



# RSA Insurance Group Limited

Consolidated financial statements for the year ended 31 December 2024

## **RSA Insurance Group Limited**

### **Strategic report**

for the year ended 31 December 2024

In accordance with the Companies Act 2006, the Directors present their Strategic Report for the year ended 31 December 2024.

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 or RSA).

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 predominately commercial lines insurance including specialty commercial lines insurance, as well as personal property and pet insurance, but is in the process of repositioning to become a leading UK commercial and specialty lines insurer.

RSA entered into an agreement to acquire the commercial lines broker business of Direct Line Insurance Group on 6 September 2023 (the DLG acquisition), 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 and delegated brokers. The NIG and Farmweb brands were acquired through the DLG acquisition. RSA is also a specialist insurer largely in the London Market distributing through brokers under the RSA brand. The operational transfer was completed on 1 May 2024. The transfer of policy renewals started during June 2024 and new business written by the Group started in July 2024.

In 2023, the Group made the decision to exit the UK Personal lines market (Motor, Home and Pet), including the announcement of the sale of its direct Home and Pet operations to Admiral Group plc (Admiral), which closed on 31 March 2024, and its decision to transfer the Home and Pet partnerships to other parties or to allow them to expire over time.

In Ireland, RSA holds a top six position in the multi-line insurance market, distributing through 123.ie (a direct-to-consumer Personal lines brand), affinity partnerships and brokers. In addition, RSA is Ireland's largest commercial wind energy insurer.

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

RSA also provides reinsurance to other companies within the IFC group and has quota share arrangements with Unifund Assurance Company (Unifund) and Belair Insurance Company Inc. (Belair) under which insurance risk for a proportion of the business of those companies is transferred to the Group. The Belair arrangement was entered into on 1 January 2024. Further information is provided in note 29 - Related party transactions.

#### **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 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 result. We have six key 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.

*e. Be a best employer:* 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.

*f. Look after tomorrow:* We seek to be recognised as leaders in building resilient communities and delivering net zero.

Following RSA's withdrawal from UK Personal Lines markets and acquisition of DLG's NIG & Farmweb operations, focus has shifted to strengthening our position in the UK Commercial and Specialty markets which will be achieved through the execution of our key areas of strategic focus.

We will also continue to 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**

The Group reports a profit before tax of **£195m** for the year ended 31 December 2024 (2023: £19m loss). Net written premiums<sup>1</sup> for the year ended 31 December 2024 are **£3,987m** (2023: £3,347m) and net assets at 31 December 2024 are **£2,767m** (2023: £2,812m).

Profit before tax of **£195m** consists of **£291m** underwriting result (2023: £77m), investment result of **£251m** (2023: £185m), **£29m** of central costs (2023: £15m) and **£318m** of other charges (2023: £266m).

The financial results for the year ended 31 December 2024 reflect the process of repositioning the UK business to commercial and specialty lines insurance and include **£164m** of integration and restructuring costs (2023: £162m). Some of these measures are alternative performance measures (APMs). Refer to note 36 - Alternative performance measures for a reconciliation of these measures to the Consolidated income statement, and to Our Key Performance Indicators (KPIs) below for further information.

The DLG acquisition was structured through several agreements including a business transfer agreement related to new business franchise and certain operations, renewal rights, data, brands, employees, contractors, third party contracts, and premises. The business transfer agreement resulted in a business combination on 26 October 2023 and the operational transfer was completed on 1 May 2024. The transfer of policy renewals started during June 2024 and new business written by the Group started in July 2024.

The sale of direct Home and Pet operations to Admiral closed on 31 March 2024 for an initial cash consideration and gain on disposal of £85m.

For further information on the DLG acquisition and the exit of UK Personal lines, refer to note 5 - Business combinations and disposals.

On 12 June 2024, the Group's Preferred Shareholders were invited to tender their preference shares and, following the shareholders approval on 16 July 2024 at a General Meeting, all 125,000,000 preferred shares were cancelled for total cash consideration of £155m. This transaction is part of the Group's on-going process of optimising its capital structure. Refer to note 17 - Share capital for further information on this transaction.

On 16 July 2024 at a General Meeting of shareholders, a resolution was passed to implement a reduction of capital in the Company by cancelling its entire share premium account, resulting in the creation of distributable reserves.

### **Our KPIs**

The Group uses both IFRS and non-IFRS financial measures (APMs) to assess performance, including common insurance industry metrics. Refer to note 36 - 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 premiums<sup>1</sup> £3,987m** (2023: £3,347m): premiums inception 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 result<sup>1</sup> £291m** (2023: £77m): Net earned premium and other operating income less net claims and underwriting and policy acquisition costs. The Group aims to provide competitive pricing to customers that delivers a sustainable ongoing underwriting profit for the Group.

**Profit before tax £195m** (2023: £19m loss): net profit generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Group. The Group seeks to maximise its profit before tax.

### **Non-financial and sustainability KPI statement**

**Customer:** From a customer perspective, the Group's 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 the Group's specialised expertise.

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

Customers ultimately determine who wins in the market. A core pillar on the Group's strategy is focussed on customer experience and delivering good customer outcomes. This involves improving products and propositions, omni-channel customer journeys, service levels, and claims experience. The Group's strategy is also focussed on ensuring products are fit for purpose and provide fair value to customers, while providing them with the information they need in a way that is easily understood, and ensuring they receive the full benefits of the services they buy. The Group's customer policy sets out principles for the business

to help deliver good customer outcomes and monitor customer outcomes to understand performance and act where needed. Further information on how we support and engage with our customers is contained in the Section 172 statement on pages 8 to 10.

**Climate:** The Group's ambition is to achieve net zero by 2050 and halve operations' emissions by 2030. We continue our strategy 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 8 and the Climate-Related Financial Disclosures report on pages 11 to 17.

**Employees:** The Group aims to be a best employer and this is tracked primarily through employee engagement scores. Our employee engagement score was 53% in 2024 and we are targeting 65% in 2025. We also continue to progress the Group's Diversity, Equity and Inclusion agenda. Having achieved our Women in Finance target of 34% representation in the Management Group by 2023 a year early, our representation of 35.2% at the end of 2024 reflects substantial workforce change from our acquisitions and divestments. We remain committed to the charter and the actions that support it.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Group are set out in note 9 - Financial risk and note 11 - Insurance risk. Further detail on how the Group manages its principal risks and uncertainties is set out in the risk management report on pages 4 to 7.

### **Related party transactions**

During the year ended 31 December 2024, the Group received a capital injection of £154m from 2283485 Alberta Limited to fund the cancellation of the Group's preferred shares. In addition, the Group paid ordinary interim dividends of £82m and £100m in July 2024 and November 2024 respectively to 228345 Alberta Limited. Refer to note 29 - Related party transactions for further information on these 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 to concentrate on areas of strength, whilst remaining disciplined and prioritising profitable and sustainable growth. We continue to enhance our 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**

Effective 1 January 2025, the Group entered into a commutation and release agreement and terminated the retrospective quota share agreement with Unifund, an insurance company based in Canada that is also a subsidiary of IFC, for an approximate amount of **£115m**. Under the terms of this agreement, Unifund was ceding 60% of its obligations (net of reinsurance) with effective dates prior to 1 January 2022 to the Group. Further information in respect of the quota share agreements with IFC group companies is provided in note 29.2 – Other related party transactions.

<sup>1</sup> Net written premiums and the underwriting result are Alternative Performance Measures (APMs). Refer to Further information – Jargon buster and note 36 - 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 2025**

Our risk management and controls frameworks have been maintained 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 persons with disabilities, where a person with disability 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 United Nations (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

<b>Cyber (including war and terrorism related to cyber)</b> Cyber threats arise on a frequent basis; however, risk of hostile states and organised crime engineering severe attacks remains elevated.	<b>Terrorism / Civil disorder</b> Attacks could impact a large number of our customers, colleagues and third-party suppliers. Political unrest in UK, EU and US cities may cause property damage and business interruption claims due to riots, exacerbated by misinformation.	<b>Inflation / Recession</b> The economic climate remains challenging, with elevated inflation and 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.	<b>Geopolitical tensions</b> Ongoing conflicts contribute 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 elections.
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### Near-term risk

<b>Competition and disruption</b> 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, with increased competition in large accounts as a result of increased capacity, especially in the London Market.	<b>Climate change: transition</b> 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.	<b>Climate change litigation</b> There are a growing number of litigation cases globally relating to climate change against organisations and governments.
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### Medium-term risk

<b>Toxic / Chemical products</b> 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.	<b>Battery fire / explosion</b> There has been a notable increase in claims cases globally due to fires associated with the improper handling of shipments and storage of lithium batteries.	<b>Technological innovation</b> 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.
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### Long-term risk

<b>Climate change acceleration</b> 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). More information on our approach can be found in the climate-related financial disclosures section pages 11 to 17.
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## Risk management approach

### Risk management system

<b>1. The Board sets business strategy</b> 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.	<b>2. The Board sets risk appetite</b> 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.	<b>3. Policies set a framework for operating within appetite</b> 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.	<b>4. Monitor appetite and action tracking</b> 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.
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<b>8. Own Risk and Solvency Assessment (ORSA) reported to Board</b> 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.	<b>7. Model outputs used in ORSA</b> 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.	<b>6. Model outputs inform business decision making</b> Validated model outputs are used to assess and inform business decision making, including capital planning, reinsurance analysis and risk-weighted returns for pricing.	<b>5. Risk assessment and update internal model</b> Significant changes in risk assessments are considered by the Internal Model Governance Committee and, where appropriate, the Group's internal model is updated.  The model is validated by the Risk function, informed by stress and scenario testing.
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## Key risks and mitigants

Key risks and exposures	Key mitigants and controls
<b>Financial Risk</b>	
<p><b>Capital risk</b></p> <p>This is the risk that the Group is unable to meet capital requirements.</p>	<ul style="list-style-type: none"> <li>Controlled through well-defined risk appetite statements and indicators which are rigorously monitored.</li> <li>RSA adopts a disciplined approach to economic and regulatory capital planning and allocation.</li> </ul>
<p><b>Market and Credit risk</b></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"> <li>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.</li> <li>RSA ensures assets are closely duration and currency matched with insurance liabilities to hedge volatility.</li> <li>Investment positions are regularly monitored to ensure limits remain within quantitative and qualitative appetite (including ESG factors).</li> <li>Asset Managers position assets to align to the Low Carbon Position Statement.</li> </ul>
<p><b>Liquidity risk</b></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"> <li>Controlled through well-defined risk appetite statements and indicators which are rigorously monitored.</li> <li>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.</li> </ul>
<b>Insurance Risk</b>	
<p><b>Catastrophe and Reinsurance risk</b></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"> <li>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.</li> <li>RSA monitors the potential impact of natural and man-made catastrophes through scenario analysis with appropriate response taken.</li> </ul>
<p><b>Underwriting risk</b></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"> <li>Controlled through well-defined risk appetite statements (including climate change factors) which are rigorously monitored quarterly.</li> <li>Risks to inflation and the economic environment are actively monitored with appropriate response taken.</li> <li>Underwriting licences and limits are used to drive appropriate risk selection and pricing.</li> <li>Regular quality management, Control Testing and assurance activities are performed over underwriting pricing and claims.</li> </ul>
<b>Operational Risk</b>	
<p><b>Operational risk</b></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"> <li>Operational risk and resilience processes and procedures are in place, including incident management.</li> <li>Continued improvement to our Operational Resilience and Third-Party oversight capabilities, supported by simulation exercises which test the adequacy of our approach.</li> <li>Control effectiveness is monitored through Control Testing and assurance activities.</li> <li>System and information (including information security) risks remain a key focus, and we have made significant progress with risk reduction over the year.</li> </ul>
<p><b>Customer risk</b></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"> <li>The UK Operating Committee oversees key matters and decisions relating to good customer outcomes, supported by Customer Outcomes Monitoring, which is reported to the Board periodically.</li> <li>Adherence to key frameworks, such as Product Governance and Delegated Oversight, is monitored and subject to Control Testing and assurance.</li> </ul>



## **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 our strategic objectives aim to have 3 out of every 4 customers and 4 out of every 5 brokers as advocates. 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 and long-term success. 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 two-way exchange of views.

The Board received insights from employee feedback gained through these communication channels and also from employee surveys and dialogue with employee representation groups. The Board also hosted a lunch with individuals in our talent succession plans to directly exchange views.

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. our approach to the people impacts from changes to our business portfolio, the focus being transparent and considerate engagement, a tailored redeployment service for employees, and retention of key skills.
- iii. refinements to our UK hybrid working approach, augmenting employee support and collaboration through greater in-person interaction in our offices alongside a comprehensive suite of work-life balance provisions.

## **Regulators**

Several of the Group's subsidiaries are regulated by the Prudential Regulatory Authority (PRA) and the FCA. RSA 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 October 2024 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 demonstrated 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 to respond to the challenges posed by climate change.

The Board has oversight of the implementation of RSA's climate change strategy and is engaged on how the business is supporting the transition to a low emissions and climate-resilient economy. Further information on the Board's oversight and engagement on climate change is set out in the Climate-Related Financial Disclosures report on pages 11 to 17.

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](http://www.intactfc.com).

Our community programmes continue to empower our employees to help build resilient communities by harnessing their commitment to our value of generosity and enthusiasm in support of some of the most vulnerable in society. This year, we launched a new strategic partnership with social mobility charity UK Youth, supporting young people not in education, employment or training. In 2024, the Group directly contributed £1.6m to charitable initiatives, supporting causes such as food poverty, education, and mental and physical health. Together with employee contributions, we donated £1.9m, a 24% increase on the previous year, to 720 charities.

All RSA employees are provided with two days to volunteer per year. Employees volunteered 10,686 work-time hours in 2024. This represents an increase of 23% compared to 2023, reflecting the enthusiasm of RSA colleagues to demonstrate our value of 'Generosity' by supporting local causes. In 2025, 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 environmental sustainability. In 2024, 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 2024**

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 2024 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 retire its 125,000,000 7.375% perpetual preference shares by offering shareholders a premium to the prevailing market price. The shares were cancelled for a total cash consideration of £155m. The offering followed consultation with specialist advisors and engagement with the PRA and required approval from the shareholders to cancel the preference shares in full. Following this a resolution was passed to implement a reduction of capital by cancelling its share premium account, resulting in the creation of distributable reserves.

### **Strategic decisions**

Stakeholders: Shareholders, Regulators, Employees and Customers

Whilst the Group did not commence any new strategic opportunities within the market during the year, it continued to monitor market opportunities and to execute on the strategic decisions made in 2023. The Group's key focus of this execution in the year has been its exit from Personal Lines and integration and profitability of the acquired NIG & FarmWeb business. As the Group pivots to a Commercial & Specialty Lines focused business, the Board considers that the Group has a unique opportunity to reshape the organisation, accelerate a path to outperformance, and strengthen competitive advantages in line with the overall IFC group's strategic objectives. Throughout its decision-making process and monitoring of execution throughout the year, the Board paid careful consideration to the impact on the Group's regulatory obligations, employees and customers as well as financial and performance considerations. The Board concluded that in each of the strategic decisions and related transactions being executed, action had been taken to ensure good outcomes for employees, including extensive and meaningful dialogues with unions and regular two-way communications with impacted employees, listening and responding to feedback and support and training for leaders managing change. For both employees and customers there was clear and timely communication of the matters related to strategic decisions and related transactions, their progress and their impact. The Board continued to be satisfied that strategic decisions and related transactions and their progress were in the best long-term interests of the Group.

