22	4	16
SAYE - IFC shares	-	2	-	2
Total	8	24	4	18

The balance of the value of the awards will be charged to the Consolidated income statement during the remaining vesting periods.

28.3 Long-term incentive plan IFC shares

Executive directors, other selected executives and senior managers are eligible to participate in the LTIP to enable them to own shares in the ultimate parent company, IFC. Participants are awarded notional share units referred to as Performance Stock Units (PSUs) and Restricted Stock Units (RSUs). The PSU payout is subject to the achievement of specific targets with regards to:

- i. IFC's estimated ROE outperformance versus an industry benchmark, based on a three-year average; or
- ii. the three-year average combined ratio of the UK & International operations compared to a specific target.

RSUs ordinarily vest three years from the year of the grant. Vesting for RSUs is not linked to the Group's performance.

If an employee resigns from the Group, then unvested PSUs and RSUs lapse at the date of leaving the Group.

For Executive Directors and other specified roles, the Remuneration Committee defers a portion of an individual's gross bonus into an award over RSUs, which are also not subject to performance conditions.

Shares are purchased in the market to settle the awards.

The awards are initially estimated and valued at the weighted average fair value on the grant date, which corresponds to the total estimated charge at the grant date, divided by the total shares in issuance, as provided by IFC.

As the Group has the obligation to settle the liabilities of LTIP awards, which grant rights to receive shares in the ultimate parent company, IFC, it is accounted for as a cash-settled plan. This means the cost of the awards is recognised as an expense over the vesting period and the liability is remeasured at each reporting period based on the number of awards that are expected to vest and the current share price, with any fluctuations in the liability also recorded as an expense until it is settled.

Outstanding units and weighted-average fair value at grant date by performance cycle

As at 31 December	2023			2022		
	Number of units	Weighted average fair value at grant date	Total	Number of units	Weighted average fair value at grant date	Total
Performance cycles		£	£m		£	£m
2021 - 2023	44,681	94.17	4	47,972	94.17	5
2022 - 2024	55,777	102.66	6	60,871	102.66	6
2022 - 2026	12,723	102.66	1	12,723	102.66	1
2023 - 2025	54,428	118.40	6	-	-	-
Special cycles	18,339	110.67	2	9,567	102.66	1
Integration cycles	29,227	94.17	3	30,095	94.17	3
	215,175	104.41	22	161,228	98.55	16

Movement in LTIP shares

Year ended 31 December	2023 (in units)	2022 (in units)
Outstanding, beginning of year	167,264	87,396
Awarded	54,503	74,808
Net change in estimate of units outstanding	(10,271)	5,060
Units settled	(556)	-
Outstanding, end of year	210,940	167,264

28.4 Save as you earn IFC shares

Employees are able to elect to make monthly savings for a period of three years. In exchange, employees are granted an option to buy ordinary shares in the IFC at the end of the savings period, with a pre-set option price – typically at a 20% discount.

As the Group has the obligation to settle the liabilities of SAYE awards, it is accounted for as a cash-settled plan on the same basis as the Long-term incentive plan IFC shares.

Table 28.4.1 - Movement in SAYE shares

Year ended 31 December	2023 (in units)		2022 (in units)	
	Sharesave	Sharebuild	Sharesave	Sharebuild
Outstanding, beginning of year	177,989	2,213	138,188	216
Granted	61,111	1,865	51,968	2,099
Exercised	(3,426)	(286)	(286)	(14)
Cancelled	(8,725)	-	(5,300)	-
Forfeited	(6,150)	(230)	(6,481)	(88)
Expired	(392)	-	(100)	-
Outstanding, end of year	220,407	3,562	177,989	2,213

28.5 Assumptions used

The key assumptions used in the calculation of the fair value of share options on the date of grant using the Black-Scholes option pricing model were as follows:

	Values
Fair value at valuation date	
2021 - 2024	£43.96
2022 - 2025	£35.72
2023 - 2026	£36.61
Exercise price ¹	
2021 - 2024	£83.22
2022 - 2025	£93.67
2023 - 2026	£92.51
Share price at valuation date	£125.58
Expected life ²	3.2 years
Risk-free interest rate	4.03%
Expected volatility ³	16.11%
Dividend yield	2.33%

¹ The exercise price represents the weighted average trading price for the three-week period preceding the grant date.

² The maturity date of the options outstanding varies between December 2024 and December 2026.

³ The expected volatility was determined by using the Group's own historical volatility on a daily basis, calculated over a period corresponding to the expected life of the options.

29. Employee future benefits

29.1 Defined contribution pension plans

Costs of **£38m** (2022: £36m) were recognised in respect of defined contribution plans by the Group.

29.2 Defined benefit pension plans

Funded status

DB pension plans are recognised in the Consolidated statement of financial position as an asset when plans are in a surplus position, or as a liability, when plans are in a deficit position. This classification is determined on a plan-by-plan basis.

	2023			2022		
	UK ¹ £m	Other £m	Total £m	UK £m	Other £m	Total £m
Defined benefit obligation (funded)	(5,459)	(59)	(5,518)	(5,404)	(53)	(5,457)
Defined benefit obligation (unfunded)	(4)	-	(4)	(4)	-	(4)
Fair value of plan assets	5,449	76	5,525	5,719	73	5,792
	(14)	17	3	311	20	331
Other net surplus remeasurements	(2)	-	(2)	(110)	-	(110)
Net DB asset	(16)	17	1	201	20	221

Recognised in note 18. Other assets and liabilities

Other assets - plans in a surplus position	6	17	23	205	20	225
Other liabilities - plans in a deficit position and unfunded plans	(22)	-	(22)	(4)	-	(4)
	(16)	17	1	201	20	221

¹ The two main UK plans completed the purchase of annuity buy-in insurance contracts ("buy-ins") during the year ended 31 December 2023. Refer to Note 29.6 - *Purchase of annuity buy-in insurance contracts* for more details.

The disposal of the Group's operations in the Middle East reduced employee future benefits by £9m in 2022.

UK plans

The major defined benefit pension plans are located in the UK. The UK defined benefit plans were closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017. UK plans in surplus have been reduced for the 35% tax cost of an authorised return of surplus, classified as 'Other net surplus remeasurements. Our opinion is that the authorised refund tax charge is not an income tax within the meaning of IAS 12 and so the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

Accrued benefits are revalued up to retirement in accordance with government indices for inflation. A cap of 2.5% per annum applies to the revaluation of benefits accrued post March 2010 (a cap of 5% per annum applies for benefits which accrued prior to this date). After retirement, pensions in payment are increased each year based on the increases in the government indices for inflation. A cap of 2.5% applies to benefits accrued post 31 December 2005 (a cap of 5% applies to benefits in excess of Guaranteed Minimum Pension prior to this date).

The UK plans are managed through trusts with independent Trustees responsible for safeguarding the interests of all members. The plan funds are legally separated from the Group and controlled by the Trustees. The Trustees meet regularly with Group management to discuss the funding position and any proposed changes to the plans. The plans are regulated by The Pensions Regulator.

The Group is exposed to risks through its obligation to fund the plans. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Group and the Trustees of the plans work together to reduce these risks through agreement of investment policy. The two main UK plans completed the purchase of annuity buy-in insurance contracts (buy-ins) during 2023 which removed all significant risk exposures for these plans. Refer to Note 29.6 - *Purchase of annuity buy-in insurance contracts* for more details.

The profile of the members of the two main UK plans at 30 June 2022 (the latest date at which full information is available) is as follows:

Deferred members - members no longer accruing and not yet receiving benefits	20,950
Pensioners - members and dependents receiving benefits	19,340
Total members at 30 June 2022	40,290

Funding and Contributions

Each plan is subject to triennial valuations, which are used to determine the future funding of the plans by the Group including funding to repair any funding deficit. The funding valuations, which determine the level of cash contributions payable into the plans and which must be agreed between the Trustees and the Group, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, following completion of the triennial funding valuations.