### **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.

## Climate-related financial disclosures

### Purpose

Our purpose is to help people, businesses and society prosper in good times and be resilient in bad times. Our strategic objectives include financial performance and helping society. Our commitment to both is reflected in the Group's climate strategy and 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 4 to 7. This section covers the RSA Group which encompasses the Company and its subsidiaries.

RSA is committed to enabling the transition to a low emissions and climate-resilient future. Our strategic objectives include our commitment to achieve net zero by 2050, 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 net zero by 2050 commitment is in alignment with the relevant principles of the Paris Agreement<sup>1</sup>.

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 pursue climate-related opportunities.

We 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 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 that are 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 climate strategy. The Board of Directors is responsible for overseeing the strategic direction and initiatives of RSA with regard 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 22 and 23. These Committees oversee the assessment and monitoring of the risks and opportunities for our business related to climate change and the risks inherent to the transition to a low emissions 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	<ul style="list-style-type: none"><li>Oversees the delivery of the climate change strategy and achievement of strategic objectives (which include climate change focused objectives).</li><li>Reviews RSA performance against the climate change strategy on a twice-yearly basis.</li></ul>
Risk Committee	<ul style="list-style-type: none"><li>Oversees the assessment and monitoring of the risks related to climate change and the development of strategies to manage these risks, on a quarterly basis.</li><li>Reviews risk monitoring programmes and receives quarterly reports on risk monitoring activities.</li><li>Establishes our risk tolerance for natural catastrophe risk.</li><li>Reviews the adequacy of our reinsurance program relative to weather-related catastrophe risk exposure.</li></ul>
Governance, Conduct & Remuneration Committee	<ul style="list-style-type: none"><li>Oversees corporate disclosure on climate change and climate risk management, on a twice-yearly basis.</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>Oversees the integrity, fairness and completeness of our financial statements and other financial disclosures.</li><li>Oversees the quality and integrity of our internal controls and procedures.</li><li>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.</li></ul>

<sup>1</sup> According to the relevant principles of the Paris Agreement, in order to limit global temperature rise to 1.5C, emissions need to be reduced by at least 45% by 2030, and net zero by 2050. See <https://www.un.org/en/climatechange/net-zero-coalition> for more information.

### Management oversight

At the forefront of risk management at RSA, our Enterprise Risk Committee (ERC) 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, in line with our ERM framework. This includes the identification, assessment, response, monitoring and reporting of risks, including those related to climate and ESG.

The ERC meets quarterly with risk owners within RSA to investigate emerging risks and ensure risk management plans are in place. This includes consideration of both existing and emerging regulatory requirements related to climate change.

Our 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. Our executive compensation package aims to align the compensation of Senior Executives with the achievement of IFC's financial and strategic objectives, including ESG performance, and with the long-term interests of shareholders and other stakeholders, such as our employees, customers and communities. More information about ESG links to executive compensation can be found in the IFC Social Impact and ESG report available at [www.intactfc.com](http://www.intactfc.com).

Committee	Climate related roles and responsibilities	Action in 2024
Operating Committee	The Operating Committee oversees the climate change strategy, net zero target progress, climate adaptation initiatives and climate risk management approaches.	Reviewed and discussed climate strategy progress updates throughout 2024. Reviewed approach to addressing new and emerging ESG and climate-related regulatory and disclosure requirements.
Enterprise Risk Committee (ERC)	Headed by our Chief Risk Officer, the ERC is an enterprise-wide executive committee with a mandate to assist the Board of Directors and senior management with their responsibilities of managing and providing oversight over risks that could materially impact the business, including climate-related risks. Material risks are assessed to determine their significance and impact on financial resources and reputation and are managed and monitored in accordance with our Enterprise Risk Management Framework to ensure they remain within our established risk appetites.	Conducted ongoing assessment of risks and opportunities arising from climate change.  Engaged quarterly with leadership of commercial, personal and specialty lines leaders to ensure proper risk assessment and mitigation plans are in place.  Reviewed natural catastrophe risk metrics and actions to mitigate weather related perils.
Operational Investment Committee (OIC)	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 on the strategy in the RSA business. Our five-point climate strategy focuses on managing our own business impacts and supporting the transition to a low emissions and climate resilient economy.

Our climate strategy is guided by the following principles:

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

Workstreams have been mobilised, 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 is 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. 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, 93% of vehicles are now PHEV or full BEV. Of the electricity we purchase directly in the UK, over 90% is now procured from renewable sources. GHG emissions from RSA's corporate real estate have reduced by 3.7% this year.

IFC has set interim targets at IFC Group level for its investment portfolio. This includes engaging with the top 20 emitters among our investees by 2025, and achieving a minimum 40% reduction in the emissions intensity of the investments portfolio (ordinary shares, preferred shares and corporate bonds) by 2030, compared to our baseline year of 2019. More information can be found in the IFC Social Impact and ESG report available at [www.intactfc.com](http://www.intactfc.com).

**Adapt:** Through our second year of partnership with Gloucestershire Wildlife Trust, we have delivered a range of nature-based solutions, such as establishing new wetlands, creating rain gardens, and driveway de-paving, in a part of the country prone to flooding. A broadened scope of our partnership this year included research on the co-benefits of natural flood management for climate, nature and people, which has contributed new data on the impacts of nature-based solutions, providing an evidence base to support greater uptake. We have also been involved in designing interventions to engage local residents, businesses and schools on reducing flood risk and helping protect local habitats.

**Shape:** In 2024, we have focussed on upskilling our employees by providing training to increase their climate knowledge and what they can do to support our strategy, through a series of climate change training modules. In 2024, these modules have achieved over 12,000 completions.

**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 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. This year RSA partnered with Emerging Risks to publish a paper on the impacts of climate change on the maritime sector. Released ahead of the 150th International Union of Marine Insurance (IUMI) conference, the paper explores how the industry can transition to net zero and adapt to rising sea levels and more extreme weather.

### **Stress tests**

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. Additional analysis was conducted in early 2024 to understand climate change impact on RSA industry exposures.

### **Climate change scenario analysis**

In 2024, IFC conducted a group-wide climate change scenario analysis exercise, which included all RSA operations and lines of business. Pathways were selected in line with IFC's analysis, to form an IFC group-wide view of climate risk. We assessed both physical and transition risks, under different climate scenarios. For physical risk, we conducted our analysis using the Intergovernmental Panel on Climate Change (IPCC) RCP8.5 and RCP2.6 model projections. The RCP8.5 scenario projects a 3-5°C global warming by the end of this century. The RCP2.6 scenario is the most ambitious of the RCP scenarios and represents a low GHG emission trajectory, assuming substantial climate action is taken to reduce emissions over time. For transition risk, our analysis aligned with two of the Network for the Greening of Financial Systems (NGFS) scenarios. The Delayed Transition scenario assumes a transition risk projection associated with delays in policy action (we assumed a delay to 2050), whereas the Net Zero 2050 scenario considers that climate policies are introduced early and gradually become more stringent.

The analysis advances the risk management of physical climate risk and seeks to quantify RSA's exposure to climate change under scenarios representing low and high GHG emissions. The climate scenario analysis tool will assist us in understanding and planning for future climate-related risks and opportunities. The outcomes will continue to be integrated into business planning, pricing and risk selection, product innovation, and claims and supply chain planning

### **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 4 to 7, which includes climate risk.

Our risk and operational teams regularly review the emerging risk landscape, which includes considering existing and emerging regulatory requirements related to climate change and ESG. 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). The primary financial impact of the physical risk of climate change relates to the number and cost of claims associated with weather perils increasing in our property insurance business. Details of these financial impacts feature in the Targets and Metrics section below. Reinsurance and operational planning processes are our primary means of both understanding and 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 19.4 to the financial statements.

### **Climate-related risks and opportunities**

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:

<b>Risk Type</b>	<b>Time Horizon</b>	<b>Risk Description</b>	<b>Risk Management</b>
<b>Physical</b>	Short to long-term	Climate change impacts our property insurance business due to changing weather patterns and an increase in the number and cost of claims associated with severe storms and other natural disasters. Weather patterns could continue to change and impact the likelihood and severity of acute and chronic natural catastrophes, such as severe convective storms, winter storms, hurricane/cyclone, wildfire, flood (acute) and/or cumulative gradual climatic changes (chronic) — for example, rise in sea level.	Managed through pricing, underwriting actions and reinsurance informed by climate risk assessment and scenario analysis.
	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. 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.
<b>Transition</b>	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	A decline in the valuation of assets we hold in certain sectors that are vulnerable to transition risks. There is more pressure on companies to disclose their transition pathways to continue attracting capital from investors. Furthermore, the investment in and exposure to GHG-intensive sectors or companies could increase the reputational risk associated with public perception. We also expect some assets to appreciate and be viewed favourably as supporting the transition.	Managed through diversified investment portfolio and risk appetite on GHG-intensive sectors.
	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.

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

Type	Time Horizon	Opportunity Description	Opportunity Management
Physical	Medium-term	Investing in climate resilience in our promoting research and development.	Managed through product/service offering, such as providing insurance products to industries that support climate resilience, risk management expertise, engaging customers and brokers on climate change, and supporting community partnership.
	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, such as providing insurance products to industries that support climate resilience.
Transition	Short/Medium-term	We use our expertise and resources to help facilitate the transformation of industries that are key to the transition and help de-risk industries and technologies that can accelerate the transition, including renewable energy technologies. We anticipate increasing demand for renewable energy insurance and increasing revenue from this stream.	Managed through product/service offering, such as providing insurance products to industries that support climate resilience, renewables centre of excellence and our Climate Change and Low Carbon Policy position.
	Short/Medium-term	Our product and service offerings support new industries and technologies that will grow as the transition accelerates, using risk management expertise and customer engagement to understand coverage needs.	Managed through product/service offering, such as providing insurance products to industries that support climate resilience, engaging customers and brokers on climate change, and ongoing market analysis.

#### Definitions

Short term	0 – 1 years	Risks that arise within the horizon of the reporting timeframe
Medium term	2 – 5 years	Risks that arise within an operational and strategic planning horizon
Long term	> 5 years	Risks that arise beyond the medium term strategic planning horizon

#### Physical risks

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

- 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;
- Underwriting Portfolio Management monitors trends within specific lines of business, identifying and determining actions needed to respond to changes driven by climate change;
- 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;
- 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
- 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 low emissions and climate-resilient economy 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:

- RSA has a well-established renewable energy proposition in market. This has been expanded via the development of a dedicated renewable energy vertical and the appointment of a President of Renewable Energy for the IFC Group, with responsibility for further building and strengthening our renewable energy capabilities globally;



- ii. our Climate Change and Low Carbon Policy 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, including careful expansion of appetite for new technologies that are supportive of the transition, as well as ongoing engagement with existing customers in high-emitting sectors. This 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 emissions disclosure, net zero ambitions and strategies, and climate governance. More information can be found in the IFC Social Impact and ESG report available at [www.intactfc.com](http://www.intactfc.com).

### **Overall Resilience to Climate Change**

Our business strategy and intrinsic risk management processes are responsible, in large part, for our climate change resilience. Some of the key activities contributing to our resilience as a business include taking 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 so that we can fund any major events. More information on the Own Risk Solvency Assessment (ORSA) can be found in note 19.4 to the financial statements.

Resilience strategies also include continuously investing in and redefining how we select and price risk with data and predictive analysis; repricing our products with weather trends annually at renewal, given most of our policies are 12 months in duration; and with a reinsurance program for catastrophe protection that covers flood, windstorms, hurricanes, wildfires and other severe weather events.

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. We also 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 outcomes of our internal stress-testing, climate-related peril modelling, and operational planning, support the conclusion that climate risks are well managed within our business.

### **Targets and metrics**

We recognise the importance of understanding, measuring and managing the impact of our own operations, 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 £191m in weather and subsidence related losses in 2024, a reduction of 6% relative to the previous year. Weather-related losses and weather loss ratio represent the total business for 2024, including UK Personal Lines whose exit was announced in Q4 2023. Our weather and subsidence loss ratio has improved compared to 2023 with exposure to UK Personal Lines now reducing year on year.

The percentage of our energy portfolio premium that relates to renewable energy in 2024 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. In 2024, our energy portfolio contained 59% low carbon energy production. At UK&I level, the Energy business mix shifted slightly away from the low carbon target in 2024, driven by challenging market conditions in UK Specialty Lines. However, the energy mix in all other areas improved, with the Irish Renewables portfolio reaching as high as 89% of the total Energy book. In addition, the growth of battery storage (+4% GWP) is a positive indicator and, as a progressive energy storage solution, contributes toward our goal of enabling the transition and supporting innovative technologies.

We report a reduction of 41% in our total GHG emissions when comparing our 2024 data (location-based) to our baseline year of 2019. We are making progress on our goals and remain on track towards achieving our interim target of halving operations emissions by 2030, despite a reported increase in our total GHG operations emissions this year on the prior year's emissions. This increase is primarily due to the rise of business travel related emissions, which are continuing to stabilize into a pattern more consistent with life before the COVID pandemic. For further information on our Scopes 1, 2 and 3 (business travel, waste and water) GHG emissions and energy consumption data, including our baseline year and GHG emissions calculations methodologies, please see the Streamlined Energy and Carbon Reporting section from page 24.

Metrics	2024	2023	2022	2021	2020	2019
Weather and subsidence related losses (£m)	191	204	174	112	83	60
Weather and subsidence loss ratio <sup>1</sup>	6.0%	7.4%	6.8%	4.4%	3.2%	2.4%
Energy portfolio premium in renewable energy <sup>2</sup>	59%	61%	59%	61%	37%	58%
Total GHG emissions (Scopes 1, 2 and 3) <sup>3</sup>	5,545 tonnes CO <sub>2</sub> e	4,816 tonnes CO <sub>2</sub> e	4,452 tonnes CO <sub>2</sub> e	4,278 tonnes CO <sub>2</sub> e	5,203 tonnes CO <sub>2</sub> e	9,460 tonnes CO <sub>2</sub> e
Total GHG emissions (Scopes 1, 2 and 3) <sup>4</sup>	4,535 tonnes CO <sub>2</sub> e	3,987 tonnes CO <sub>2</sub> e	3,705 tonnes CO <sub>2</sub> e	3,760 tonnes CO <sub>2</sub> e	4,393 tonnes CO <sub>2</sub> e	-

**Notes:**

<sup>1</sup>Net 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.

<sup>2</sup>Renewable 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.

<sup>3</sup>Total GHG emissions are reported using the Location-Based methodology. The full GHG emissions data table, including notes relating to Scope 1, 2 and 3 (business travel, waste and water) emissions is available in the Streamlined Energy and Carbon Reporting section from page 24.

<sup>4</sup>Total GHG emissions are reported using the Market-Based methodology. The full GHG emissions data table, including notes relating to Scope 1, 2 and 3 (business travel, waste and water) emissions is available in the Streamlined Energy and Carbon Reporting section from page 24. GHG emissions figures have been restated to account for the disposal of operations previously under RSA control and the impact of the DLG acquisition.



**Karim Hirji**

Chief Financial Officer

4 March 2025

**RSA Insurance Group Limited**  
**Governance**  
for the year ended 31 December 2024

**Company Information**

**Directors<sup>1</sup>**

Mark Hodges (Chair)  
Ken Anderson  
Sally Bridgeland  
Rosie Harris  
Louis Marcotte<sup>2</sup>  
Susan McInnes  
Ken Norgrove  
Andy Parsons  
Sylvie Paquette<sup>2</sup>  
Mathieu Lamy<sup>2</sup>

**Company Secretary**

Jonathan Cope

**Independent Auditor**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Registered Office**

Floor 8  
22 Bishopsgate  
London  
United Kingdom  
EC2N 4BQ

**Company Registration Number**

02339826

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<sup>1</sup> These are the directors who served during the year ended 31 December 2024, changes in 2025 are shown on page 24.

<sup>2</sup> 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](http://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 Operating Committee.

#### ***Size and structure***

An overview of the composition of the Board has been included on pages 22 and 23.

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.

The Board has approved a Board Diversity Policy which is available to view on the RSA website [www.rsainsurance.co.uk](http://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 four women, representing 36% of the Operating 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 2024. 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 with each of the relevant Chairs.

### **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 composed 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 22 and 23 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 Ernst & Young LLP (EY) on an annual basis.

## **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 2024 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 Operating 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 4 to 7.

### **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 23 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](http://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 UK), 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](http://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 11 to 17.

### **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 8 to 10 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 2024 is set out on pages 22 and 23.

## **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. EY was appointed as the Group's external auditor in 2023, effective for the year ended 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 2024.

#### **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.

## **Operating Committee**

The Operating 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 Operating 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 Operating Committee currently comprises Ken Norgrove and Karim Hirji, who replaced Ken Anderson as Chief Financial Officer from 13 February 2025 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 (resigned 13 February 2025)  
Karim Hirji (appointed 13 February 2025)  
Sally Bridgeland  
Rosie Harris  
Mathieu Lamy  
Louis Marcotte  
Susan McInnes  
Ken Norgrove  
Andy Parsons  
Sylvie Paquette

### Corporate governance statement

An overview of the corporate governance code applied by the Group is set out in the Corporate Governance Report on pages 19 to 21.

### Dividend

Ordinary interim dividends of **£82m** and **£100m** were paid in July 2024 and November 2024 respectively (2023: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: £nil). The Group paid **£8m** of dividends to its preference shareholders during the period (2023: £9m), including £3m of accrued dividends on cancellation of the preferred shares in issue.

### 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 over 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 and scenario analysis on forward-looking capital projections, assessing a combined 1-in-10 year market risk shock, a 1-in-20 year catastrophe shock, and reduction of longer-term underwriting profitability. Key risk indicators demonstrate that the risk appetite is aligned to the available capital. Risk management strategies are in place to assess and mitigate climate risk, with stress and scenario testing and climate scenario analysis informing the Group's policies and standards, pricing, risk selection and reinsurance. 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 over the next twelve months from the date of the approval of the consolidated financial statements.

### Share capital

On 12 June 2024, the Group's Preferred Shareholders were invited to tender their preference shares and to vote on their cancellation. Following approval on 16 July 2024 at a General Meeting of shareholders, all 125,000,000 preferred shares were cancelled for total cash consideration of £155m.

On 16 July 2024, at a General Meeting of shareholders, a resolution was passed to implement a reduction of capital by cancelling the Group's entire share premium account, resulting in the creation of distributable reserves.

Further information on the Group's share capital is provided in note 17 - Share capital.

### 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 2024 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. Where data is not provided by an operating entity, or if the entity has less than 50 full-time equivalent employees, 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, water and paper consumption. 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 over 90% of the electricity we purchase directly in the UK. This is a decrease in the proportion of renewable energy purchased on the prior year due to the acquisition and integration of DLG real estate into our portfolio

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 includes a rationalised footprint and relocations to lower-emissions locations. Business travel related emissions are continuing to stabilise into a pattern more consistent with life before the COVID pandemic. We are making progress on our goals and remain on track towards achieving our interim target of halving operations emissions by 2030, despite a reported increase in our total GHG operations emissions this year on the prior year's emissions.

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 seven 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.

	<b>Baseline Year</b>					
<b>tCO<sub>2</sub>e emissions</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Scope 1	1,002	1,051	1,343	1,461	1,371	2,109
Scope 2 (location-based <sup>LB</sup> )	1,741	1,622	1,741	2,371	2,821	3,845
Scope 2 (market-based <sup>MB</sup> )	732	793	994	1,853	2,011	-
Scope 3	2,801	2,143	1,368	446	1,011	3,506
<i>Business travel</i>	2,313	1,781	1,017	178	679	3,124
<i>Scope 3 Waste, Water and Paper</i>	488	362	351	268	332	383
Total emissions (Scope 1, 2, 3) <sup>LB</sup>	5,545	4,816	4,452	4,278	5,203	9,460
Total emissions (Scope 1, 2, 3) <sup>MB</sup>	4,535	3,987	3,705	3,760	4,393	-
Intensity ratio:						
Gross tonnes CO <sub>2</sub> e per FTE <sup>LB</sup>	0.93	0.75	0.71	0.70	0.78	1.40
Gross tonnes CO <sub>2</sub> e per FTE <sup>MB</sup>	0.76	0.62	0.59	0.61	0.66	-

<b>Global energy use (kWh)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Electricity (kWhs)	7,203,129	6,858,057	8,199,297	10,244,138
Onsite thermal energy; gas and diesel (kWhs)	4,408,617	4,868,113	6,638,719	7,655,848
Transportation - vehicles (kWhs)	1,626,437	1,625,434	1,383,309	548,268
<b>Total energy use</b>	<b>13,238,183</b>	<b>13,351,604</b>	<b>16,221,325</b>	<b>18,448,254</b>

#### Notes

All figures have been restated to account for the sale of operations previously under RSA control and the acquisition of DLG. 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 reflects the average emissions intensity of grids on which energy consumption occurs (using primarily grid-average emission factor data); and (ii) the market-based method, which takes into account emissions from electricity that companies have purposefully chosen. The market-based method takes into account emissions factors from contractual instruments, including contracts for the purchase of REGOs and similar environmental attributes. For more information see The Greenhouse Gas Protocol Scope 2 Guidance.

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.

#### **Methodology and approach: Operations emissions**

##### **Operational boundary**

We define our operational boundary based on an operation control approach as defined by the GHG Protocol, including our owned and leased assets where we can influence how spaces and vehicles are utilised.

##### **Data collection**

Data is obtained from data owners on a site-by-site basis. Data is collected from a variety of sources and formats.

For building energy consumption, actual consumption data is requested for all sites with floor area greater than 8,000 square feet or 50 Full Time Equivalents (FTEs), with all others estimated.

##### **Data validation procedures**

Data owners are requested to submit data sources for activities pertaining to more than 1% of emissions, to allow for review of information and internal quality assurance.

Data owners are responsible for data integrity procedures for the data submitted quarterly. Data validation is performed by a third party consultancy, including data integrity, reported activity, and supporting evidence checks. The calculated GHG inventory is further reviewed by IFC's corporate Climate team, including trend analysis, comparison with prior year data, and sample testing.

##### **Emission factors**

Emission factors applied are defined on a metric-by-metric basis. Unless otherwise specified, the latest data published by the relevant emissions factor provider is applied to the reporting year.

#### **Charitable donations**

During the year donations to charities were made amounting to **£1.57m** (2023 £1.24m).

#### **Political donations**

**£nil** political donations were made during the year (2023: £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 2024. 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 2024 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 8 to 10 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 8 to 10.

#### **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 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 2024 was approved by order of the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J. Cope', written over a faint horizontal line.**Jonathan Cope**

Company Secretary

4 March 2025

## 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 39 to 43, 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 1 to 3 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.



**Karim Hirji**  
Chief Financial Officer

4 March 2025



**Ken Norgrove**  
Chief Executive Officer

4 March 2025

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

### Opinion

In our opinion:

- RSA Insurance Group Limited's group financial statements and parent company financial statements (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 2024 and of the group's profit 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 been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RSA Insurance Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2024	Statement of comprehensive income
Consolidated income statement for the year then ended	Statement of financial position at 31 December 2024
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Cash flow statement for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 12 to the financial statements including <b>material accounting policy information</b>
Related notes 1 to 38 to the financial statements, including <b>material accounting policy information</b>	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards to the parent company financial statements, as applied in accordance with section 408 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and Parent Company in conducting the audit.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included;

- We confirmed our understanding of management's going concern assessment process and engaged with management early to ensure all key factors were considered in their assessment.
- We evaluated management's going concern assessment which included assessing their long-term business and strategic plans, liquidity and funding positions. Management also performed stress tests and reverse test scenarios which included principal and emerging risks. We challenged the plausibility of these based on our knowledge and understanding of the Group and available external data.

- We assessed management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluated management's liquidity and solvency projections, and their associated stress and scenario testing (including reverse stress testing).
- We challenged the key assumptions included within management's going concern assessment related to the performance of the Group, which were drawn from the Group's business plan.
- We evaluated the consistency, arithmetical accuracy and reasonableness of the data and assumptions used in management's going concern assessment.
- We reviewed the Group's going concern disclosures included in the annual report for conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 12 months to the 4 March 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> <li>• As the primary team, we performed an audit of the complete financial information of four entities with the exception of investment related balances, for which we instructed Ernst &amp; Young LLP (EY) Canada to audit, as investments are managed centrally by Intact Financial Corporation (the ultimate parent company). We also instructed Ernst &amp; Young Chartered Accountants (EY) Ireland to complete audit procedures on specific balances for the RSA Insurance Ireland DAC component.</li> <li>• We performed full scope procedures for all audit areas except those as outlined in the tailoring the scope section.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>• Valuation of Liability for Incurred Claims</li> <li>• Valuation of Deferred Tax Asset</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall Group materiality of £56m (2023: £39.9m) which represents 2% of Net Assets.</li> <li>• Parent Company materiality of £60m (2023: £38m), which is 2% of Net Assets of the Parent Company.</li> </ul>

### First year audit considerations

In preparation for our first-year audit of the 31 December 2024 Financial Statements, we performed a number of transitional procedures. Following our selection, we undertook procedures to establish our independence of the Group. We used time prior to commencing any audit work to gain an understanding of the business issues and meet with key management.

We were appointed auditor and signed an engagement letter on 16 July 2024 and were independent from 1 January 2024.

Our transition activities included shadowing the former auditors KPMG LLP (KPMG) at key meetings with management, such as meetings of the Audit and Risk Committee. We reviewed KPMG's 2023 audit work papers and gained an understanding of their risk assessment and key judgements.

We used the understanding the audit team had formed through the above activities and our walkthroughs over key processes and controls to assist us with establishing our audit base.

### An overview of the scope of the parent and group audits

#### Tailoring the scope

In the current year our audit scoping reflects the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We identified four entities (detailed below) as individually relevant components to the Group. These were due to relevant events and conditions underlying the identified risks of material misstatement of the Group financial statements being associated with the reporting components or a pervasive risk of material misstatement of the Group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the Group financial statements being associated with the components.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which full scope procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We, as the primary team, performed full scope procedures for the following entities:

- Royal & Sun Alliance Insurance Limited
- RSA Luxembourg S.A.
- The Marine Insurance Company Limited
- Royal & Sun Alliance Reinsurance Limited

In addition, we instructed EY Ireland and EY Canada to perform specific procedures as set out below;

Component	Scope	Key locations
RSA Insurance Ireland DAC	Reinsurance contract assets, insurance contract liabilities, insurance revenue and insurance service expenses.	Ireland
Intact Financial Corporation - Shared Service Centre	Financial assets, financial assets (liabilities) related to investments, investment property, net investment income, net gains on investment portfolio	Canada

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We did not identify additional scope required as we assessed the residual risk to not be material.

Our scoping to address the risk of material misstatement for each key audit matter is included in the Key audit matters section of our report.

The table below illustrates the coverage obtained from the work performed. We considered total assets, total equity and total income to verify we had appropriate overall coverage.

	Full scope <sup>(1)</sup>	Specific Ireland <sup>(2)</sup>	scope- Specific Canada <sup>(2)</sup>	scope -EY
Net Assets	92%	7%	N/A	
Revenue	89%	8%	N/A	
Total Assets <sup>(3)</sup>	92%	5%	67%	

(1) Full scope: audit procedures on all significant accounts covered by the primary team.

(2) Specific scope: audit procedures for accounts as detailed in the scope above.

(3) Out of 97% of the full scope components' total assets, 67% was tested by EY Canada through specific scope procedures.

The audit scope of the specific scope components may not have included testing of all significant accounts within the components. However, the testing will have contributed to the total coverage of significant accounts tested for the overall Group.



## **Involvement with component audit teams**

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component audit teams operating under our instruction.

The Group audit engagement team interacted regularly with the component audit teams where appropriate throughout the course of the audit, which included holding planning meetings, maintaining regular communications on the status of the audits, reviewing key working papers and taking responsibility for the scope and direction of the audit process. The Group audit team continued to follow a programme of oversight that has been designed to ensure that the Senior Statutory Auditor, or another Group audit partner, has ongoing interactions with all in scope locations, including those outside the United Kingdom. Senior members of the audit team visited both the shared service centre component team in Canada and the specific component audit team in Ireland in order to direct, supervise and review the work of these teams. The Group audit team interacted regularly with the component audit teams and maintained a continuous and open dialogue, to ensure that the Group audit team were fully aware of their progress and results of their procedures. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

## **Climate change**

Stakeholders are increasingly interested in how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on its operations will be from pricing and underwriting risk, operational risk, reputational risk, conduct risk and regulatory compliance risk. These are explained in the required Task Force on Climate Related Financial Disclosures in the Strategic Report. The Group has also explained their climate commitments in the Strategic Report. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Business Review and the Climate Disclosure its articulation of how climate change has been reflected in the financial statements, including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. Significant judgements and estimates relating to climate change are included in note 9 and 11. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted IAS and IFRS as issued by the IASB.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating the Group's assessment of the impact of climate risk, physical and transition, their climate commitments and the significant judgements and estimates disclosed in accounting policies, and whether these have been appropriately reflected in the asset values where these are impacted by future cash flows, and in the timing and nature of liabilities recognised, following the requirements of UK adopted IAS. As part of this evaluation, we performed our own risk assessment, supported by our climate change and economic specialists, to determine the risk of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also evaluated the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter.