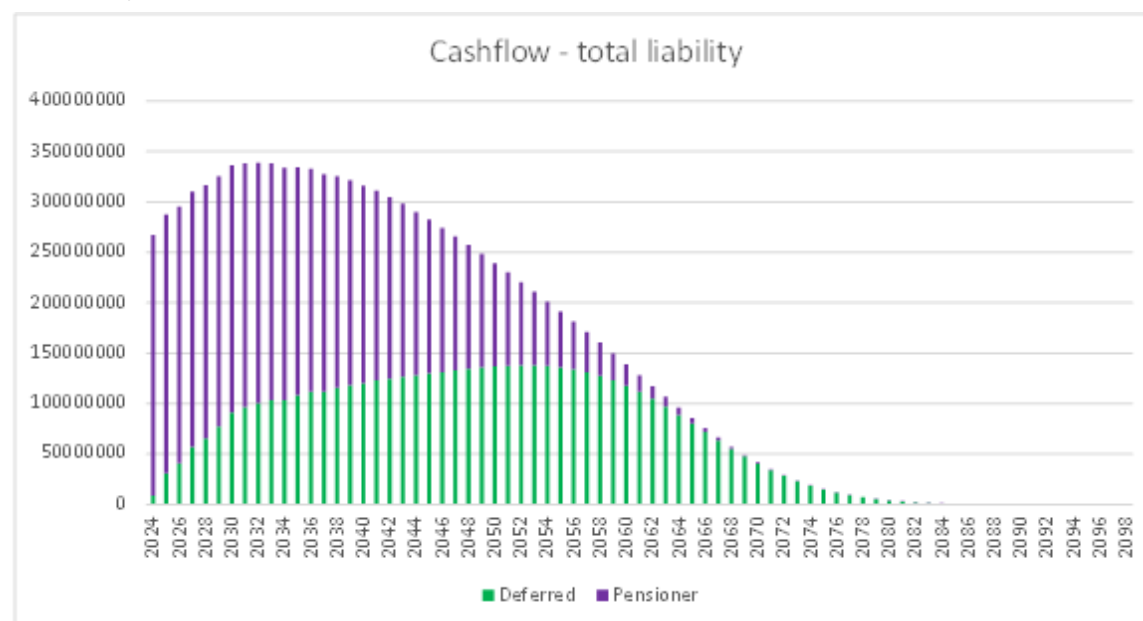
The effective date of the most recent valuations of the main UK plans was 31 March 2021. At that date, the main UK plans had an aggregate funding deficit of £138 million, equivalent to a funding level of 98%. The Company and the Trustees agreed on funding plans to eliminate the funding deficits by 2025.

For the two main UK plans, the level of contributions in 2023 was **£611m** (2022: £84m), including contributions required to reduce funding deficits and additional contributions required to meet premium payments for the buy-ins.

Total contributions paid over 2023 were above those required to clear the funding deficits, and so as agreed with the Trustees of the UK plans following the buy-ins, the Group will not be required to make any additional deficit funding contributions, but will continue to meet ongoing expenses of the plans, as well as fund any shortfalls in the outstanding deferred annuity premium obligation (see Note 29.6 - *Purchase of annuity buy-in insurance contracts* for more details).

Expected contributions to the main UK plans for the year ending 31 December 2024 are approximately £45m, covering the remaining contributions required to meet outstanding deferred annuity premium obligations, as well as ongoing expenses and regulatory levies.

The maturity profile of the undiscounted cash flows of the two main UK plans is shown below:



The weighted average duration of the defined benefit obligation of the two main UK plans at the end of the reporting period is **13 years** (2022: 13.5 years).

Non-UK plans

The Group also operates a defined benefits plan in Ireland.

All plans

The estimated discounted present values of the accumulated obligations are calculated in accordance with the advice of independent, qualified actuaries.

29.3 Movement during the year

	2023			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus (deficit)
	£m	£m	£m	£m
As at 1 January	(5,461)	5,792	(110)	221
Interest income (expense)	(258)	298	-	40
Administration costs	-	(10)	-	(10)
Total income (expenses) recognised in income statement	(258)	288	-	30
Return on plan assets less amounts in interest income	-	(13)	-	(13)
Annuity buy-in insurance contracts ¹	-	(854)	-	(854)
Effect of changes in financial assumptions	(179)	-	-	(179)
Effect of changes in demographic assumptions	103	-	-	103
Experience losses	(17)	-	-	(17)
Investment expenses	-	(9)	-	(9)
Other net surplus remeasurements ¹	-	-	108	108
Remeasurements recognised in other comprehensive income	(93)	(876)	108	(861)
Employer contribution	-	611	-	611
Benefit payments	288	(288)	-	-
Exchange adjustment	2	(2)	-	-
As at 31 December	(5,522)	5,525	(2)	1
Deferred tax	-	-	-	-
IAS 19 net surplus net of deferred tax	(5,522)	5,525	(2)	1

¹ The buy-ins completed on 27 February 2023 resulted in a net impact of £727 million, composed of a remeasurement loss on plan assets of £854 million included in annuity buy-in insurance contracts and the derecognition of a tax expense on surplus of £127 million included in other net surplus remeasurements. Refer to Note 29.6 - *Purchase of annuity buy-in insurance contracts* for more details.

	2022			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus (deficit)
	£m	£m	£m	£m
As at 1 January	(8,679)	9,410	(254)	477
Interest income (expense)	(156)	171	-	15
Administration costs	-	(8)	-	(8)
Total income (expenses) recognised in income statement	(156)	163	-	7
Return on plan assets less amounts in interest income	-	(3,546)	-	(3,546)
Effect of changes in financial assumptions	3,233	-	-	3,233
Effect of changes in demographic assumptions	17	-	-	17
Experience losses	(188)	-	-	(188)
Investment expenses	-	(15)	-	(15)
Other net surplus remeasurements	-	-	144	144
Remeasurements recognised in other comprehensive income	3,062	(3,561)	144	(355)
Employer contribution	-	84	-	84
Benefit payments	309	(309)	-	-
Increase due to disposals	8	-	-	8
Exchange adjustment	(5)	5	-	-
As at 31 December	(5,461)	5,792	(110)	221
Deferred tax	-	-	-	(1)
IAS 19 net surplus net of deferred tax	(5,461)	5,792	(110)	220

29.4 Composition of pension plan assets

The pension plan assets were mainly composed of annuity buy-in insurance contracts as at 31 December 2023 and of securities from the government and financial sectors as at 31 December 2022. The change in composition in pension plans was due to the buy-ins completed during 2023. Refer to Note 29.6 - *Purchase of annuity buy-in insurance contracts* for more details.

The composition of the fair value of pension plan assets by category and quoted and unquoted is shown below:

As at 31 December	2023			2022		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Cash and cash equivalents	33	-	33	1,278	-	1,278
Government debt securities	60	-	60	4,048	-	4,048
Non-government debt securities	14	3	17	996	785	1,781
Debt securities	74	3	77	5,044	785	5,829
Equity securities	15	-	15	20	3	23
Annuity buy in insurance contracts	-	5,445	5,445	-	26	26
Derivative financial instruments	-	(8)	(8)	-	(18)	(18)
Investment property	1	-	1	1	420	421
Other (including infrastructure and growth alternatives)	-	69	69	-	277	277
Total investments	123	5,509	5,632	6,343	1,493	7,836
Value of asset and longevity swaps	-	-	-	-	(2,044)	(2,044)
Deferred premium payable to PIC	-	(107)	(107)	-	-	-
Total net plan assets	123	5,402	5,525	6,343	(551)	5,792

29.5 Accounting judgements, estimates and assumptions

Actuarial Assumptions

Independent actuaries calculate the value of the defined benefit obligations for the larger plans by applying the projected unit credit method. The future expected cash outflows (calculated based on assumptions that include inflation and mortality) are discounted to present value, using a discount rate determined at the end of each reporting period by reference to current market yields on high quality corporate bonds ('AA' rated) identified to match the currency and term structure of the obligations.

The actuarial valuation involves making assumptions about discount rates, future inflation, the employees' age upon termination and retirement, mortality rates and future pension increases.

If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years. Due to the complexity of the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in the assumptions. Assumptions are reviewed at each reporting date. As such, the IAS 19 valuation of the liability is highly sensitive to changes in bond rates. However, fluctuations in the liabilities are now largely offset by equal and offsetting impacts on the Fair Value of plan assets following the buy-ins (refer to note 29.6 - *Purchase of annuity buy-in insurance contracts* for further details).

The weighted average principal actuarial assumptions used are:

	UK		Other	
	2023 %	2022 %	2023 %	2022 %
Assumptions used in calculation of retirement benefit obligations:				
Discount rate	4.54	4.86	3.55	4.25
Annual rate of inflation (RPI)	3.05	3.11	-	-
Annual rate of inflation (CPI)	2.45	2.46	2.40	2.60
Annual rate of increase in pensions ¹	2.91	2.96	2.40	2.60
Assumptions used in calculation of pension net interest costs for the year:				
Discount rate	4.86	1.84	4.25	1.60

¹ For the UK the annual rate of increase in pensions shown is the rate that applies to pensions that increase at RPI subject to a cap of 5%.

Mortality rate

The mortality assumptions are set following investigations of the main plans' recent experience carried out by independent actuaries as part of the most recent funding valuations. The core mortality rates assumed for the main UK plans follow industry-standard tables with percentage adjustments to reflect the plans' recent experience compared with that expected under these tables.