## Key audit matters

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

Risk	Our response to the risk
<p><b>Valuation of Liability for Incurred Claims at 31 December 2024 - £5.8bn, (2023: £5.9bn)</b></p> <p>Accounting policies (page 45-49); and Note 10 of the Consolidated Financial Statements (page 70-78)</p> <p>We determined that the Liability for Incurred Claims (LIC) represents a significant balance and an area of fraud risk as it involves significant judgment and complexities, depends on inputs that can be volatile and sensitive to changes, and are subjective in nature, which could create opportunity for management override of internal control.</p> <p>Whilst there are a number of elements which are complex and require judgment (e.g. risk adjustment and PAA eligibility), we have determined that the following assumptions and areas of judgement contain a higher risk, and we have therefore attached our fraud risk to the items below:</p> <ul style="list-style-type: none"> <li>➤ Initial Expected Loss Ratios ('IELR')</li> <li>➤ Discount Rates and Inflation</li> <li>➤ Periodic Payment Orders (PPOs)</li> <li>➤ The impact of the Ogden rate changes</li> <li>➤ Catastrophe losses estimates</li> <li>➤ Material Litigation (especially in relation to COVID BI)</li> </ul> <p>The appropriate application of these assumptions is predicated on reliable data and models.</p>	<p>With the assistance of EY actuaries as part of our team at Group and component level:</p> <ul style="list-style-type: none"> <li>➤ We obtained an understanding of the Company's actuarial methodologies and assessed whether they were in accordance with IFRS 17 – Insurance Contracts, including a particular focus on validating the accounting policies and elections following the first implementation of the standard in 2023.</li> <li>➤ We performed independent re-projections of the standard classes using our own models and assessed management's roll-forward analysis to determine uplifts for experience through to the year-end.</li> <li>➤ For the remaining classes we performed procedures based on evidence available from other alternative analyses, focusing on understanding, challenging and assessing the methodology and key assumptions of the analyses.</li> <li>➤ We performed procedures to respond to the risk on the key assumptions: <ul style="list-style-type: none"> <li>➤ we performed independent projections for IELR, development patterns and inflation which involved setting our own assumptions.</li> <li>➤ we leveraged our market knowledge to perform benchmarking on discount rates.</li> <li>➤ we performed methodology and assumptions procedures for PPOs, catastrophe loss estimates and areas of material litigation. This included leveraging market knowledge and benchmarks. For PPOs we additionally performed sensitivity testing of key assumptions.</li> <li>➤ we considered recent changes in the Personal Injury Discount Rate ("Ogden Rate") and ensured that management had appropriately reflected these changes in the LIC.</li> </ul> </li> <li>➤ We tested the completeness of policy data by reconciling the policy level claims data to the actuarial triangles used for independent rejections with the output then reconciled to the financial statements.</li> <li>➤ We tested the accuracy of policy data elements which were relied upon within actuarial models in our independent re-projections of the liability for incurred claims including premium inputs.</li> <li>➤ 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.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p>	
<p>We found the valuation of liability for incurred claims to be acceptable and concluded RSA's gross and net reserves are within our reasonable ranges.</p>	
<p><b>How we scoped our audit to respond to the risk and involvement with component teams</b></p>	
<p>We performed full scope procedures for four entities, and specific scope audit procedures over this risk in Ireland, which covered 98% of the risk amount.</p>	

Risk	Our response to the risk
<p><b>Valuation of Deferred Tax Assets (£275m, 2023: £266m)</b></p> <p><i>Accounting policies (page 54 to 55); and Note 24 of the Consolidated Financial Statements (page 92 to 95).</i></p> <p>The Deferred Tax Assets (DTA) balance is significant and depends on a number of judgmental assumptions and estimates linked to the future performance of the business.</p> <p>Management use a model to calculate the DTA with a key input being the Operational Plan (Op Plan) as the basis for forecasting the taxable profits across a five-year horizon on which the recoverability of the DTA is based. Management applies a series of judgmental revisions to the forecast taxable profits and considers which deferred tax attributes can be supported for recognition.</p> <p>The significant audit risk is focused on the judgemental assumptions applied in developing the taxable profits forecast within the DTA model.</p>	<p>With the support of EY tax audit professionals:</p> <ul style="list-style-type: none"> <li>➤ We have considered the appropriateness of the DTA model and methodology for compliance with IAS 12.</li> <li>➤ We have considered the year end deductible temporary differences position, completeness and accuracy of adjustments to arrive at the taxable profits forecast, and appropriateness of the DTA recognition principles.</li> <li>➤ We performed audit procedures over the Operational Plan including: <ul style="list-style-type: none"> <li>➤ Reviewing the historical performance of the business.</li> <li>➤ Reviewing the historical forecasting accuracy of management by reviewing the outcome of prior period forecasts.</li> <li>➤ Assessing internal integrity and mathematical accuracy.</li> <li>➤ Challenging the key assumptions which drive the forecast taxable profits through comparison to historical performance and forecasting accuracy, analysis of external information and benchmarks, where relevant, enquiries of management as to future business planning, and through the performance of sensitivity analysis.</li> </ul> </li> <li>➤ We produced an independent range of forecast taxable profits and the resulting DTA, in order to challenge management's recorded DTA. In constructing this range we assessed the judgemental revisions to the forecast taxable profits applied by management and considered alternative assumptions and sensitivities.</li> <li>➤ We considered the appropriateness of the forecast period upon which the DTA is recognised, with reference to the Group's historic performance and levels of forecasting accuracy, developments in the Group's structure and strategy, and benchmarking of the period used to other relevant organisations.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p> <p>We reported the outcome of the EY independently determined range and concluded that the Group's deferred tax asset was within our reasonable range.</p> <p>We also concluded that the deferred tax asset was materially calculated in line with applicable tax rates and laws.</p>	
<p><b>How we scoped our audit to respond to the risk and involvement with component teams</b></p> <ul style="list-style-type: none"> <li>• We performed full scope audit procedures over one component (Royal &amp; Sun Alliance Insurance Limited) which represents 96% of the total deferred tax asset balance.</li> </ul>	

## Prior year comparison

In the prior year, KPMG identified 'Valuation of acquired intangible assets' and 'Voluntary change in accounting policy' for parent company's investment in subsidiaries' as key audit matters. Based on our risk assessment procedures we did not consider either to be a key audit matters due to these being specific non-recurring events occurring in the prior year.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £58 million (2023 KPMG: £39.9 million), which is 2% of net assets (2023 KPMG: 0.85% of insurance revenue). Whilst insurance revenue is a common base for materiality, we believe that net asset provides a measure of the balance sheet strength and more closely correlates to the key performance metrics of the Group which include Solvency II capital requirements upon which key stakeholders of the Group (policyholders, regulators, lenders and preferred shareholders) are primarily concerned.

We determined materiality for the Parent Company to be £60 million (2023 KPMG: £38 million), which is 2% (2023 KPMG: 1.1% net assets) of net assets.

During the course of our audit, we reassessed initial materiality and the Group materiality remained unchanged. Materiality for the Parent Company changed from £59.1m at original assessment to £60m at final assessment due to an increase in net assets in the parent company.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2023 KPMG: 65%) of our planning materiality, namely £28m (2023 KPMG: £25.9m). We have set performance materiality at this percentage due to this being our first year of audit. The performance materiality for the Parent Company was set at 50% of our planning materiality, namely £30m (2023 KPMG: £28.5m). We have set performance materiality at this percentage due to this being our first year of audit.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £5.5m to £26.2m (2023 KPMG: £15m to £31m).

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.8m (2023 KPMG: £1.9m) for the Group and £3m (2023 KPMG: £1.9m) for the Parent Company, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## **Other information**

The other information comprises the information included in the Annual Report and Accounts, including the Business review, Risk management, Section 172 statement, Environment risk management, Corporate governance, Report of the directors, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on (Page 28), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA); Companies Act 2006;
- We understood how the Group and the Parent Company is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters and reviewing the Group's governance framework.
- We reviewed correspondence between the Group, the PRA and FCA. We attend Audit and Risk Committees.
- We carried out an assessment of matters reported on the Group's whistleblowing programmes where these related to financial statements.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent and detect fraud. We also assessed the risk of fraud in key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.
- We designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of legal counsel, executive management, internal audit and reading reports of reviews performed by legal counsel. We also performed procedures to respond to any financial statement impacts of non-compliance with laws and regulations. These procedures were performed centrally by the Group audit team.
- We identified and tested journal entries, including those posted with certain descriptions or unusual characteristics, backdated journals or posted by infrequent and unexpected users.
- The Group operates in the insurance industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Other matters we are required to address**

Following the recommendation from the audit committee we were appointed by the company on 26<sup>th</sup> July 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 1 January to 31 December 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
**Ernst & Young LLP**  
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**Edward Jervis** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
4 March 2025

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2024 £m	2023 £m
<b>Assets</b>			
Cash and cash equivalents	6	221	320
Financial assets	6	5,946	5,486
Investment property	6	317	285
Reinsurance contract assets	10	1,310	1,756
Income taxes receivable		1	1
Deferred tax assets	24	275	266
Property and equipment	14	105	108
Intangible assets	13	492	547
Goodwill	13	349	350
Other assets	15	233	251
<b>Total assets</b>		<b>9,249</b>	<b>9,370</b>
<b>Liabilities</b>			
Insurance contract liabilities	10	5,848	5,968
Income taxes payable		2	2
Deferred tax liabilities	24	2	-
Debt outstanding	16	127	126
Other liabilities	15	503	462
<b>Total liabilities</b>		<b>6,482</b>	<b>6,558</b>
<b>Equity</b>		<b>2,767</b>	<b>2,812</b>
<b>Total equity and liabilities</b>		<b>9,249</b>	<b>9,370</b>

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

The consolidated financial statements were approved on 4 March 2025 by the Board of Directors and are signed on its behalf by:



**Karim Hirji**

Chief Financial Officer



## CONSOLIDATED INCOME STATEMENT

		2024	2023
For the years ended 31 December	Note	£m	£m
Insurance revenue	10	4,344	3,987
Insurance service expense	10, 22	(3,512)	(3,665)
<b>Insurance service result from insurance contracts</b>		<b>832</b>	<b>322</b>
Expense from reinsurance contracts	10	(566)	(808)
Income from reinsurance contracts	10	94	631
<b>Net expense from reinsurance contracts</b>		<b>(472)</b>	<b>(177)</b>
<b>Insurance service result</b>		<b>360</b>	<b>145</b>
Net investment income	20	251	185
Net (losses) gains on investment portfolio	20	(119)	5
<b>Net investment return</b>		<b>132</b>	<b>190</b>
Insurance finance expense	20	(144)	(179)
Reinsurance finance income	20	50	60
<b>Net insurance financial result</b>		<b>(94)</b>	<b>(119)</b>
<b>Net investment return and net insurance financial result</b>		<b>38</b>	<b>71</b>
Other net gains (losses)	21	100	(7)
Other income and expense	21	(129)	(56)
Integration and restructuring costs	23	(164)	(162)
Finance costs	27	(10)	(10)
<b>Profit (loss) before tax</b>		<b>195</b>	<b>(19)</b>
Income tax expense	24	(16)	(70)
<b>Profit (loss)</b>		<b>179</b>	<b>(89)</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2024	2023
For the years ended 31 December	£m	£m
<b>Profit (loss)</b>	<b>179</b>	<b>(89)</b>
<b>Items that may be reclassified to the income statement:</b>		
Exchange (losses) gains net of tax on translation of foreign operations	(1)	6
Fair value gains on FVTOCI assets net of tax	5	70
	<b>4</b>	<b>76</b>
<b>Items that will not be reclassified to the income statement:</b>		
Pension – remeasurement of defined benefit asset/liability net of tax	(34)	(742)
Movement in property revaluation surplus net of tax	(3)	(3)
	<b>(37)</b>	<b>(745)</b>
<b>Total other comprehensive expense</b>	<b>(33)</b>	<b>(669)</b>
<b>Total comprehensive income (expense)</b>	<b>146</b>	<b>(758)</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Ordinary share premium	Preference shares	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity
	£m	£m	£m	£m	£m	£m	£m
<b>For the year ended 31 December 2024</b>							
<b>Balance at 1 January 2024</b>	<b>1,563</b>	<b>1,366</b>	<b>125</b>	<b>(59)</b>	<b>60</b>	<b>(243)</b>	<b>2,812</b>
<b>Total comprehensive income</b>							
Profit for the period	-	-	-	-	-	179	179
Other comprehensive income (expense) for the period	-	-	-	2	(1)	(34)	(33)
Transfers <sup>1</sup>	-	-	-	(6)	-	6	-
	-	-	-	(4)	(1)	151	146
<b>Transactions with owners of the Group</b>							
<b>Contribution and distribution</b>							
Dividends							
Ordinary shares	-	-	-	-	-	(182)	(182)
Preference shares	-	-	-	-	-	(8)	(8)
Shares issued for cash	-	154	-	-	-	-	154
Cancellation of preference shares <sup>2</sup>	-	-	(125)	-	-	(30)	(155)
Capital reduction <sup>2</sup>	-	(1,520)	-	-	-	1,520	-
	-	(1,366)	(125)	-	-	1,300	(191)
<b>Balance at 31 December 2024</b>	<b>1,563</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>59</b>	<b>1,208</b>	<b>2,767</b>
<b>For the year ended 31 December 2023</b>							
<b>Balance at 1 January 2023</b>	<b>1,563</b>	<b>282</b>	<b>125</b>	<b>(126)</b>	<b>54</b>	<b>597</b>	<b>2,495</b>
<b>Total comprehensive income</b>							
Loss for the period	-	-	-	-	-	(89)	(89)
Other comprehensive income (expense) for the period	-	-	-	67	6	(742)	(669)
	-	-	-	67	6	(831)	(758)
<b>Transactions with owners of the Group</b>							
<b>Contribution and distribution</b>							
Dividends							
Preference shares	-	-	-	-	-	(9)	(9)
Shares issued for cash	-	1,084	-	-	-	-	1,084
	-	1,084	-	-	-	(9)	1,075
<b>Balance at 31 December 2023</b>	<b>1,563</b>	<b>1,366</b>	<b>125</b>	<b>(59)</b>	<b>60</b>	<b>(243)</b>	<b>2,812</b>

<sup>1</sup> Release of revaluation reserve to retained earnings on disposal of a Group occupied property