Reductions in future mortality rates are allowed for by using the CMI 2022 tables (2022: CMI 2021 tables) with a long term improvement rate of 1.25% (2022: 1.25%). The weighted average assumptions imply the following expected future lifetimes:

	2023	2022
Life expectancy for pensioners at the age of 60:		
Male	26.7	26.9
Female	28.5	28.7
Life expectancy for future pensioners in 15 years' time at the age of 60:		
Male	27.6	27.8
Female	29.6	29.7

Sensitivity analysis

Sensitivities for the defined benefit obligations of the two main UK plans are shown below. Following the buy-ins changes in the value of the defined benefit obligations are largely matched by equal and offsetting changes in the Fair Value of plan assets, and therefore the impact on the overall balance sheet of changes in the key assumptions below are expected to be immaterial.

	Changes in assumption	2023 £m	2022 £m
Discount rate	Increase by 0.25%	(167)	(168)
	Decrease by 0.25%	176	178
	Increase by 1.00%	(619)	(624)
	Decrease by 1.00%	762	772
RPI/CPI ¹	Increase by 0.25%	114	112
	Decrease by 0.25%	(112)	(110)
Core mortality rates ²	Decrease by 13%	198	191
	Increase by 13%	(198)	(172)
Long-term future improvements to mortality rates	Increase by 0.25%	31	29
	Decrease by 0.25%	(31)	(29)

¹ The impact shown is for the appropriate increase in the revaluation of deferred pensions and the increases to pensions in payment resulting from the specified increase in RPI and CPI.

² Reducing the core mortality rates by 13% is the equivalent of increasing the life expectancy of a male aged 60 years by 1 year at 31 December 2023.

29.6 Purchase of annuity buy-in insurance contracts

On 27 February 2023 the Trustees of the Group's two major UK DB pension plans (the UK plans) entered into an agreement with PIC, a specialist insurer of defined benefit pension plans, to purchase buy-ins, as part of its de-risking strategy. The buy-in agreement transferred the remaining economic and demographic risks associated with these plans to PIC and removed the volatility in relation to these plans from the Group's Consolidated statement of financial position. The main risk that the Group retains is counterparty risk, with market risk on the assets that were remaining in the UK plans at the transaction date now largely removed as described below.

At the transaction date, the UK plans transferred the majority of their plan assets and an upfront contribution of £481m to PIC. Of the total buy-in premium of £6,307m, an amount of £550m was deferred and has now been largely re-paid through the sale of certain less liquid assets that were initially retained by the UK plans but were liquidated by the end of 2023. During 2023, the UK plans paid £457m of the deferred annuity premium. The Group has committed to the UK plans to fund any shortfall in the deferred annuity premium obligation resulting from the liquidation of the assets. In addition, the UK plans retained longevity swaps that were already in place. Refer to *Asset and longevity swaps* below for more details.

The buy-ins comprised various contracts which were considered in aggregate as one single contract because they form a structure designed to collectively match the exact amount and timing of all the benefits payable by the UK plans. The Group was not legally relieved of the primary responsibility for the obligation, and the benefit payments continue to be payable by the UK plans. The contracts provide the option to convert the buy-ins into individual policies which would transfer the UK plan assets and obligation to PIC (known as a buy-out). While this course of action may be considered in the future, a separate decision would be required, and certain significant conditions would need to be met before any buy-out could be executed. Consequently, the transaction was considered a buy-in as opposed to a buy-out under IAS 19. As a result, an initial actuarial loss of £727m net of tax was recognised in OCI during 2023. The fair value of annuity buy-in insurance contracts subsequently fluctuates based on changes in the value of the associated DB obligation.

The buy-in transaction was funded through the injection of share capital from the Group's immediate parent company, 2283485 Alberta Limited of £480m (note 20. Share capital).

Assets and longevity swaps

In 2009, the UK plans had entered into an arrangement that provided coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment of the UK plans at that time. The arrangement provided for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio made up of quoted government debt which was offset by asset swaps and longevity swaps held by the pension funds.

At 31 December 2022, this arrangement was accounted for as a swap. The total value of the arrangement, including government debt measured at prices quoted in an active market, at 31 December 2022 was £1,073m.

On the buy-in transaction date, the portfolio and asset swaps were novated to PIC and the longevity swaps remained in place with another counterparty, as plan assets of the UK plans. In combination with the other buy-in insurance policies purchased from PIC, these longevity swaps were accounted for as qualifying insurance policies at the buy-in transaction date, and hence at 31 December 2023, based on the value of the associated DB obligation under IAS 19. PIC are providing the plans with the funding required to support the longevity swaps. These swaps are fully collateralised. As at 31 December 2023, £127m of collateral was being posted by the plans to the longevity swap counterparty.

Other net surplus remeasurement

Prior to the UK buy-ins, the net DB asset (liability) of the UK plans was presented net of a 35% tax expense of an authorised return of surplus, which was classified with Other net surplus remeasurements. Since the surplus of the UK plans was derecognised through the UK buy-ins, the 35% tax provision totalling £127m has also been derecognised through OCI during 2023.

30. Operating segments

The Group's primary operating segments comprise UK, International and Central Functions. The primary operating segments are based on geography and, during 2023, were engaged in providing personal and commercial general insurance services. During 2023, the Group announced its exit from the UK Personal lines general insurance market. This forms part of the UK operating segment. Refer to note 6 - Business combinations and disposals for further information on this exit. International comprises operating segments based in Ireland, and Europe. Central Functions includes the Group's internal reinsurance function, which includes reinsurance within the wider IFC group. Each operating segment is managed by individuals who are accountable to the Chief Executive and the Board of Directors, who together are considered to be the chief operating decision maker in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets.

30.1 Assessing segment performance

The Group uses the following key measures to assess the performance of its operating segments:

- i. Net written premiums
- ii. Underwriting result

Net written premiums is the key measure of revenue used in internal reporting.

Underwriting result is the key internal measure of profitability of the operating segments.

Net written premiums and underwriting result are APMs. Refer to note 42 for a reconciliation to the nearest IFRS measure.

Transfers or transactions between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

30.2 Segment revenue and results

For the year ended 31 December 2023

	UK	International	Central Functions	Total
	£m	£m	£m	£m
Net written premiums (management basis note 42)	2,478	526	343	3,347
Underwriting result (note 42)	(2)	62	17	77
Net investment income (note 23)				185
Central costs and other activities (note 42)				(15)
Business operating result (management basis)				247
Unrealised losses, impairments and foreign exchange				(115)
Finance costs (note 42)				(10)
Amortisation of intangible assets				(3)
Pension net interest and administration costs (note 29)				30
Integration and restructuring costs (note 26)				(162)
Loss on disposal of business				(6)
Loss before tax				(19)
Tax on operations (note 27)				(70)
Loss after tax				(89)

For the year ended 31 December 2022 (restated)¹

	UK	International	Central Functions	Total
	£m	£m	£m	£m
Net written premiums (management basis note 42)	2,005	689	418	3,112
Underwriting result (note 42)	(30)	33	57	60
Net investment income (note 23)				137
Central costs and other activities (note 42)				(25)
Business operating result (management basis)				172
Unrealised gains, impairments and foreign exchange				60
Finance costs (note 42)				(11)
Pension net interest and administration costs (note 29)				7
Integration and restructuring costs (note 26)				(91)
Profit on disposal of business				39
Profit before tax				176
Tax on operations (note 27)				16
Profit after tax				192

¹ Restated for the adoption of IFRS 17. Refer to note 3 – Adoption of new accounting standards.

30.3 Non current assets by geographical area

Non current assets represent goodwill and intangible assets, property and equipment, investment property and prepayments with an expected maturity of greater than 12 months.

	2023	2022
	£m	£m
UK	1,246	686
International	63	71
Total Group	1,309	757

31. Additional information on the Consolidated statement of cash flows

	2023	2022
	£m	¹ Restated £m
Adjustments for non-cash items		
Net (gains) losses on investment portfolio	(66)	84
Depreciation and impairment of property and equipment	25	22
Amortisation and impairment of intangible assets	59	39
Amortisation of investments	4	26
Pension net interest and admin costs (Note 29)	(30)	(7)
Gain on disposal of business	-	(39)
Derecognition and disposal of intangibles	49	30
Foreign exchange loss (gain)	5	(43)
Other	-	1
	46	113
Changes in other operating assets/liabilities		
Contributions to the defined benefit pension plans	(611)	(84)
Changes in insurance and reinsurance contracts	187	96
Other operating assets	12	(92)
Other operating liabilities	35	144
	(377)	64

¹ Restated for the adoption of IFRS 17. Refer to note 3. Adoption of new and revised accounting standards.

32. Related party transactions

32.1 Transactions with parent company

The Group's parent company is 2283485 Alberta Limited (2022: Regent Limited), a wholly owned subsidiary of IFC, the ultimate controlling party.