<sup>2</sup> Following shareholder approval on 16 July 2024 the Company's preferred shares were cancelled. The Company subsequently reduced its share capital. Refer to note 17 - Share capital for further information.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December	Note	2024 £m	2023 £m
<b>Operating activities</b>			
Profit (loss) before tax		195	(19)
Income tax paid		(2)	(5)
Adjustments for non-cash items	28	79	46
Changes in other operating assets and liabilities	28	431	(377)
<b>Net cash flows provided by (used in) operating activities</b>		<b>703</b>	<b>(355)</b>
<b>Investing activities</b>			
Business combinations, net of cash acquired	5	-	(520)
Proceeds from sale of businesses	5	96	-
Proceeds from sale of investments		4,504	3,173
Purchases of investments		(5,092)	(3,232)
Purchases of intangibles and property and equipment, net		(90)	(130)
<b>Net cash flows used in investing activities</b>		<b>(582)</b>	<b>(709)</b>
<b>Financing activities</b>			
Payment of lease liabilities		(11)	(10)
Redemption of long-term borrowings	16	-	(40)
Cancellation of preference shares	17	(155)	-
Proceeds from issuance of ordinary shares	17	154	1,084
Payment of dividends on ordinary shares and preferred shares		(190)	(9)
<b>Net cash flows (used in) provided by financing activities</b>		<b>(202)</b>	<b>1,025</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(81)</b>	<b>(39)</b>
Cash and cash equivalents, net of bank overdraft at beginning of the year		312	354
Effect of exchange rate changes on cash and cash equivalents		(10)	(3)
<b>Cash and cash equivalents, net of bank overdraft at end of the year</b>		<b>221</b>	<b>312</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Glossary of abbreviations

<b>12mECL</b>	12-month expected credit loss	<b>IAS</b>	International Accounting Standard
<b>AIC</b>	Asset for incurred claims	<b>IASB</b>	International Accounting Standards Board
<b>AOCI</b>	Accumulated other comprehensive income (loss)	<b>IFRS</b>	International Financial Reporting Standards (as adopted by the UK)
<b>ARC</b>	Asset for remaining coverage	<b>LIC</b>	Liability for incurred claims
<b>CAD</b>	Canadian Dollar, Canada's official currency	<b>LRC</b>	Liability for remaining coverage
<b>CGU</b>	Cash generating unit	<b>LTECL</b>	Lifetime expected credit loss
<b>CPI</b>	Consumer price index	<b>OCI</b>	Other comprehensive income
<b>DB</b>	Defined benefits	<b>PAA</b>	Premium Allocation Approach
<b>ECL</b>	Expected credit loss	<b>RPI</b>	Retail price index
<b>EUR (€)</b>	Currency of the Euro zone countries in Europe	<b>SPPI</b>	Solely payments of principal and interest
<b>FVTOCI</b>	Fair value through other comprehensive income	<b>UK</b>	United Kingdom
<b>FVTPL</b>	Fair value through profit or loss	<b>USD</b>	US Dollar, United States official currency
<b>GBP (£)</b>	British pound sterling, UK's official currency		
<b>GMM</b>	General Measurement Model		

## 1. Status of the Company

The Company 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, United Kingdom.

## 2. Adoption of new and revised accounting standards

There are a small number of narrow scope amendments to standards that are applicable to the Group for the first time in 2024, none of which have a significant impact on the consolidated financial statements.

## 3. Summary of material accounting policies

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### 3.1 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 4 March 2025.

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.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

The Group presents its consolidated statement of financial position broadly in order of liquidity.

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 over 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 and scenario analysis on forward-looking capital projections, assessing a combined 1-in-10 year market risk shock, a 1-in-20 year catastrophe shock, and reduction of longer-term underwriting profitability. Key risk indicators demonstrate that the risk appetite is aligned to the available capital. Risk management strategies are in place to assess and mitigate climate risk, with stress and scenario testing and climate scenario analysis informing the Group's policies and standards, pricing, risk selection and reinsurance. 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 over the next twelve months, from the date of the approval of the consolidated financial statements.

### **3.2 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.

All balances, transactions, income and expenses and profits and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

### **3.3 Insurance and reinsurance contracts**

Management uses judgements, estimates and assumptions when accounting for insurance and reinsurance contracts, further details of which are provided in note 10 - Insurance and reinsurance contracts.

#### *a) Classification and summary of measurement models*

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.

The Group uses different measurement models depending on the type of contract. The Group chose to apply the simplified measurement model (the PAA) for all of its insurance and reinsurance contracts except in limited circumstances where the GMM is required as described in the following table. The GMM is the default model for the recognition and measurement of insurance contracts; however, there is an option to use the PAA for contracts that have a coverage period of one year or less or if the resulting liability for remaining coverage (insurance coverage to be provided after the reporting period) is not expected to materially differ from its measurement under the GMM.

Summary of the Group's types of contracts and measurement models

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

#### *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 Accounting Standard 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 carrying amount of a group of insurance and reinsurance 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
Asset for remaining coverage	The right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.	Future service
Asset for incurred claims	The right to receive compensation for reinsured events that have already occurred, including events that have occurred but for which reinsured claims have not been reported.	Past service

**Premium Allocation Approach**

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

	Description
Overview	The PAA is a simplified measurement model which may be applied to insurance contracts when: <ol style="list-style-type: none"><li>i. the coverage period is one year or less; or</li><li>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.</li></ol>
Contracts applying this model	The Group applies the PAA to all its insurance and reinsurance contracts, except in limited circumstances where the GMM is required.

Description	
Initial and subsequent measurement	<p>The liability for remaining coverage includes:</p> <ol style="list-style-type: none"> <li>premiums received;</li> <li>minus insurance acquisition cash flows paid net of the amortisation of the insurance acquisition cash flows recognised;</li> <li>minus any amounts recognised as insurance revenue for the services provided;</li> <li>minus any investment component paid or transferred to the liability for incurred claims; and</li> <li>plus any loss component for onerous contracts.</li> </ol>
Insurance acquisition cash flows	<p>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 allocation of indirect costs such as salaries, rent and technology costs.</p> <p>Management uses judgement in determining the drivers used to allocate indirect costs to groups of insurance contracts.</p>
Onerous contracts	<p>The Group assumes that no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise.</p> <p>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).</p>
Other policies	<p>The Group:</p> <ol style="list-style-type: none"> <li>does not discount the liability for remaining coverage; and</li> <li>allocates insurance acquisition cash flows to related groups and amortises them over the coverage period of those groups.</li> </ol>
Reinsurance contracts	<p>Reinsurance contracts are measured on the same basis as insurance contracts, except:</p> <ol style="list-style-type: none"> <li>they are adapted to reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue;</li> <li>they include an allowance for non-performance risk by the reinsurer; and</li> <li>the risk adjustment represents the amount of risk being transferred to the reinsurer.</li> </ol>

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 and are eligible for reinsurance where applicable.

Refer to note 10.4 Significant accounting judgements, estimates and assumptions for more details.

#### *Onerous contracts*

A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognised as a loss component within the liability for remaining coverage and a loss is recognised immediately in Insurance service expense. The loss component is then amortised over the coverage period to offset incurred claims in Insurance service expense. 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 loss recovery component is included in the asset for remaining coverage and the recovery is recognised immediately in Income from reinsurance contracts. The loss recovery is subsequently amortised in Income from reinsurance contracts.



During the coverage period, if 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.

#### *General Measurement Model*

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

	<b>Description</b>
Overview	<p>The GMM is the 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"> <li>i. Fulfilment cash flows are measured using current estimates and are comprised of: <ul style="list-style-type: none"> <li>• discounted estimates of future cash flows; and</li> <li>• a risk adjustment for non-financial risk (risk adjustment) which is the compensation required for bearing uncertainty.</li> </ul> </li> <li>ii. Contractual service margin, which is the unearned profit that is recognised as services are provided.</li> </ol>
Contracts applying this model	<p>The Group applies the GMM to a limited number of contracts for retroactive reinsurance contracts covering adverse development of existing claims.</p>
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"> <li>i. initial recognition of fulfilment cash flows;</li> <li>ii. any cash flows arising from the contracts in the group at that date; and</li> <li>iii. any amount arising from the derecognition of assets or liabilities previously recognised for cash flows related to the group.</li> </ol> <p>Subsequently, the contractual service margin is adjusted for:</p> <ol style="list-style-type: none"> <li>i. the effect of any new contracts;</li> <li>ii. interest accreted at the discount rates at initial recognition (locked-in discount rate);</li> <li>iii. changes in fulfilment cash flows relating to future service, except to the extent that such: <ul style="list-style-type: none"> <li>• 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;</li> <li>• decreases are allocated to the loss component, reversing losses previously recognised in the Consolidated income statement;</li> </ul> </li> <li>iv. the effect of any currency exchange differences; and</li> <li>v. amounts recognised as insurance revenue for services provided, determined by allocating the contractual service margin over the current and remaining service coverage period.</li> </ol> <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"> <li>i. changes in risk adjustment for expired risk; and</li> <li>ii. experience adjustments which are the difference between estimated premiums and claims and other insurance service expenses incurred in the period.</li> </ol>
Onerous contracts	<p>Groups of contracts are assessed as onerous when fulfilment cash flows exceed the carrying amount of the liability for remaining coverage.</p>
Reinsurance contracts	<p>Reinsurance contracts are measured on the same basis as insurance contracts, except:</p> <ol style="list-style-type: none"> <li>i. they include an allowance for non-performance risk by the reinsurer;</li> <li>ii. the risk adjustment represents the amount of risk being transferred to the reinsurer;</li> <li>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</li> <li>iv. changes in fulfilment cash flows adjust the contractual service margin only to the extent that they relate to changes in underlying fulfilment cash flows that have adjusted the underlying contractual service margin. Any changes to the reinsurance contracts' fulfilment cash flows outside of this limit are recognised in the Consolidated income statement.</li> </ol>

*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 expense*

Insurance service expense includes 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 finance income and expense*

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

- i. the discount unwinding;
- ii. changes in discount rates;
- iii. the effect of financial risk and changes in financial risk; and
- iv. net foreign currency gains (losses).

The Group has elected to record changes in discount rates in Net insurance financial result.

*k) 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.

*l) 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.

### **3.4 Financial instruments**

Management uses judgements, estimates and assumptions when accounting for financial instruments, further details of which are provided in note 9 – Financial risk.

*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 held-to-collect and sell 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 held-to-collect 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 held-to-collect and sell and held-to-collect 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 model (refer to *Business model assessment* above) and cash flow characteristics of the asset (refer to SPPI assessment above). 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 the Consolidated income statement 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 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 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

Classification	Financial instruments	Description	Initial and subsequent measurement
Classified as FVTPL and instruments in a hedging arrangement	Equity instruments	All ordinary share portfolios, classified as FVTPL by default.	ask prices (for financial liabilities) at end of period, with changes in fair value recognised in the Consolidated income statement.
	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.	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.
	Contingent considerations	Financial liability arising from a business combination to be remeasured at fair value based on future performance.	
	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.

**b) Revenue and expense recognition**

**Net investment income**

- i. FVTOCI 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 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 of financial assets other than those classified or designated as FVTPL**

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
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 9 – 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 9 – 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 2024 (31 December 2023: 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.

#### *d) 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 Group uses derivatives for economic hedging purposes and for the purpose of modifying the risk profile of the Group's investment portfolio, provided 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 Other liabilities. 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, derivatives 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 the Consolidated income statement.

#### *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 8 - Derivative financial instruments for details.

#### *e) 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.

f) **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.

**3.5 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.

**3.6 Goodwill and intangible assets**

*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, or groups of CGUs, that are 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 consist of distribution networks, trade names and internally developed software.

Intangible assets are initially measured at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. For each distribution network acquired, that assessment depends on the nature of the distribution network. When the related cash flows are expected to continue intangible assets are assessed as having an indefinite useful life.

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 the Consolidated income statement.

Amortisation methods and terms of finite life intangible assets are as follows:

Intangible assets	Method	Years
Distribution networks	Straight-line	15 years
Trade names	Straight-line	5 to 10 years
Internally developed software	Straight-line	3 to 10 years

**3.7 Foreign currency translation**

The consolidated financial statements are presented in Sterling, which is the Group's functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency.

*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 Consolidated 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.

### Foreign operations

- i. assets and liabilities of foreign operations whose functional currency is other than Sterling are translated into Sterling using closing exchange rates;
- ii. revenue and expenses, as well as cash flows, are translated using the average exchange rates for the period; and
- iii. translation gains or losses are recognised in OCI and are reclassified to the Consolidated income statement on disposal or partial disposal of the investment in the related foreign operation.

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

	As at 31 December 2024	31 December 2023	Average rate for the years 2024	2023
EUR	1.21	1.15	1.18	1.15
CAD	1.80	1.69	1.75	1.68
USD	1.25	1.27	1.28	1.24

### 3.8 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. It is initially recognised at cost.

Property and equipment are carried 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 are recognised in the Consolidated income statement. 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.

### 3.9 Investment property and rental income

Investment property is freehold and leasehold land and buildings that is held to earn rental income over the longer term in accordance with the Group's investment strategy. Investment properties are managed by external managers and are not occupied by the Group.

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 8 – 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.

The Group has no significant exposure to leases that include contingent rents.

### 3.10 Leases

On the lease commencement date, a right-of-use asset and a lease liability are recognised. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Group presents right-of-use assets in Property and equipment and lease liabilities in Other liabilities in the Consolidated balance sheets. The depreciation expense and the interest expense are recognised in the Consolidated income statement.

### 3.11 Income taxes

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 24 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.

### **3.12 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 Consolidated 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 can be found in note 25 – Share-based payments.

### **3.13 Employee future benefits**

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 26 - Employee future benefits.

### 3.14 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 rather broadly in order of liquidity. Most of the Group's assets and liabilities are considered current given they are expected to be realised or settled within the Group's normal operating cycle. All other assets and liabilities are considered as non-current and generally include: Deferred tax assets and liabilities, Property and equipment, Intangible assets, Goodwill, and Debt outstanding. Elements of financial investments and insurance contract liabilities and reinsurance contract assets are also considered non-current.

## 4. Material accounting judgements, estimates and assumptions

### 4.1 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards 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
Business combinations and disposals	Note 5.3	Impairment of goodwill and intangible assets	Note 13.2
Insurance and reinsurance contracts	Note 10.4	Valuation and impairment of financial assets	Note 8
Valuation of intangible assets	Note 13	Measurement of income taxes	Note 24.5

### 4.2 Geopolitical risk

The current geopolitical environment increases uncertainty in financial markets with a possible resurgence of trade tariffs and inflation, including upward pressure on oil prices and the potential for global supply-chain disruptions. With the recent changes in the U.S. Government, the threat of protectionism increases the risk of tariffs, stagflation and turbulence in the financial markets. Supply-chain inflation is likely to increase which would reduce insurance service results. Recessionary conditions could also lead to lower overall demand for insurance products negatively impacting insurance revenue.

Management will continue to monitor the impact of geopolitical risk on its use of judgements, estimates, and assumptions.

## 5. Business combinations and disposals

### 5.1 Business acquisitions completed in 2023

On 6 September 2023, the Group entered into an agreement to acquire the brokered Commercial lines operations of DLG, a general insurer with leading market positions in the UK.

The purchase price included 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:

- the 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 was completed on 1 May 2024. The business transfer agreement resulted in a business combination as the Group controlled these net assets from the closing date of 26 October 2023. As a result, the acquired net assets were consolidated from that date;
- 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 the transfer of policy renewals, which started in June 2024. The reinsurance agreement was recognised in direct insurance results since 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.

- 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 allocation was finalised in 2024 and there were no adjustments to the preliminary fair values. The following table summarises the consideration and the final determination of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date.

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

<sup>1</sup> 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. As at 31 December 2024, the contingent consideration was reassessed to nil.

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

The intangible assets recognised on acquisition mainly related to distribution networks, amortised over a 15-year period, and trade names, 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.

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

The Group recognised integration costs in Integration and restructuring costs in relation to the DLG acquisition of **£34m** in the year ended 31 December 2024 (year ended 31 December 2023: £5m).

## **5.2 Disposals completed in 2024**

### **UK Personal lines**

In 2023, the Group exited the UK Personal lines market (motor, Home and Pet), including the announcement of both the sale of its direct Home and Pet operations to Admiral Group plc (Admiral), and its decision to transfer the Home and Pet partnerships to other parties or to let them expire over time. UK Personal Lines forms part of the UK operating segment and is included in continuing operations because it does not represent a separate major line of business or geographical area of operation.

The sale to Admiral closed on 31 March 2024 for an initial cash consideration of £85m, received on 2 April 2024, with potential for up to a further £33m subject to the fulfilment of certain retention thresholds. The sale included the transfer of new business franchise, certain operations, data, renewal rights, brands, and employees on 31 March 2024. The transfer of new business and policy renewals started in July 2024. The Group will retain claims related to business it has written. The sale resulted in a gain of £85m which was recognised in Other net gains (losses) in the year ended 31 December 2024 and the Group assesses a contingent consideration of nil as at 31 December 2024.

The Group recognised restructuring costs in Integration and restructuring costs in relation to the exit of the UK Personal Lines market of **£92m** in the year ended 31 December 2024 (year ended 31 December 2023: £89m).

## **5.3 Material accounting judgements, estimates and assumptions**

Upon initial recognition, the acquiree's assets and liabilities and the contingent consideration (if any) have been included in the Consolidated statement of financial position at fair value. Management determined the fair values using estimates of future cash flows and discount rates. However, actual results can be different from those estimates. During the measurement period

following the acquisition, the changes in the estimates that relate to new information obtained about facts and circumstances that existed as of the acquisition date, would have an impact on the amount of goodwill or gain on bargain purchase recognised. Any other changes in estimate would be recognised in the Consolidated income statement.

## 6. Investments

### 6.1 Classification of investments

	FVTPL			FVTOCI	Amortised cost	Total carrying amount
	Designated as FVTPL	Classified as FVTPL	Measured as FVTPL			
As at 31 December 2024	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	-	-	-	-	221	221
Debt & fixed income securities	1,969	302	-	2,891	-	5,162
Equity securities	-	501	-	-	-	501
Loans	-	-	-	-	283	283
Investment property	-	-	317	-	-	317
	1,969	803	317	2,891	504	6,484

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

### 6.2 Carrying amounts of investments

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

	FVTPL investments	Other investments			Total investments
	Carrying amount	Cost/amortised cost	Unrealised gains	Unrealised losses	Carrying amount
As at 31 December 2024	£m	£m	£m	£m	£m
Cash and cash equivalents	-	221	-	-	221
Debt & fixed income securities	2,271	2,994	11	(114)	5,162
Equity securities	501	-	-	-	501
Loans	-	283	-	-	283
Investment property	317	-	-	-	317
	3,089	3,498	11	(114)	6,484

As at 31 December 2023						
Cash and cash equivalents	-	320	-	-	320	320
Debt & fixed income securities	2,053	2,957	26	(140)	2,843	4,896
Equity securities	199	-	-	-	-	199
Loans	-	391	-	-	391	391
Investment property	285	-	-	-	-	285
	2,537	3,668	26	(140)	3,554	6,091

### 6.3 Collateral

The following table summarises the investment-related collateral:

	2024	2023
As at 31 December	£m	£m
Collateral pledged	1,425	1,379
Collateral accepted	244	451

The Group has pledged financial assets as collateral for liabilities or potential liabilities, mainly consisting of debt and cash and cash equivalents. The cash receivable is recognised in Other assets. The terms and conditions of the collateral pledged are market standard and are in relation to letter of credit facilities and derivative transactions.

The Group has accepted collateral mainly consisting of debt securities. The terms and conditions of the collateral accepted are market standard and are in relation to securities loaned and derivative transactions. The collateral cannot be sold or re-pledged externally by the Group unless the counterparty defaults on its financial obligations. The obligation to repay the cash is recognised in Other liabilities. Collateral accepted is mainly related to securities loaned which as at 31 December 2024 had a fair value of **£217m** (31 December 2023: £451m). The related collateral accepted represents approximately **104%** of the fair value of security loaned as at 31 December 2024 (31 December 2023: 103%).

### 6.4 Market neutral equity investment strategy

	2024		2023	
As at 31 December	Fair value £m	Collateral £m	Fair value £m	Collateral £m
Long positions - reported in Equity securities	113	-	-	-
Short positions - reported in Financial liabilities related to investments (note 15.2)	(115)	119	-	-

## 7. Derivative financial instruments

### 7.1 Types of derivatives used

The Group generally uses derivatives for economic hedging purposes and to improve the risk profile of its investment portfolio, provided the resulting exposures remain within the guidelines of its investment policy. In certain circumstances, these derivatives also meet the requirements for hedge accounting. Risk management strategies eligible for hedge accounting have been designated as net investment hedges in foreign operations, cash flow hedges and fair value hedges. The following table summarises the types of derivatives that may be used by the Group.

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:	
		i. foreign currency cash inflows and outflows impacting the Group's operations; and	Not designated
		ii. the Group's net investment in foreign operations.	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	In which two parties 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.

## 7.2 Fair value and notional amount of derivatives

			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
<b>As at 31 December 2024</b>								
Type of hedge	Risk Hedged	Instrument type						
<b>Designated for hedge accounting</b>								
Net investment hedges	Currency	Currency forwards	143	-	-	143	2	-
Cash flow hedges	Currency and interest rate	Cross currency interest swaps	-	-	-	-	-	-
Fair value hedges	Currency and interest rate	Cross currency interest swaps	-	-	-	-	-	-
Fair value hedges	Interest rate	Interest rate swaps	-	-	-	-	-	-
			143	-	-	143	2	-
<b>Not designated for hedge accounting</b>								
		Currency forwards	330	-	-	330	1	4
		Equity swaps	-	-	-	-	-	-
		Cross currency interest swaps	1	-	-	1	-	-
		Inflation swaps	-	-	120	120	30	10
			331	-	120	451	31	14
			474	-	120	594	33	14
			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
<b>As at 31 December 2023</b>								
Type of hedge	Risk hedged	Instrument type						
<b>Designated for hedge accounting</b>								
Net investment hedges	Currency	Currency forwards	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
<b>Not designated for hedge accounting</b>								
		Currency forwards	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

## 7.3 Amounts subject to enforceable netting arrangements

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.

**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
<b>As at 31 December 2024</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Derivative financial assets	33	-	33	(11)	(22)	-
Derivative financial liabilities	14	-	14	(11)	(3)	-
<b>As at 31 December 2023</b>						
Derivative financial assets	59	-	59	(23)	(32)	4
Derivative financial liabilities	25	-	25	(23)	-	2

## 8. 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:

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

### *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.

### *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, carrying amounts are reasonable approximations of their fair values. Loans represent direct lending for investment purposes.

The principal financial instruments 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 **5.5% to 12%** and a weighted average of **6.5%** as at 31 December 2024 (5.4% to 12.1% and 6.4%, respectively, as at 31 December 2023).

#### Private fund structures

Debt and equity private 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 2024 range from **2.8% to 7.6%** and have a weighted average of **5.3%** (31 December 2023: 4.2% to 9.5% and 6.7%, respectively). In some cases, the Group discusses each fund's pricing with the fund manager throughout the year. In the event the Group believes that its estimate of the NAV differs from that reported by the fund due to illiquidity or other factors, the Group will adjust the fund's reported NAV to more appropriately represent the fair value of its interest in the investment.

The items presented in the following table are measured in the Consolidated statement of financial position at fair value. 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.

#### 8.1 Categorisation of fair value

	Level 1	Level 2	Level 3	
		Valued using models		
	Valued using quoted (unadjusted market prices)	with observable inputs	without observable inputs	Total
As at 31 December 2024	£m	£m	£m	£m
Debt & fixed income securities	1,060	3,800	302	5,162
Equity securities	452	-	49	501
Investment property	-	-	317	317
Derivative assets	-	33	-	33
Total assets measured at fair value	1,512	3,833	668	6,013
Derivative liabilities	-	14	-	14
Total liabilities measured at fair value	-	14	-	14

As at 31 December 2023

Debt & fixed income securities	1,019	3,563	314	4,896
Equity securities	130	-	69	199
Investment property	-	-	285	285
Derivative assets	-	59	-	59
<b>Total assets measured at fair value</b>	<b>1,149</b>	<b>3,622</b>	<b>668</b>	<b>5,439</b>
Derivative liabilities	-	25	-	25
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>25</b>

#### 8.2 Reconciliation of fair value measurement of Level 3 financial assets and investment property

	FVTPL		Investment property	Total
	Debt securities	Equity securities		
For the year ended 31 December 2024	£m	£m	£m	£m
Balance, beginning of year	314	69	285	668
Gains (losses) <sup>1</sup>	(2)	(1)	3	-
Purchases	70	-	33	103
Disposals	(80)	(19)	(4)	(103)
<b>Balance, end of year</b>	<b>302</b>	<b>49</b>	<b>317</b>	<b>668</b>

<sup>1</sup>Includes £2m of gains in relation to securities and property recognised on the Consolidated statement of financial position at 31 December 2024. These losses are recognised in the Consolidated income statement.



	FVTPL		Investment property	Total
	Debt securities	Equity securities		
	£m	£m	£m	£m
For the year ended 31 December 2023				
Balance, beginning of year	285	90	291	666
Gains (losses) <sup>1</sup>	1	(3)	(9)	(11)
Purchases	127	-	12	139
Disposals	(87)	(17)	(9)	(113)
Exchange adjustment	(12)	(1)	-	(13)
Balance, end of year	314	69	285	668

<sup>1</sup>Includes £15m losses in relation to securities and property recognised on the Consolidated statement of financial position at 31 December 2023. These losses are recognised in the Consolidated income statement.

### 8.3 Fair value sensitivity (Level 3 assets)

The following table shows the Level 3 financial assets and investment property carried on the Consolidated statement of financial position at fair value as at 31 December 2024 and 31 December 2023; the main assumptions used in the valuation of these instruments; and decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions <sup>1</sup>			
		2024		2023	
		Current fair value	Increase/ (decrease) in fair value	Current fair value	Decrease in fair value
Financial assets and investment property	Main assumptions	£m	£m	£m	£m
Level 3 FVTPL financial assets:					
Equity securities	Cash flows; discount rate	49	(1)	69	(1)
Debt & fixed income securities	Cash flows; discount rate	302	(5)	314	(5)
Investment property	Cash flows; discount rate	317	(22)	285	(20)
<b>Total</b>		<b>668</b>	<b>(28)</b>	<b>668</b>	<b>(26)</b>

<sup>1</sup> 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 2023: 50bps). Reasonably possible alternative assumptions for property have been determined using an increase of 50bps in the equivalent yield (31 December 2023: 50bps).

## 9. Financial risk

The Group has a comprehensive risk management framework and internal control procedures designed to manage and monitor various 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 current geopolitical environment increases uncertainty in financial markets. Refer to note 4.2 - Geopolitical risk for more details.

Financial risk includes the following risks:

	Market risk	Credit risk	Liquidity risk
<b>Risk definition</b>	Risk that the fair value or future cash flows of a financial instrument or investment property will fluctuate because of market changes in equity market prices, interest rates or credit spreads, foreign exchange rates, property prices or commodity market.	Risk that counterparties may not be able to meet payment obligations when they become due.	Risk that the Group will encounter difficulty in raising funds to meet obligations associated with financial liabilities.
<b>Reference</b>	<i>Note 9.1</i>	<i>Note 9.2</i>	<i>Note 9.3</i>

### 9.1 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 2024 the Group held investments classified as equity securities FVTPL of **£501m** (2023: FVTPL equity securities £199m). These include interests in structured entities (as disclosed in note 32) 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 **£452m** (2023: £129m) may be more affected by equity index market price risk than by interest rate risk. **£113m** of these securities are held as part of a market neutral equity investment strategy (2023: £nil). Refer to note 6.4 for further information. A 15% fall in the value of equity index prices would result in the recognition of losses of **51m** (2023: £3m) in the Consolidated income statement, net of equity hedges and securities held as part of the market neutral equity strategy.

In addition, the Group holds investments in properties which are subject to property price risk. A decrease of 15% in property prices would result in the recognition of losses of **£48m** (2023: £43m) in the Consolidated income statement and **£3m** (2023: £3m) in OCI.

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 2024, the table below illustrates the impact to the Consolidated income statement and OCI of a hypothetical 100bps change in interest rates on fixed income securities and cash that are subject to interest rate risk. The sum of the impacts shown below on the Consolidated income statement and OCI provides the equivalent equity impact.

Changes in the Consolidated income statement and OCI:

	Decrease in income statement		Decrease in OCI	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>For the years ended 31 December</b>				
<b>Increase in interest rate markets:</b>				
Impact on fixed income securities and cash of an increase in interest rates of 100bps	<b>(68)</b>	(55)	<b>(81)</b>	(70)

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 10.5 - 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 2025 and 1 January 2024 on the following year's Consolidated income statement and OCI.

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 derivatives 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.

	2024	2023
	EUR	EUR
As at 31 December	£m	£m
Consolidated net assets of foreign operations	269	270
Less: foreign-currency derivatives, notional amount	(143)	(148)
<b>Total net currency exposure</b>	<b>126</b>	<b>122</b>

Equity attributable to shareholders is stated after taking account of the effect of currency forwards, 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	10% weakening in Pounds Sterling against Euro
	£m	£m
<b>Movement in equity attributable to shareholders at 31 December 2024</b>	<b>(11)</b>	<b>14</b>
Movement in equity attributable to shareholders at 31 December 2023	(11)	14

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.

#### 9.2 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. To a lesser extent, credit risk also 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 2024 the extent of collateral held by the Group against reinsurance contract assets was **£40m** (2023: £39m), 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 Swiss Re (2023: Berkshire Hathaway, Lloyd's of London and Fairfax Financial holdings). At 31 December 2024 the reinsurance asset recoverable from each of these groups does not exceed **5.5%** (2023: 7.8%) of the Group's total financial assets.