During the year to 31 December 2023, the following related party transactions have taken place with 2283485 Alberta Limited:

- i. on 3 March, the Group received a capital injection from 2283485 Alberta Limited of £444m to fund contributions to the Group's two UK defined benefit pension plans;
- ii. on 23 March, the Group received a capital injection from 2283485 Alberta Limited of £36m to fund contributions to the Group's two UK defined benefit pension plans;
- iii. on 5 June, the Group received a capital injection from 2283485 Alberta Limited of £39m to fund the repurchase of issued debt; and
- iv. on 26 October, the Group received a capital injection from 2283485 Alberta Limited of £565m to fund the acquisition and integration of the brokered Commercial lines operations of DLG.

During the year to 31 December 2022, the following related party transactions took place with Regent Limited:

- i. on 28 March 2022, the Group received a capital injection from Regent Limited of £294m to fund the repurchase of Tier 1 notes.

32.2 Other related party transactions

The Group has a reinsurance arrangement with Unifund Assurance Company (Unifund), a member of the IFC Group. Under the terms of the arrangement the insurance risk of the proportion of Unifund's business covered by the quota share agreement is transferred to the Group. The Group pays a reinsurance commission in relation to the quota share agreement and the agreement covers 60% of Unifund's existing insurance liabilities and new written premium for all lines of business. Collateral assets, comprising assets held in trust and a letter of credit, have been received by the Group as security against the outstanding balances.

The Group also has other reinsurance arrangements (some of which are secured by pledging collateral assets) and fronting transactions with entities that are part of the IFC Group. Under these arrangements, risk is transferred to or from the Group on a risk by risk basis.

The Group holds ordinary shares in a listed company in which a director of the Group who held office during 2022 was also a director, and in addition the Group holds ordinary shares in a listed company in which a director of the Group is also a non-executive director. The shares were purchased from a third party in the open market as part of the Group's routine investment strategy.

The amounts relating to the above related party transactions included in the Consolidated income statement for the year to 31 December 2023 are provided in the table below:

	2023	2022
		Restated ¹
	£m	£m
Income (expenses) recognised in:		
Insurance revenue	369	431
Insurance service expenses	(375)	(365)
Net investment income	-	(11)

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

The amounts relating to the above related party transactions included in the Consolidated statement of financial position for the twelve month period ended 31 December are provided in the table below:

	2023	2022
		Restated ¹
	£m	£m
Assets and liabilities recognised in:		
Reinsurance contract assets	96	59
Debt and fixed income securities	960	960
Equity securities	1	-
Other liabilities	19	1
Insurance contract liabilities	631	665

¹ Restated for the adoption of IFRS 17. Refer to note 3 - Adoption of new and revised accounting standards.

Compensation of key management personnel

Key management personnel comprise members of the Group's Executive Committee, executive directors, and non-executive directors. The compensation of key management personnel is set out below.

	2023	2022
	£m	£m
Short term employee benefits (salaries, bonuses, allowances or other benefits)	9	9
Share-based awards	3	4
	12	13

Key management personnel transactions

A number of the directors, other key managers, and their close families have general insurance policies with the Group. Such policies are available at discounted rates to all employees including executive directors.

33. Capital commitments

The Group's significant capital commitments are in respect of intangible assets (£20m at 31 December 2023), property and equipment (£7m at 31 December 2023), and investment property (£1m at 31 December 2023). Capital commitments at 31 December 2022 were £16m, £8m and £5m respectively. The remaining life of these commitments is less than one year.

The future commitments to structured entities are disclosed in note 35 - Interests in structured entities. In addition, the Group has committed to invest **£121m** (2022: £149m) in other classes of investment.

Refer to Note 11.2 - Market risk - financial liabilities by contractual maturity and note 18.2 - Other liabilities for details on lease liabilities.

33.2 Other contingent liabilities

The Group receives liability claims and becomes involved in actual or threatened litigation during the ordinary course of its business operations. The Group reviews and, in the opinion of the directors, maintains sufficient provisions, capital and reserves in respect of such claims.

In addition, the Group has given guarantees, indemnities and warranties in relation to the disposals of its businesses and business interests to external parties. These are kept under review and, in the opinion of the directors, no material loss will arise in respect of these guarantees, indemnities and warranties.

Subsequent to the year end, on 16 January 2024, a judgment in a Covid-19 business interruption case was handed down in the UK following an appeal hearing. The findings were consistent with assumptions previously made and, as a result, no adjustments to the consolidated financial statements were necessary related to the judgment.

34. Leases

34.1 Leases as a lessee

The Group leases land and buildings and other assets such as vehicles, IT equipment, servers and mainframes (reported as other) to operate its business in each of its core regions. The remaining lease terms for the main office premises range from 1 to 16 years.

The Group also leases office equipment such as laptops and printers and for which certain leases are short term (1 year or less) and/or for low value items. The Group has elected to apply recognition exemptions as permitted by IFRS 16 for these leases (see note 4 for accounting policy).

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Land and buildings	Other	Total
	£m	£m	£m
Balance at 1 January 2022	35	2	37
Depreciation charge for the year	(9)	(1)	(10)
Additions to right-of-use assets	25	1	26
Remeasurements	4	-	4
Impairments	(2)	-	(2)
Disposals	(1)	-	(1)
Other ¹	1	-	1
Balance at 31 December 2022	53	2	55
Depreciation charge for the year	(8)	(1)	(9)
Additions to right-of-use assets	4	1	5
Remeasurements	(1)	-	(1)
Impairments	(4)	-	(4)
Balance at 31 December 2023	44	2	46

Impairment assessment

When testing for indicators of impairment, the key judgements and assumptions were considered:

- i. office space was distinguished between:
 - office space that is temporarily underutilised and has not been impaired on the basis that the space will be utilised again in the future when office working resumes;
 - office space that will remain vacant and no longer be utilised.
- ii. the likelihood of activating future break clauses on remaining leases where office space is still utilised have been assessed and assets re-measured (together with associated lease liabilities) where it is likely that clauses will be invoked;
- iii. the recoverable amount of the right-of-use assets relating to permanently vacant office space was based on their value in use and include several key assumptions. These include:
 - the ability to sublet and the timing of agreements, if considered possible;
 - the level of rent charged;
 - the discount rate which is assumed to be the Group weighted average cost of capital (WACC);
 - identification of other relevant cash flows to include such as future service charges and insurance.

During 2023 a floor within a leased building in Ireland was vacated, resulting in an impairment of £4m. The key judgements and assumptions used in measuring the recoverable amounts of the impaired right of use assets are not deemed materially sensitive.

Lease liabilities

Lease liabilities of **£67m** (2022: £71m) are included within other liabilities in the Consolidated statement of financial position (see note 18). The maturity analysis of this balance can be found in note 11.

A reconciliation of lease liabilities is presented below.

	2023	2022
	£m	£m
Balance at 1 January	71	55
Lease payments	(11)	(15)
Additions to lease liabilities	5	26
Remeasurements	-	3
Interest on lease liabilities	3	2
Disposals	-	(1)
Foreign exchange	(1)	1
Balance at 31 December	67	71

Other amounts recognised in the Consolidated income statement

	2023	2022
	£m	£m
<i>Leases under IFRS 16</i>		
Interest on lease liabilities	3	1
Expenses relating to variable lease payments	11	18

Amounts recognised in the Consolidated statement of cash flows

	2023	2022
	£m	£m
Total cash outflow for leases	23	33

Total cash outflow for leases primarily relates to lease payments, with the principal and interest portion recognised separately within financing activities in the Consolidated statement of cash flows. It also includes payments for leases of low value assets and variable lease payments which are reported within operating activities.

34.2 Leases as a lessor

The Group leases out its investment property consisting of freehold and leasehold land and buildings, as disclosed in note 17. All leases are classified as operating leases from a lessor perspective with the exception of sub-leases, which the Group has classified as finance sub-leases. Finance sub-leases are not material to the Group.

Operating leases

The Group leases out its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

During 2023, the Group recognised **£14m** of rental income within its net investment return (2022: £14m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Land and buildings	
	2023	2022
	£m	£m
Less than one year	16	15
One to two years	16	14
Two to three years	14	14
Three to four years	13	12
Four to five years	10	12
More than five years	46	65
Total	115	132

35. Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group does not securitise any of its investments in financial instruments and does not create, promote or administer structured entities on behalf of third party investors. The Group therefore considers that it does not act as a sponsor for any structured entity.

However, the Group invests in entities created by and managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments. The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Group is exposed to the risks of the underlying investments of the investment vehicles. The investment return from the structured entities is expected to reflect the returns from the underlying investments of the entity.