On 27 February 2023, the Group announced that the Trustees of its two major UK DB pension plans (the plans) entered into an agreement with Pension Insurance Corporation (PIC), a specialist insurer of DB pension plans, to purchase annuity buy-in insurance contracts (the buy-ins), as part of their de-risking strategy. The buy-ins transferred the remaining economic and demographic risks associated with the plans to PIC and removed the volatility in relation to the plans from the Group's consolidated statement of financial position. The principal risk remaining is the counterparty risk in respect of PIC. This risk will remain until such time as the Schemes discharge their obligations to their members. A secondary risk relates to potential changes to those obligations that may arise from ongoing data cleanse activities. As part of the transaction with PIC, extensive data cleansing and testing has already been undertaken without any material adjustment to the Schemes' liabilities expected to be required. However, until the exercise has concluded there remains the possibility of further adjustments.

### 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 private funds. For private funds, specific policy limits apply to manage the overall exposure. Management monitors subsequent credit rating changes on a regular basis.

The following table presents the credit quality of the Group's debt and fixed income securities:

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
AAA	<b>33%</b>	33%
AA	<b>20%</b>	24%
A	<b>29%</b>	25%
BBB	<b>17%</b>	17%
<BBB	<b>1%</b>	1%
	<b>100%</b>	100%

### Credit exposure

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.

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	<b>221</b>	320
Debt & fixed income securities	<b>5,162</b>	4,896
Loans	<b>283</b>	391
Reinsurance contract assets	<b>1,310</b>	1,756
Other financial assets <sup>1</sup>	<b>167</b>	650
<b>Credit risk exposure</b>	<b>7,143</b>	8,013

<sup>1</sup> Mainly includes other receivables and recoverables, financial assets related to investments and accrued investment income.

### Impairment assessment

The Group's ECL assessment and measurement method is set out below.

### 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:

- the internal rating of the counterparty indicating default or near-default;
- the counterparty having past due liabilities to public creditors or employees;
- the counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and
- 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 2024.

### 9.3 Liquidity risk

Liquidity risk refers to the risk of loss to the Group due to assets not being available in a form that can immediately be converted into cash, and therefore 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 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 and investment property by contractual maturity

	Less than one year	From one to five years	Over five years	No specific maturity	Total
As at 31 December 2024	£m	£m	£m	£m	£m
Cash and cash equivalents	221	-	-	-	221
Debt & fixed income securities	797	2,425	1,638	302	5,162
Equity securities	-	-	-	501	501
Loans	15	93	175	-	283
Investment property	-	-	-	317	317
	1,033	2,518	1,813	1,120	6,484

#### As at 31 December 2023

Cash and cash equivalents	320	-	-	-	320
Debt & fixed income securities	644	2,606	1,332	314	4,896
Equity securities	-	-	-	199	199
Loans	48	90	253	-	391
Investment property	-	-	-	285	285
	1,012	2,696	1,585	798	6,091

#### Financial liabilities by contractual maturity

	Less than one year	From one to five years	Over five years	Total	Carrying value in the statement of financial position
As at 31 December 2024	£m	£m	£m	£m	£m
Debt outstanding <sup>1</sup>	-	7	120	127	127
Borrowings	-	-	-	-	-
Derivative liabilities	4	-	10	14	14
Lease liabilities <sup>1,2</sup>	13	31	41	85	72
Other financial liabilities <sup>2</sup>	387	14	4	405	405
<b>Total</b>	<b>404</b>	<b>52</b>	<b>175</b>	<b>631</b>	<b>618</b>
Interest on Debt outstanding <sup>3</sup>	8	42	154	204	

As at 31 December 2023

Debt outstanding <sup>1</sup>	-	-	126	126	126
Borrowings	8	-	-	8	8
Derivative liabilities	25	-	-	25	25
Lease liabilities <sup>1</sup>	11	30	38	79	67
Other financial liabilities	275	18	5	298	298
<b>Total</b>	<b>319</b>	<b>48</b>	<b>169</b>	<b>536</b>	<b>524</b>
Interest on Debt outstanding <sup>4</sup>	9	10	-	19	

<sup>1</sup> Maturity profile shown on an undiscounted basis.

<sup>2</sup> Lease liabilities of £31m from one to five years are between £7m and £9m in each year within this period. Other financial liabilities of £14m from one to five years includes £12m in relation to the period between one to two years.

<sup>3</sup> The capital and interest payable on the Debt outstanding have been included up to maturity, see note 16.

<sup>4</sup> The interest payable on the Debt outstanding in 2023 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 debt, see note 16.

#### 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	Total
	£m	£m	£m	£m	£m	£m	£m
<b>As at 31 December 2024</b>							
Insurance contract liabilities <sup>1</sup>	(2,392)	(1,064)	(639)	(405)	(251)	(1,070)	(5,821)
Reinsurance contract assets <sup>1</sup>	505	261	154	92	55	409	1,476
<b>As at 31 December 2023</b>							
Insurance contract liabilities <sup>1</sup>	(2,748)	(1,143)	(628)	(372)	(221)	(639)	(5,751)
Reinsurance contract assets <sup>1</sup>	838	351	181	101	57	193	1,721

<sup>1</sup> Excludes the liability for remaining coverage under the PAA.

There are no insurance contract liabilities or reinsurance contract assets with no specific maturity (2023: Nil).

## 10. Insurance and reinsurance contracts

### 10.1 Insurance revenue

	2024	2023
For the years ended 31 December	£m	£m
<b>Contracts measured under PAA</b>	<b>4,283</b>	<b>3,877</b>
<b>Contracts measured under the GMM</b>		
Amounts related to changes in liability for remaining coverage		
Risk adjustment recognised for the risk expired	2	3
Expected incurred claims and other insurance service expense	59	107
<b>Total insurance revenue</b>	<b>4,344</b>	<b>3,987</b>

### 10.2 Reconciliation of 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*

	LRC		LIC			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts under GMM	Present value of future cash flows	Risk adjustment	Total
For the year ended 31 December 2024	£m	£m	£m	£m	£m	£m
Insurance contract balances, beginning of year	(381)	(59)	(25)	(5,297)	(208)	(5,970)
Changes in comprehensive income:						
Insurance revenue	4,344	-	-	-	-	4,344
Incurred claims and other insurance service expense	-	28	(58)	(3,012)	(51)	(3,093)
Amortisation of insurance acquisition cash flows	(733)	-	-	-	-	(733)
Losses and reversal on onerous contracts	-	(2)	-	-	-	(2)
Adjustments to liabilities for incurred claims	-	-	-	238	78	316
Insurance service expense	(733)	26	(58)	(2,774)	27	(3,512)
Insurance service result from insurance contracts	3,611	26	(58)	(2,774)	27	832
Insurance finance income, net	14	1	1	(153)	(7)	(144)
Exchange rate differences	1	-	-	11	1	13
Total changes in comprehensive income	3,626	27	(57)	(2,916)	21	701
Cash flows						
Premium received	(4,497)	-	-	-	-	(4,497)
Claims and other insurance service expense paid	-	-	68	2,937	-	3,005
Insurance acquisition cash flows	913	-	-	-	-	913
Total cash flows	(3,584)	-	68	2,937	-	(579)
Insurance contract balances, end of year	(339)	(32)	(14)	(5,276)	(187)	(5,848)



	LRC		LIC			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	
For the year ended 31 December 2023						
Insurance contract balances, beginning of year	(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 (net)	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 <sup>1</sup>	(12)	-	-	-	-	(12)
Amounts transferred from insurance acquisition cashflows	21	-	-	-	-	21
Insurance contract balances, end of year	(381)	(59)	(25)	(5,297)	(208)	(5,970)

<sup>1</sup>Includes the write-off of insurance acquisition cash flows related to the UK Personal lines exit. Refer to note 5.2 - Disposals for more details.

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

	2024			2023		
	Present value of future cash flows	Risk adjustment	Total	Present value of future cash flows	Risk adjustment	Total
For the years ended 31 December	£m	£m	£m	£m	£m	£m
<b>Insurance contract liabilities, beginning of year</b>	<b>(218)</b>	<b>(6)</b>	<b>(224)</b>	<b>(320)</b>	<b>(9)</b>	<b>(329)</b>
<b>Changes in comprehensive income:</b>						
Changes that relate to current services:						
Risk adjustment recognised for the risk expired	-	2	2	-	4	4
Experience adjustments	23	-	23	41	-	41
Changes that relate to future services:						
Changes in estimates that do not adjust the contractual service margin	(2)	1	(1)	(28)	(1)	(29)
<b>Insurance service result from insurance contracts</b>	<b>21</b>	<b>3</b>	<b>24</b>	<b>13</b>	<b>3</b>	<b>16</b>
Insurance finance income	3	-	3	-	-	-
<b>Total changes in comprehensive income</b>	<b>24</b>	<b>3</b>	<b>27</b>	<b>13</b>	<b>3</b>	<b>16</b>
<b>Cash flows:</b>						
Claims and other insurance service expenses paid	68	-	68	89	-	89
<b>Total cash flows</b>	<b>68</b>	<b>-</b>	<b>68</b>	<b>89</b>	<b>-</b>	<b>89</b>
<b>Insurance contract liabilities, end of year</b>	<b>(126)</b>	<b>(3)</b>	<b>(129)</b>	<b>(218)</b>	<b>(6)</b>	<b>(224)</b>

**10.3 Insurance contract liabilities**

*Insurance contract liabilities analysed between insurance contract balances and assets for insurance acquisition cash flows*

	2024	2023
As at 31 December	£m	£m
<b>Insurance contract liabilities</b>		
Insurance contract balances	5,848	5,970
Assets for insurance acquisition cash flows	-	(2)
	<b>5,848</b>	<b>5,968</b>

*Movement in assets for insurance acquisition cash flows*

	2024	2023
As at 31 December	£m	£m
Assets for insurance acquisition cash flows, beginning of year	2	15
Amounts incurred during the year	(2)	8
Amounts derecognised and included in the measurement of insurance contracts	-	(21)
<b>Assets for insurance acquisition cash flows, end of year</b>	<b>-</b>	<b>2</b>

Reinsurance contracts analysis by remaining coverage and incurred claims

	ARC		AIC		Total £m
	Excluding loss recovery component	Loss recovery component	Contracts under PAA		
			Present value of future cash flows	Risk adjustment	
For the year ended 31 December 2024	£m	£m	£m	£m	
Reinsurance contract assets, beginning of year	(16)	-	1,721	51	1,756
Changes in comprehensive income:	-	-			
Expense from reinsurance contracts	(566)	-	-	-	(566)
Amounts recoverable for incurred claims and other expenses	-	-	200	6	206
Adjustments to assets for incurred claims	-	-	(93)	(22)	(115)
Changes in non-performance risk of reinsurers	-	-	3	-	3
Income from reinsurance contracts	-	-	110	(16)	94
Net expense from reinsurance contracts	(566)	-	110	(16)	(472)
Reinsurance finance income (expense)	(1)	-	49	2	50
Exchange rate differences	1	-	(6)	-	(5)
Total changes in comprehensive income	(566)	-	153	(14)	(427)
Cash flows					
Premium paid	579	-	-	-	579
Amounts received	-	-	(598)	-	(598)
Total cash flows	579	-	(598)	-	(19)
Reinsurance contract assets, end of year	(3)	-	1,276	37	1,310

	ARC		AIC		Total £m
	Excluding loss recovery component  £m	Loss recovery component  £m	Contracts under PAA		
			Present value of future cash flows  £m	Risk adjustment  £m	
For the year ended 31 December 2023					
Reinsurance contract assets, beginning of year	(77)	5	1,737	53	1,718
Changes in comprehensive income:					
Expense from reinsurance contracts	(808)	-	-	-	(808)
Amounts recoverable for incurred claims and other expenses	-	(5)	672	14	681
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 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

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

	2024			2023		
	Present value of future cash flows	Risk adjustment	Total	Present value of future cash flows	Risk adjustment	Total
For the years ended 31 December	£m	£m	£m	£m	£m	£m
<b>Reinsurance contract assets, beginning of year</b>	-	4	4	2	11	13
<b>Changes in comprehensive income:</b>						
Changes that relate to future services						
Changes in estimates that do not adjust the contractual service margin	-	(2)	(2)	(2)	(8)	(10)
<b>Net expense from reinsurance contracts</b>	-	(2)	(2)	(2)	(8)	(10)
Reinsurance finance income	-	-	-	-	1	1
<b>Total changes in comprehensive income</b>	-	(2)	(2)	(2)	(7)	(9)
<b>Reinsurance contract assets, end of year</b>	-	2	2	-	4	4

#### 10.4 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, geopolitical uncertainty, 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 2024 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 geopolitical uncertainty 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 2025. Clarity has been provided by the Ogden discount rate decisions for the UK nations published in September and December 2024, which impact the lump sum payments in settlement of UK bodily injury claims. The new Ogden discount rate for all the UK nations of +0.5% is higher than the previous rates. This leads to a reduction in the associated claims costs.

##### 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, are 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*

As at 31 December	2024				2023			
	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
<b>GBP</b>	<b>4.9%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>5.3%</b>	5.0%	4.5%	4.4%	4.5%
<b>EUR</b>	<b>2.6%</b>	<b>2.8%</b>	<b>3.0%</b>	<b>3.3%</b>	3.5%	3.2%	3.1%	3.2%
<b>CAD</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.1%</b>	4.9%	4.3%	4.2%	4.2%
<b>USD</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.9%</b>	<b>5.2%</b>	5.2%	4.7%	4.6%	4.7%
<b>Periodic payment orders</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	4.0%	4.0%	4.0%	4.0%

*Risk adjustment*

The risk adjustment is the compensation that the Group requires 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:

- the level of uncertainty in the best estimate;
- the variability of key claims inflation assumptions; and
- 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 2024 (31 December 2023: 76th percentile).

The main assumptions underlying these techniques are:

- historical claims development can be used to generate the full range of potential outcomes; and
- 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.

**10.5 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*

As at 31 December	2024 <sup>1</sup>				2023 <sup>1</sup>			
	Gross of reinsurance <sup>2</sup>		Net of reinsurance <sup>3</sup>		Gross of reinsurance <sup>2</sup>		Net of reinsurance <sup>3</sup>	
	Reserves	Discount rate <sup>4</sup>	Reserves	Discount rate <sup>4</sup>	Reserves	Discount rate <sup>4</sup>	Reserves	Discount rate <sup>4</sup>
	+5%	+1%	+5%	+1%	+5%	+1%	+5%	+1%
<b>Liability for incurred claims</b>	<b>(296)</b>	<b>108</b>	<b>(215)</b>	<b>70</b>	<b>(318)</b>	<b>112</b>	<b>(201)</b>	<b>65</b>

<sup>1</sup> Decreases in reserves and discount rates would produce symmetrical sensitivity values.