In addition, the Group has commitments for future undrawn subscriptions limited to the amounts set out in the subscription agreements. The Group has no obligations to provide any other additional funding or other financial support to these entities. The Group has determined that its maximum exposure to structured entities is the sum of the carrying value and the undrawn commitments. These exposures at 31 December 2023 are summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Carrying value	Exposure	Carrying value	Undrawn commitments	Exposure
		2023	2023	2022	2022	2022
		£m	£m	£m	£m	£m
Mortgage backed securities	Mainly consists of domestic mortgage backed securities	3	3	3	-	3
Collateralised debt obligations	Structured debt security backed by bonds	235	235	234	16	250
Cash money market funds	Mainly short term cash deposits	105	105	84	-	84
Collective investment undertakings	Mainly consists of property funds	72	72	97	2	99
Other	Mainly consists of property funds	8	8	9	-	9
		423	423	427	18	445

Structured entities are not consolidated and are disclosed as follows in the Consolidated statement of financial position:

	2023	2022
	£m	£m
Investments - financial assets - equity securities	72	97
Investments - financial assets - debt securities	246	246
Cash and cash equivalents	105	84
	423	427

36. Tier 1 notes

On 27 March 2022, the Group redeemed the restricted Tier 1 notes at their principal amount (£275m) together with accrued and unpaid interest. The Tier 1 notes had a carrying value of £297m with the resulting gain of £22m being recognised directly in retained earnings.

The redemption of the Tier 1 notes was financed by a capital injection from the Group's parent company (see note 20).

37. Employee expenses

Staff costs for all employees comprise:

	2023	2022
	£m	£m
Wages and salaries	280	272
Redundancy costs	10	8
Social security costs	36	35
Pension costs	8	29
Share-based payments to directors and employees	10	11
Total staff costs	344	355

The average number of employees during the year is as follows:

	2023	2022
UK	5,163	5,071
International	826	1,063
Total staff costs	5,989	6,134

Further information on pension obligations of the Group can be found in note 29. Further information on employee share schemes can be found in note 28.

38. Directors' emoluments

The aggregate emoluments of the Group's directors were as follows:

	2023	2022
	£000	£000
Short term benefits (salaries, bonuses, allowances and other benefits)	2,982	4,597
Compensation for loss of office	-	2
Total	2,982	4,599

The criteria for making bonus awards is based on targeted levels of business sector profit and specific business objectives.

At the end of 2023 one director had accrued retirement benefits under a defined benefit pension scheme of £89,331 (2022: £71,381). No contributions were made to defined contribution pension schemes (2022: £nil).

During 2023, no directors (2022: no directors) exercised share options, no directors (2022: no directors) had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company, one director (2022: one director) and one non-executive director (2022: two non-executive directors) had Performance Share Units (PSUs) and Restricted Share Units (RSUs) vesting in the Group's ultimate parent company, IFC, as part of their remuneration for service as executives of IFC, and two non-executive directors (2022: two non-executive directors) had Deferred Share Units (DSUs) vesting in IFC, as part of their fee for their role on the IFC Board of Directors. The DSUs are redeemed upon director retirement or termination and are settled for cash afterwards.

The emoluments of the highest paid director were:

	2023	2022
	£000	£000
Short term benefits	1,313	1,700

During 2023, no retirement benefits were accrued under defined benefit pension schemes (2022: £nil) and no contributions were made to defined contribution schemes (2022: £nil) for the highest paid director.

During 2023 the highest paid director had no share awards vesting under long term incentive schemes in respect of ordinary shares of the Company (2022: the highest paid director had no share awards vesting under long term incentive schemes).

39. Auditor's remuneration

	2023	2022
	£m	£m
Fees payable to the auditor for audit of the Company's annual accounts	2.2	2.0
Fees payable to the auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	6.3	5.9
Non-audit services:		
Audit related assurance services ¹	1.3	1.5
Total auditor's remuneration	9.8	9.4

¹ Included in the Audit related assurance services for 2023 is £0.7m (2022: £0.8m) of assurance work in respect of Solvency II reporting. The remainder of £0.6m (2022: £0.7m) represents in aggregate 7% (2022: 9%) of the Group IFRS audit fee of £8.5m (2022: £7.9m).

40. Distributions paid and declared

	31 December	31 December
	2023	2022
	£m	£m
Preference dividend	9	9
Tier 1 notes coupon payment	-	3
	9	12

The Group's preference shareholders receive a dividend at the rate of 7.375% per annum paid in two installments on, or as near as practicably possible to, 1 April and 1 October each year, subject to approval of the board.

41. Total other comprehensive income (expense)

The components of total other comprehensive income (expense) for the year ended 31 December 2023 are:

	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to shareholders	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m
Exchange gains of tax on translation of foreign operations	-	6	-	6	-	6
Fair value gains on FVTOCI assets net of tax	70	-	-	70	-	70
Pension - remeasurement of net defined benefit asset/liability net of tax	-	-	(742)	(742)	-	(742)
Movement in property revaluation net of tax	(3)	-	-	(3)	-	(3)
Total other comprehensive income (expense)	67	6	(742)	(669)	-	(669)

The components of total other comprehensive income (expense) for the year ended 31 December 2022 are:

	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to shareholders	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m
Exchange gains of tax on translation of foreign operations	-	1	-	1	19	20
Fair value losses on available for sale financial assets net of tax	(327)	-	-	(327)	(2)	(329)
Pension - remeasurement of net defined benefit asset/liability net of tax	-	-	(355)	(355)	-	(355)
Movement in property revaluation net of tax	(2)	-	-	(2)	-	(2)
Total other comprehensive (expense) income	(329)	1	(355)	(683)	17	(666)

42. Alternative Performance Measures

IFRS reconciliation to management P&L

For the year ended 31 December 2023

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Profit before tax
Insurance revenue	3,987	3,987			3,987		3,987
Insurance service expenses	(3,665)	(3,665)			(3,665)		(3,665)
Insurance service result from insurance contracts	322						
Allocation of reinsurance premiums	(808)	(808)			(808)		(808)
Amounts recoverable from reinsurers	631	631			631		631
Net expense from reinsurance contracts	(177)						
Insurance service result	145						
Net investment income	185		185		185		185
Net losses on investment portfolio	5					5	5
Net investment return	190						
Insurance finance expense	(179)					(179)	(179)
Reinsurance finance income	60					60	60
Net insurance financial result	(119)						
Other net losses	(7)					(7)	(7)
Other income	30					30	30
Other expense	(86)	(68)		(15)	(83)	(3)	(86)
Integration and restructuring costs	(162)					(162)	(162)
Finance costs	(10)					(10)	(10)
Profit before tax	(19)	77	185	(15)	247	(266)	(19)
Income tax expense	(70)						
Loss for the year	(89)						
Attributable to:							
Shareholders	(89)						

Reconciliation of Insurance revenue to Net written premiums

For the year ended 31 December 2023

	£m
Insurance revenue	3,987
Movement in gross earned premium	(260)
Other income	(74)
Reinsurance written premiums	(291)
Revenue for internal contracts	95
Revenue measured under GMM	(110)
Net written premiums (note 30)	3,347

For the year ended 31 December 2022 (restated)

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Profit before tax
Insurance revenue	4,140	4,140			4,140		4,140
Insurance service expenses	(3,837)	(3,837)			(3,837)		(3,837)
Insurance service result from insurance contracts	303						
Allocation of reinsurance premiums	(942)	(942)			(942)		(942)
Amounts recoverable from reinsurers	752	752			752		752
Net expense from reinsurance contracts	(190)						
Insurance service result	113						
Net investment income	137		137		137		137
Net gains on investment portfolio	50					50	50
Net investment return	187						
Insurance finance income	30					30	30
Reinsurance finance expense	(26)					(26)	(26)
Net insurance financial result	4						
Other net gains	46					46	46
Other income	7					7	7
Other expense	(79)	(53)		(25)	(78)	(1)	(79)
Integration and restructuring costs	(91)					(91)	(91)
Finance costs	(11)					(11)	(11)
Profit before tax	176	60	137	(25)	172	4	176
Income tax credit	16						
Profit for the year	192						
Attributable to:							
Shareholders	197						
Non-controlling interests	(5)						
	192						

Reconciliation of Insurance revenue to Net written premiums

For the year ended 31 December 2022	£m
Insurance revenue	4,140
Movement in gross earned premium	167
Other income	(55)
Reinsurance written premiums	(1,069)
Revenue for internal contracts	114
Revenue measured under GMM	(185)
Net written premiums (note 30)	3,112

43. Events after the reporting period

On 16 January 2024, the Court of Appeal handed down its judgment in the Covid business interruption case of Various Eateries Trading Ltd v Allianz Insurance Plc following the appeal hearing in November 2023. The findings were consistent with assumptions already made within the Group's insurance contract liabilities estimates and as such no adjustment has been made to the financial statements in respect of the judgment. The judgment clarifies questions over applicability of multiple limits and reduces the risk that these work in a different way to that already assumed within the Group's insurance reserves.

44. Accounting standards issued but not yet effective

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. The Group has evaluated these changes and none are expected to have a significant impact on the consolidated financial statements.

Appendix A: Subsidiaries and associates

Unless otherwise stated, the share capital disclosed comprises ordinary shares (or equivalent) which are 100% held within the Group. All of the subsidiaries listed are included in the consolidated accounts.

The proportion of voting power held equals the proportion ownership interest unless indicated.

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding (%)
Brazil			
Royal & Sun Alliance Insurance Limited - Escritório de Representação no Brasil Ltda.	Avenida Doutor Chucri Zaidan, 296, 23º andar, parte, City of São Paulo, State of São Paulo, 04583-110, Brazil		
Guernsey			
Insurance Corporation of the Channel Islands Limited	No 1 The Plaza, Admiral Park, St Peter Port, GY1 2HU, Guernsey		
Insurance Corporation Service Company Limited	No 1 The Plaza, Admiral Park, St Peter Port, GY1 2HU, Guernsey		
India			
RSA Actuarial Services (India) Private Limited ⁷	First Floor, Building 10 C, Cyber City Complex, DLF Phase II, Gurgaon, Haryana, 122002, India		
Ireland			
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B1 Ordinary	
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B2 Ordinary	
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B3 Ordinary	
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B4 Ordinary	
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B5 Ordinary	
123 Money Limited ⁴ .	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	C Ordinary	
123 Money Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
Benchmark Underwriting Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
EGI Holdings Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Insurance Ireland DAC	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No 1) Unlimited Company	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No. 2) Unlimited Company ⁷	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Broker Motor Insurance Ireland Limited (previously Sertus Underwriting Limited)	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
Isle of Man			
RSA Isle of Man No.1 Limited	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man		
Tower Insurance Company Limited	Jubilee Buildings, 1 Victoria Street, Douglas, IM99 1BF, Isle of Man		
Luxembourg			
RSA Luxembourg S.A.	40 rue du Cure, L-1368 Luxembourg		
United Kingdom			
Centrium Management Company Limited ³	55 Wells Street, London, England, W1T 3PT		31.45
Punchbowl Park Management Limited ^{3, 5}	10 Buckingham Gate, London, SW1E 6LA, United Kingdom		65.09
Polaris U.K. Limited ³	New London House, 6 London Street, London, EC3R 7LP, United Kingdom		25.38
RSA Northern Ireland Insurance Limited	Artola House, 91-97 Victoria Street, Belfast, BT1 4PB, Northern Ireland		

Emersons Green Management Company	The Old Council Chambers, Halford Street, Tamworth, England		33.00
Aztec West Management Limited	Minton Place, Station Road, Swindon, SN1 1DA		3.00
Tournament Fields (Warwick) Management Company Limited ³	Ednaston Park Painters Lane, Ednaston, Ashbourne, Derbyshire, England, DE6 3FA		5.49
Hempton Court Manco Limited ^{3, 5}	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AG		62.50
Alliance Assurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Regent Subco Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Non-Destructive Testers Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
R&SA Marketing Services Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Insurance Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Class A Ordinary	
Royal & Sun Alliance Insurance Limited ^{4,6}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Class B Ordinary	
Royal & Sun Alliance Pension Trustee Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Property Services Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Reinsurance Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance Holdings Limited ^{1, 7}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance (U.K.) Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal International Insurance Holdings Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	£1.00 Ordinary	
Royal International Insurance Holdings Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	US\$1.00 Ordinary	
Roysun Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Accident Repairs Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Finance ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Law Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		90.00
RSA Pension Funding GP Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ		
Sal Pension Fund Limited ¹	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		99.99
Sun Alliance and London Insurance Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Insurance Overseas Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Mortgage Company Limited ^{1, 7}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Insurance Office Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The London Assurance	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The Globe Insurance Company Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The Marine Insurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
UK Investment Management Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Westgate Properties Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		

¹ Directly owned by the Parent Company RSA Insurance Group Limited.

² No subsidiary holds a disclosable interest in the shares of RSA Insurance Group Limited.

³ Indicates that the holding represents an Investment or is an Associate of the Group.

⁴ Indicates ownership of non-voting shares.

⁵ There is no subsidiary where the Group holds less than 50% of the voting rights. There are no entities where the Group holds more than 50% of the voting rights which are not subsidiaries other than Punchbowl and Hempton Court Manco.

⁶ IFC hold 18.04% of the share capital of Royal & Sun Alliance Insurance Limited in non-voting "nil-paid" shares.

⁷ Denotes the UK subsidiaries that will take advantage of the audit exemption by virtue of section 479A of the Companies Act 2006 for the year ended 31 December 2023.

Appendix B: Jargon Buster

Term	Definition	
Affinity	Selling insurance through a partner's distribution network, usually to a group of similar customers e.g. store-card holders, alumni groups, unions and utility company customers.	
Business Operating Result	Business operating result represents profit before tax adjusted to add back other charges.	
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	A provision established to cover the estimated cost of claims payments and claims handling expenses that are still to be settled and incurred in respect of insurance cover provided to policyholders up to the reporting date.	
Combined Operating Ratio (COR)	A measure of underwriting performance being the ratio of underwriting expenses (claims, commissions and expenses) expressed in relation to earned premiums: COR = loss ratio + commission ratio + expense ratio, where Loss ratio = net incurred claims / net earned premiums Commission ratio = commissions / net earned premiums Expense ratio = underwriting and policy acquisition costs less other insurance income / net earned premiums	
Commission	An amount paid to an intermediary such as a broker for introducing business to the Group.	
Customer Retention	A measure of the amount of business that is renewed with us each year.	
Expense Ratio	Underwriting and policy acquisition expenses less other insurance income expressed as a percentage of net earned premium.	
Financial Conduct Authority (FCA)	The regulatory authority with responsibility for the conduct of the UK financial services industry.	
Investment Result	Investment result is the money we make from our investments on a management basis. It comprises the major component of net investment return, investment income, in addition to unwind of discount and investment expenses.	
Large Losses	Single claim or all claims arising from a single loss event with a net cost of £0.5m or higher.	
Net Written Premium (NWP)	Premium written or processed in the period, irrespective of whether it has been paid, less the amount shared with reinsurers.	
Other charges	Other charges represents items that are excluded to arrive at business operating result.	
	Item	Reason for classification
	Amortisation of intangible assets	To allow meaningful assessment of segmental performance where similar internally generated assets are not capitalised.
	Pension administration and net interest costs	Costs that are dependent on the level of defined benefit pension scheme plan funding and arise from servicing past pension commitments.
	Realised and unrealised gains and losses on investments/ foreign exchange gains and losses	To remove the impact of market volatility and investment rebalancing activity.
	Reorganisation, integration and transaction costs	To allow assessment of the performance of ongoing business activities.
Prudential Regulation Authority (PRA)	The regulatory authority with responsibility for the prudential regulation and supervision of the UK financial services industry.	
Reinsurance	The practice whereby part or all of the risk accepted is transferred to another insurer (the reinsurer).	
Solvency II / Coverage Ratio	Capital adequacy regime for the European insurance industry which commenced in 2016 and is based on a set of EU wide capital requirements and risk management standards. The coverage ratio represents total eligible capital as a proportion of the Solvency Capital Requirement (SCR) under Solvency II.	
Tangible Net Asset Value (TNAV)	Tangible net asset value comprises equity attributable to shareholders, less tier 1 notes, preference share capital and goodwill and intangible assets.	
Underwriting Result	Net earned premium and other insurance income less net claims and underwriting and policy acquisition costs. Underwriting result is an internal measure of profitability of the operating segments and a key KPI used to assess performance of the Group. It is an alternative performance measure (APM) and is reconciled to the nearest IFRS measures in the APM note.	
Weather Losses	Weather claims incurred with a net cost of £0.5m or higher and losses of less than £0.5m where extreme weather has been identified over an extended period.	
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.	

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

		2023	2022
	Note	£m	Restated ¹ £m
Loss for the period		(371)	(984)
Total other comprehensive expense for the period		-	-
Total comprehensive expense for the period		(371)	(984)

¹ Restated for IAS 27 Separate financial statements change in accounting policy. Refer to note 4 - Voluntary change of accounting policy for further information.

The loss for the year net of tax includes dividend income of £273m received from Royal Insurance Holdings Limited and £5m from Sun Alliance Mortgage Company Limited (2022: £137m from Royal Insurance Holdings Limited and £nil from Sun Alliance Mortgage Company Limited) and a tax credit of £6m (2022: £8m tax credit). Fair value losses on debt securities include a tax credit of £nil (2022: £nil).

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Ordinary share premium	Preference shares	Retained earnings	Tier 1 notes	Total equity
For the year ended 31 December 2023	£m	£m	£m	£m	£m	£m
Balance as a 1 January 2023	1,563	282	125	279	-	2,249
Total comprehensive expense for the year						
Loss for the year net of tax	-	-	-	(371)	-	(371)
	-	-	-	(371)	-	(371)
Dividends payable ¹ - (note 8)	-	-	-	(9)	-	(9)
Shares issued for cash (note 11)	-	1,084	-	-	-	1,084
Balance at 31 December 2023	1,563	1,366	125	(101)	-	2,953

For the year ended 31 December 2022

Balance at 1 January 2022	1,269	282	125	1,253	297	3,226
Total comprehensive income (expense) for the year						
Loss for the year net of tax	-	-	-	(984)	-	(984)
	-	-	-	(984)	-	(984)
Dividends payable ¹ - (note 8)	-	-	-	(12)	-	(12)
Shares issued for cash (note 11)	294	-	-	-	-	294
Tier 1 note redemption (note 12)	-	-	-	22	(297)	(275)
Balance at 31 December 2022	1,563	282	125	279	-	2,249

¹ Refer to the Group note 40 for further information on dividends payable.

The attached notes form an integral part of these Parent Company financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Company number 02339826

As at 31 December

	Note	2023 £m	2022 £m
Assets			
Investments in subsidiaries	9	3,005	2,595
Amounts owed by subsidiaries	7	137	63
Current tax assets	10	7	8
Other debtors		1	-
Other assets		145	71
Cash and cash equivalents		1	1
Total assets		3,151	2,667
Equity and liabilities			
Equity attributable to shareholders		2,953	2,249
Liabilities			
Amounts owed to subsidiaries	7	45	234
Debt outstanding	13	126	166
Other liabilities		27	18
Total liabilities		198	418
Total equity and liabilities		3,151	2,667

The attached notes form an integral part of these Parent Company financial statements.

The loss for the year net of tax was £371m (2022: £984m loss).

The Parent Company financial statements were approved on 5 March 2024 by the Board of Directors and are signed on its behalf by:



Ken Anderson
Chief Financial Officer

PARENT COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December

	2023	2022
	£m	Restated ¹ £m
Cash flows from operating activities		
Loss before income taxes	(379)	(993)
Income tax credit (paid)	8	(2)
Adjustments for non-cash items	636	1,098
Changes in other operating assets and liabilities	10	(10)
Net cash flows provided by operating activities	275	93
Cash flows from investing activities		
Purchase of shares in subsidiaries	(1,046)	(1,277)
Net movements in amounts owed (to) by subsidiaries	(458)	16
Repayment of issued debt from subsidiaries	-	1,161
Dividends receivable from subsidiaries	194	-
Net cash flows used in investing activities	(1,310)	(100)
Cash flows from financing activities		
Redemption of long-term borrowings	(40)	-
Redemption of equity instruments	-	(275)
Proceeds from issuance of ordinary shares, net	1,084	294
Payment of dividends on preferred shares and interest on tier 1 notes	(9)	(12)
Net cash flows provided by financing activities	1,035	7
Cash and cash equivalents at beginning of the period, net of held for sale	1	1
Cash and cash equivalents at end of the period	1	1
Composition of cash and cash equivalents		
Cash	1	1
Cash and cash equivalents, end of period	1	1
Other relevant cash flow disclosures – operating activities		
Interest payable	(10)	(17)
Interest receivable	1	116

¹ Restated for IAS 27 Separate financial statements change in accounting policy. Refer to note 4 - Voluntary change of accounting policy for further information.

Notes to the Parent Company financial statements

1. Basis of preparation

RSA Insurance Group Limited (the Company) is incorporated in England and Wales and is the intermediate Parent Company of the RSA Group of companies with IFC being the ultimate Parent Company. The principal activity of the Company is to hold investments in its subsidiaries and the receipt and payment of dividends.

These Parent Company financial statements have been prepared on a going concern basis and in accordance with the UK-adopted IAS and the requirements of the Companies Act 2006.

Except where otherwise stated, all figures included in these Parent Company financial statements are presented in millions of pounds sterling (£m).

In accordance with section 408 of the Companies Act 2006, the Company's income statement and related notes have not been presented in these Parent Company financial statements.

2. Significant accounting estimates and judgements

In preparing these Parent Company financial statements, management has made judgements in determining estimates in accordance with the Group's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. Adoption of new and revised accounting standards

There were no new and revised accounting standards that have or are expected to have an impact on the Company.

4. Voluntary change of accounting policy

IAS 27 Separate financial statements requires an entity to elect how it accounts for investments in subsidiaries from the following options:

- i. at cost; or
- ii. in accordance with IFRS 9 (i.e. at fair value).

The accounting policy applied in the preparation of these Parent Company financial statements in previous reporting periods was fair value. A voluntary change in accounting policy has been applied in the current reporting period to account for investments in subsidiaries at cost less accumulated impairment losses. This decision has been taken due to a number of reasons, including the recent acquisition of the Company's ordinary shares by IFC and their subsequent de-listing, and the fact that over recent years there has been no material difference between fair value and the cost number.

The change in accounting policy has been applied retrospectively but as the cost less accumulated impairment losses and fair value were aligned at 31 December 2021 and 31 December 2022 the change in accounting policy has no impact on the results or net assets or any key KPIs. As the fair value as at 31 December 2023 has not been calculated it is not possible to determine whether there would have been any effect of the change in the current period.

The effect of the change on the Parent Company financial statements for the year ended 31 December 2022 is summarised below:

	As published	Impact of change in accounting policy	Restated
	£m	£m	£m
Investments			
As at 1 January 2022	2,405	-	2,405
Purchases	1,277	-	1,277
Fair value (losses) gains in OCI	(1,087)	1,087	-
Impairment	-	(1,087)	(1,087)
As at 31 December 2022	2,595	-	2,595

	As published	Impact of change in accounting policy	Restated
	£m	£m	£m
Fair value reserves			
As at 1 January 2022	4	(4)	-

	As published	Impact of change in accounting policy	Restated
	£m	£m	£m
Retained earnings			
As at 1 January 2022	1,249	-	1,249
Fair value transfer as at 1 January 2022	-	4	4
Profit for the year	103	(1,087)	(984)
Fair value gains net of tax	(1,087)	1,087	-
Dividends	(12)	-	(12)
Tier 1 note redemption	22	-	22
As at 31 December 2022	275	4	279

	As published	Impact of change in accounting policy	Restated
	£m	£m	£m
Total equity			
As at 1 January 2022	3,226	-	3,226
Profit for the year	103	(1,087)	(984)
Fair value gains net of tax	(1,087)	1,087	-
Dividends	(12)	-	(12)
Shares issued for cash	294	-	294
Tier 1 note redemption	(275)	-	(275)
As at 31 December 2022	2,249	-	2,249

5. Significant accounting policies

The accounting policies that are used in the preparation of these Parent Company financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in the consolidated financial statements.

The accounting policies that are specific to the Parent Company financial statements are set out below.

Investments in subsidiaries

The Company accounts for investments in subsidiaries at cost less accumulated impairment losses. Accumulated impairment is assessed against the higher of fair value or value in use.

Amounts owed from subsidiaries

The Company accounts for amounts owed from subsidiaries at amortised cost and determines an ECL based on those default events that are possible within 12 months after the reporting date, or where the credit risk has increased significantly since initial recognition on the basis of all possible default events over the life of debt. Specifically, the probability of default is considered together with the expected subsequent loss. It has been concluded that the value of the ECL would be insignificant and so no ECL is recognised.

Dividend income

Dividend income from investment in subsidiaries is recognised when the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest rate method.

6. Risk and capital management

The Company's key risks are considered to be the same as those faced by the Group. Details of the main key risks to the Group are disclosed in the financial risk (note 11) and insurance risk (note 13) notes in the consolidated financial statements.

7. Related party transactions

The following transactions were carried out with related parties:

RSA Insurance Group Limited provides benefits to its subsidiary companies operating within the UK and oversees in the form of share options and share awards to employees of subsidiaries. Costs are charged for annually, based on the underlying value of the awards granted calculated in accordance with the guidance set out within IFRS 2.

The amounts charged in respect of these services to the Company's subsidiaries is as per the table below:

7.1 Key management compensation

	2023 £m	2022 £m
Short term employee benefits	9	9
Share-based awards	3	4
Total	12	13

7.2 Transactions with parent company

The Company's parent company is 2283485 Alberta Limited, a wholly owned subsidiary of IFC, the ultimate controlling party.

During the year ended 31 December 2023, the following related party transactions have taken place with 2283485 Alberta Limited:

- i. on 3 March, the Company received a capital injection from 2283485 Alberta Limited of **£444m** to fund contributions to the Group's two UK defined benefit pension plans;
- ii. on 23 March, the Company received a capital injection from 2283485 Alberta Limited of **£36m** to fund contributions to the Group's two UK defined benefit pension plans;
- iii. on 5 June, the Company received a capital injection from 2283485 Alberta Limited of **£39m** to fund the repurchase of issued debt; and
- iv. on 26 October, the Company received a capital injection from 2283485 Alberta Limited of **£565m** to fund the acquisition and integration of the brokered Commercial lines operations of DLG.

7.3 Other related party transactions

Interest is receivable on interest bearing loans to subsidiaries, which are repayable on 24 hours written notice. The rates of interest charged during the period are at monthly average SONIA plus 0.80% margin.

Interest is payable on interest bearing loans from subsidiaries, which are repayable on 24 hours written notice. The rates of interest charged during the period are at monthly average SONIA plus 0.25% margin.

Interest income from subsidiaries is **£0.2m** (2022: £3m), and interest charged to subsidiaries is **£2m** (2022: £2m). During the year, dividends of **£273m** were received from a subsidiary company, Royal Insurance Holdings Limited and **£5m** from a subsidiary company, Sun Alliance Mortgage Company Limited (2022: £137m from Royal Insurance Holdings Limited and £nil from Sun Alliance Mortgage Company Limited).

The company also incurred losses of **£nil** (2022: £11m) on foreign exchange derivatives with IFC.

Royal & Sun Alliance Insurance Limited (RSAI), a subsidiary of the Company, has provided guarantees to the Company's creditors for amounts arising from its issued debt agreements and for amounts arising from its committed credit facilities (as set out in note 19 to the consolidated financial statements). The guarantees relating to the issued debt agreements are subordinated to all other creditors of RSAI.

7.4 Related party balances

Year end balances with related parties are set out below:

	2023 £m	2022 £m
Receivable from related parties:		
Receivable from subsidiaries, interest bearing loans	3	3
Receivable from subsidiaries, non interest bearing loans	134	60
Total receivable from subsidiaries/related parties	137	63
Payable to related parties:		
Payable to subsidiaries, interest bearing loans	12	21
Payable to subsidiaries, non interest bearing loans	33	213
Total payable to subsidiaries	45	234
Payable to other related parties, derivative liabilities	-	-
Total payable to related parties	45	234

8. Dividends

The final dividend is recognised as a liability when approved at the Annual General Meeting.

9. Investments

	Subsidiaries
	Restated¹
	£m
Investments at 1 January 2022	2,405
Purchases ²	1,277
Impairment	(1,087)
Investments at 31 December 2022	2,595
Purchases³	1,046
Impairment	(636)
Investments at 31 December 2023	3,005

¹ Restated for IAS 27 Separate financial statements change in accounting policy. Refer to note 4 - Voluntary change of accounting policy for further information.

² During 2022, as part of an internal loan reorganisation exercise, the Company acquired 1 share from the subsidiary entity Royal Insurance Holdings Limited. The company paid £1 for the share, along with a share premium of £1,277m.

³ During 2023, the Company acquired 4 shares in a subsidiary entity Royal Insurance Holdings Limited, to fund contributions to the Group's two UK defined benefit pension plans. The company paid £1 for each share, along with share premium of £480,514,286. The Company subscribed for a further share in the subsidiary entity Royal Insurance Holdings Limited to fund the acquisition and integration of the brokered Commercial lines operations of DLG. The Company paid £1 for the share along with share premium of £564,999,999.

Full details of the principal subsidiaries of the Company are set out in Appendix A to the consolidated financial statements.

10. Current and deferred tax

	Asset		Liability	
	2023	2022	2023	2022
	£m	£m	£m	£m
To be settled within 12 months	7	8	-	-

The current tax relating to items that are charged directly to equity is £nil (2022: £nil).

The Company had no deferred tax assets or liabilities at 31 December 2023 or 31 December 2022.

Deferred tax

No deferred tax has been recognised in respect of **£156m** (2022: £149m) of deferred tax reliefs, predominantly relating to tax losses of **£120m** (2022: £113m) and capital expenditure of **£35m** (2022: £36m), due to the unpredictability of future profit streams.

11. Share capital

Full details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

12. Tier 1 notes

Full details of the Tier 1 notes are set out in note 36 to the consolidated financial statements.

13. Debt outstanding

Issued debt comprises subordinated bonds and senior notes which are initially measured at the consideration received less transaction costs. Subsequently, issued debt is measured at amortised cost using the effective interest rate method. Full details of the debt outstanding of the Company are set out in note 19 to the consolidated financial statements.

14. Additional information on the statement of cash flows

	2023 £m	2022 £m
Adjustments for non-cash items		
Net losses on investment portfolio	-	10
Impairment of investments	636	1,087
Foreign exchange loss	-	1
	636	1,098
Changes in other operating assets/liabilities		
Other operating assets	-	(20)
Other operating liabilities	10	10
	10	(10)

Shareholder Information

Further information and help

The Company's corporate website provides a range of information about the Group's heritage, social and environmental responsibilities and pre-Acquisition investor information such as financial statements, historic share prices, historic Annual General Meeting (AGM) materials, events and answers to frequently asked questions in respect of shareholder matters. Visit the investor website at www.rsainsurance.co.uk for further information.

The Company's share register is maintained by Equiniti Limited (Equiniti). Any administrative enquiries relating to shareholdings, such as dividend payment instructions or a change of address, should be notified to:

- Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
- Telephone: 0371 384 2048
- To securely email Equiniti with an enquiry, visit www.shareview.co.uk.

When contacting Equiniti, please quote your shareholder reference number which can be found on your share certificate or dividend documents. Telephone lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Managing your shareholding

Information on how to manage your shareholding can be found at www.shareview.co.uk.

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name may contact Equiniti to request that their accounts be amalgamated.

Electronic communications

You can elect to receive email notification of shareholder communications by registering at www.shareview.co.uk, where you can also set up a bank mandate to receive dividends directly to your bank account. Shareholders may elect to receive a printed copy of the Annual Report and Accounts at any time by contacting Equiniti.

Low-cost share dealing facilities

Shareholders may purchase or sell their RSA Preference Shares through their stockbroker, a high street bank or one of the providers detailed below. Equiniti offers a telephone and internet dealing service. Commission is 1.5% (rate quoted as at 13 Feb 2024 and may be subject to change) on amounts up to £50,000 and 0.25% on the excess thereafter, with a minimum charge of £60 for telephone dealing and £45 for internet dealing. For telephone sales, call +44(0) 345 6037 037. Lines are open 8.30am to 4.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales. For internet sales log on to www.shareview.co.uk/dealing. Please quote your shareholder reference number.

Preference Share Dividends

Shareholders are encouraged to have their dividends paid directly into their bank account. It is a more secure and faster way to receive dividend payments, with cleared funds available to shareholders on the dividend payment date. Shareholders who have their dividends paid directly into their bank account receive annual dividend confirmations once a year, showing payments received in the respective tax year. Alternatively, individual dividend confirmations are available upon request. To take advantage of this convenient method of payment, visit www.shareview.co.uk or contact Equiniti.

Financial calendar

14 March 2024

Ex-dividend date for the first preference dividend for 2024

15 March 2024

Record date for the first preference dividend for 2024

2 April 2024

Payment date for the first preference dividend for 2024

7 August 2024*

Announcement of the half-year results for the six months ended 30 June 2024

15 August 2024*

Ex-dividend date for the second preference dividend for 2024

16 August 2024*

Record date for the second preference dividend for 2024

1 October 2024*

Payment date for the second preference dividend for 2024

* Provisional date

Shareholder information

Share register fraud: protecting your investment

UK law requires that our shareholder register is available for public inspection. We are unable to control the use of information obtained by persons inspecting the register. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. Always be wary if you're contacted out of the blue (by telephone, email, post or in person) and pressured to invest quickly or promised returns that sound too good to be true. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. If you receive any unsolicited advice, make sure you get the correct name of the person and organisation and check that they are appropriately authorised by the FCA by visiting www.fca.org.uk/scamsmart. It is advisable to check the URL on websites and check the contact details of a firm in case it's a 'clone firm' pretending to be a real firm, such as your bank or a genuine investment firm. More information on protecting your investment can be found at www.fca.org.uk/consumers. If you do receive a fraudulent approach, please advise the FCA using the share fraud reporting form at www.fca.org.uk/scams or call the FCA Consumer Helpline on 0800 111 6768.

Tips on protecting your shares

- Keep any documentation that contains your shareholder reference number in a safe place and destroy any documentation you no longer require by shredding.
- Inform Equiniti promptly when you change your address.
- Be aware of dividend payment dates and contact Equiniti if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account.
- Consider holding your shares electronically in a CREST account via a nominee account or in the Corporate Sponsored Nominee.