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

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

<sup>4</sup> Excludes periodic payment orders. A change of +0.5% in the discount rate of the gross periodic payment orders would increase net profit in the Consolidated income statement by **£22m** as at 31 December 2024 (2023: £22m). A change of +0.5% in the discount rate of net periodic payment orders would increase net profit in the Consolidated income statement by **£12m** as at 31 December 2024 (2023: £12m).

#### 10.6 Reconciliation of the liability for incurred claims to undiscounted value

As at 31 December	2024			2023		
	Direct £m	Ceded £m	Net £m	Direct £m	Ceded £m	Net £m
Undiscounted value	(5,320)	1,179	(4,141)	(5,504)	1,610	(3,894)
Effect of time value of money	386	(90)	296	389	(113)	276
Undiscounted risk adjustment	(201)	43	(158)	(225)	65	(160)
Periodic payment orders <sup>1</sup>	(250)	117	(133)	(247)	110	(137)
Liability for incurred claims before net payables	(5,385)	1,249	(4,136)	(5,587)	1,672	(3,915)
Net payables included in incurred claims	(206)	66	(140)	(142)	104	(38)
Reclass of claims reported under the GMM	116	(2)	114	199	(4)	195
<b>Liability for incurred claims</b>	<b>(5,475)</b>	<b>1,313</b>	<b>(4,162)</b>	<b>(5,530)</b>	<b>1,772</b>	<b>(3,758)</b>

<sup>1</sup> The net periodic payment orders are net of the discount and risk adjustment of **£199m** as at 31 December 2024 (2023: £205m).

#### 10.7 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.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014 & Prior	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimates of undiscounted net cumulative claims	1,581	1,375	1,184	1,014	972	1,017	1,253	1,410	1,058	1,340		
Revised estimates												
One year later		1,287	1,225	1,029	955	1,020	1,280	1,374	1,047	1,306		
Two years later			1,193	1,013	989	1,009	1,258	1,365	1,060	1,250		
Three years later				999	974	1,013	1,251	1,395	1,072	1,245		
Four years later					955	1,002	1,252	1,385	1,087	1,245		
Five years later						1,021	1,250	1,397	1,079	1,256		
Six years later							1,250	1,391	1,077	1,223		
Seven years later								1,398	1,071	1,220		
Eight years later									1,070	1,215		
Nine years later										1,230		
Current estimate	1,581	1,287	1,193	999	955	1,021	1,250	1,398	1,070	1,230		
Cumulative net claims paid to date		(510)	(719)	(673)	(685)	(858)	(1,131)	(1,312)	(1,007)	(1,193)		
<b>Undiscounted net claims</b>	<b>1,581</b>	<b>777</b>	<b>474</b>	<b>326</b>	<b>270</b>	<b>163</b>	<b>119</b>	<b>86</b>	<b>63</b>	<b>37</b>	<b>245</b>	<b>4,141</b>
Effect of time value of money												(296)
Undiscounted risk adjustment												158
Periodic payment orders												133
<b>Net liability for incurred claims before net payables and claims reported under the GMM</b>												<b>4,136</b>
Net payables included in incurred claims												140
Reclass of claims reported under the GMM <sup>1</sup>												(114)
<b>Net liability for incurred claims<sup>2</sup></b>												<b>4,162</b>

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

<sup>2</sup> Refer to Note 10.6 - 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 2024.

## 11. Insurance risk

The Group underwrites general insurance contracts. The Group's exposure to concentration of insurance risk in terms of the geographical area in which risks have been underwritten is provided in note 27 - Operating segments.

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 in years:

As at 31 December	2024	2023
<b>Net liability for incurred claims<sup>1</sup></b>	<b>2.5</b>	<b>2.6</b>

<sup>1</sup> 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 19.7 years as at 31 December 2024 (19.5 years as at 31 December 2023).

Insurance risk is the risk of a loss that arises from the following factors:

- underwriting and pricing risk (Note 11.1);
- fluctuation in the timing, frequency and severity of claims relative to expectations (Note 11.2);
- large, unexpected losses arising from a single event such as a catastrophe (Note 11.3);
- risk related to the liability for incurred claims (Note 11.4); and
- inadequate reinsurance protection (Note 12).

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 Group establishes a liability for incurred claims to cover the estimated

liability for the payment of all losses incurred with respect to 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 below.

### **11.1 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. 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

Insurance revenue for the years ended 31 December and net liability for incurred claims as at 31 December are presented by line of business in the table below:

	2024		2023	
	Insurance revenue	Net liability for incurred claims <sup>1</sup>	Insurance revenue	Net liability for incurred claims <sup>1</sup>
Personal lines	38%	31%	37%	33%
Commercial lines	62%	69%	63%	67%

<sup>1</sup> Represents the net liability for incurred claims excluding net payables included in incurred claims and including net claims reported under the GMM.

### 11.2 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.

### 11.3 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:

- 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
- 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.

### 11.4 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:

- average claim costs, including claim handling costs (severity);
- average number of claims by accident period (frequency);
- trends in claim severity and frequency;
- payment patterns;
- claims inflation including social inflation;
- 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;
- discount rate; and
- risk adjustment (refer to Note 10.4 – Significant accounting judgments, estimates and assumptions for more details).

Refer to Note 10.5 – 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 Chief Actuary

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

## 12. 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*

	2024	2023
As of 1 January	£m	£m
Retention <sup>1</sup>	150	125
Coverage limits <sup>2</sup>	2,100	1,600

<sup>1</sup> Excludes reinstatement premiums and co-participations between the retention level and coverage limits.

<sup>2</sup> Represents the ground up limits before co-participations.

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 acquisition.

Effective 1 January 2025 the Group maintained the same retention at £150m and reduced its coverage limits from £2.1bn to £1.8bn. Effective 1 July 2025, the coverage limits will be reduced to £1.65bn to reflect the reducing exposure from UK Personal Lines as it continues to run-off.

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

## 13. Goodwill and intangible assets

### *13.1 Summary of goodwill and intangible assets*

	Goodwill	Internally developed software	Trade names and customer relationships	Distribution networks	Total
	£m	£m	£m	£m	£m
<b>For the year ended 31 December 2024</b>					
<b>Cost</b>					
Balance, beginning of the year	397	776	35	187	1,395
Additions	-	81	-	-	81
Derecognised	-	(11)	(3)	-	(14)
Exchange adjustment	(3)	(2)	-	-	(5)
<b>Balance, end of the year</b>	<b>394</b>	<b>844</b>	<b>32</b>	<b>187</b>	<b>1,457</b>
<b>Accumulated amortisation</b>					
Balance, beginning of the year	-	446	3	2	451
Amortisation charge	-	110	6	12	128
Amortisation on derecognitions	-	(4)	(3)	-	(7)
Exchange adjustment	-	(1)	-	-	(1)
<b>Balance, end of the year</b>	<b>-</b>	<b>551</b>	<b>6</b>	<b>14</b>	<b>571</b>
<b>Accumulated impairment</b>					
Balance, beginning of the year	47	-	-	-	47
Exchange adjustment	(2)	-	-	-	(2)
<b>Balance, end of the year</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>
<b>Carrying amount, end of the year</b>	<b>349</b>	<b>293</b>	<b>26</b>	<b>173</b>	<b>841</b>

For the year ended 31 December 2023

<b>Cost</b>					
Balance, beginning of the year	73	699	3	-	775
Additions <sup>1</sup>	326	129	32	187	674
Derecognised <sup>2</sup>	-	(52)	-	-	(52)
Exchange adjustment	(2)	-	-	-	(2)
<b>Balance, end of the year</b>	<b>397</b>	<b>776</b>	<b>35</b>	<b>187</b>	<b>1,395</b>
<b>Accumulated amortisation</b>					
Balance, beginning of the year	-	393	2	-	395
Amortisation charge	-	56	1	2	59
Amortisation on derecognition	-	(3)	-	-	(3)
<b>Balance, end of the year</b>	<b>-</b>	<b>446</b>	<b>3</b>	<b>2</b>	<b>451</b>
<b>Accumulated impairment</b>					
Balance, beginning of the year	49	-	-	-	49
Exchange adjustment	(2)	-	-	-	(2)
<b>Balance, end of the year</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>
<b>Carrying amount, end of the year</b>	<b>350</b>	<b>330</b>	<b>32</b>	<b>185</b>	<b>897</b>

<sup>1</sup> Goodwill of £326m and intangible assets of £229m were acquired during the year ended 31 December 2023 in relation to the DLG acquisition.

<sup>2</sup> Mainly related to the UK Personal Lines exit. Refer to note 5.2 - Disposals for more details.

The carrying value of intangible assets not yet available for use at 31 December 2024 is **£87m** (31 December 2023: £136m). This primarily relates to the implementation of strategic software assets in the UK and Ireland.

Amortisation expense of **£57m** (2023: £36m) has been charged to Insurance service expense, **£52m** recognised in Integration and restructuring costs (2023: £20m) and the remaining **£19m** (2023: £3m), recognised in Other expense.

### 13.2 Significant accounting judgements, estimates and assumptions

#### 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.

	2024	2023
As at 31 December	£m	£m
UK	326	326
International (Ireland)	23	24
<b>Total goodwill</b>	<b>349</b>	<b>350</b>

#### Impairment testing

The Group determines whether goodwill and intangible assets are impaired at least annually and whenever events or changes in circumstances indicate that the recoverable amounts may not be recoverable at the CGU level or group of CGUs level. The annual impairment test for the UK and International were performed as at 31 December 2024.

The UK and International CGUs, which correspond to the Group's operating segments, were tested for impairment by comparing their carrying value to their recoverable amount, which has been determined based on a value in use calculation using the following key estimates and assumptions:

- cash flow projections for the next three years are based on operational plans approved by the Board of Directors and determined using budgeted margins based on past performance and management expectations for the CGUs and their industry;
- cash flow projections beyond the three year period are extrapolated using estimated growth rates, based mainly on inflation, as well as demographic or gross domestic product growth perspectives; and
- pre-tax discount rate is based on the weighted-average cost of capital for comparable companies whose activities are similar to the CGUs.

Key assumptions used are as follows:

As at 31 December	Pre-tax discount rate		Long term growth rate	
	2024	2023	2024	2023
UK	11%	15%	0%	4%
International	11%	8%	2%	2%

No goodwill or intangible asset impairment loss has been recognised for these CGUs for the years ended 31 December 2024 and 2023.

#### Sensitivities

The key assumptions used to determine the recoverable amount of each group of CGUs were tested for sensitivity by applying 1% changes to the discount rate and long term growth rates. These are reasonably possible changes and neither of which would result in an impairment.

	Change in recoverable amount less carrying value			
	Goodwill	Recoverable amount less carrying value	Discount rate +1%	Long term growth rate - 1%
	£m	£m	£m	£m
UK	326	865	(276)	(185)
International (Ireland)	23	306	(51)	(31)
<b>Total goodwill</b>	<b>349</b>	<b>1,171</b>	<b>(327)</b>	<b>(216)</b>

#### 14. Property and equipment

Property and equipment is comprised of property and equipment owned, and right-of-use assets, as follows:

	2024	2023
As at 31 December	£m	£m
Property and equipment owned (see below)	54	62
Right-of-use assets (note 31)	51	46
<b>Total property and equipment</b>	<b>105</b>	<b>108</b>

Right-of-use assets relate to leased properties and other equipment. Further information can be found in note 31.

Property and equipment owned

	2024			2023		
	Group occupied property - land and buildings	Other <sup>1</sup>	Total	Group occupied property - land and buildings	Other	Total
For the years ended 31 December	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
Balance, beginning of the year	19	132	151	18	134	152
Additions	2	7	9	5	7	12
Disposals	-	(40)	(40)	-	(10)	(10)
Revaluation adjustments	(4)	-	(4)	(4)	-	(4)
Exchange adjustment	-	(1)	(1)	-	1	1
<b>Balance, end of the year</b>	<b>17</b>	<b>98</b>	<b>115</b>	<b>19</b>	<b>132</b>	<b>151</b>
<b>Accumulated depreciation</b>						
Balance, beginning of the year	-	77	77	-	77	77
Depreciation charge	1	11	12	-	10	10
Depreciation on disposals	-	(30)	(30)	-	(10)	(10)
Revaluation adjustments	(1)	-	(1)	-	-	-
<b>Balance, end of the year</b>	<b>-</b>	<b>58</b>	<b>58</b>	<b>-</b>	<b>77</b>	<b>77</b>
<b>Accumulated impairment</b>						
Balance, beginning of the year	-	12	12	-	10	10
Impairment charge	-	-	-	-	2	2
Impairment on disposals	-	(9)	(9)	-	-	-
<b>Balance, end of the year</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>12</b>	<b>12</b>
<b>Carrying value, end of the year</b>	<b>17</b>	<b>37</b>	<b>54</b>	<b>19</b>	<b>43</b>	<b>62</b>

<sup>1</sup> Other includes fixtures, fittings and other equipment.

The depreciation charge is recognised in 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 2024 is **£11m** (31 December 2023: £10m). The Group occupied property reserve at 31 December 2024 is **£6m** (31 December 2023: £19m).

## 15. Other assets and liabilities

### 15.1. Other assets

	2024	2023
As at 31 December	£m	£m
Financial assets related to investments	61	62
Other debtors	45	73
Pension plans in a surplus position (note 26)	25	23
Accrued investment income	65	51
Prepayments	37	42
<b>Total other assets</b>	<b>233</b>	<b>251</b>
Financial assets related to investments		
Amounts receivable from investment brokers on unsettled trades	25	2
Derivative financial assets (note 7.1)	33	59
Collateral assets	3	1
	<b>61</b>	<b>62</b>
To be settled within 12 months	166	205
To be settled after 12 months	67	46

### 15.2. Other liabilities

	2024	2023
As at 31 December	£m	£m
Financial liabilities related to investments	179	75
Other creditors	39	79
Accruals	162	173
Deferred income	1	4
Lease liabilities	72	67
Pension plans in a deficit position and unfunded plans (note 26)	11	22
Provisions	39	34
Bank overdraft	-	8
<b>Total other liabilities</b>	<b>503</b>	<b>462</b>
Financial liabilities related to investments		
Accounts payable to investment brokers on unsettled trades	28	17
Derivative financial liabilities (note 7.1)	14	25
Collateral liabilities	22	33
Equities sold short positions	115	-
	<b>179</b>	<b>75</b>
To be settled within 12 months	407	349
To be settled after 12 months	96	113

## 16. Debt outstanding

### 16.1. Summary of debt outstanding

As at 31 December	Maturity date	Initial term (years)	Fixed rate	Coupon payment	Principal amount	Amortised cost	
						2024	2023
						£m	£m
GBP notes	Oct-45	31	5.13%	Oct.	£120m	120	119
US bonds	Oct-29	30	8.95%	Apr. & Oct.	\$9m	7	7
<b>Total debt outstanding</b>						<b>127</b>	<b>126</b>

The dated guaranteed subordinated notes were issued on 10 October 2014 at a fixed rate of 5.125%. The notes, with a remaining nominal value of £120m, have a maturity date of 10 October 2045. The Group has the right to redeem the notes in whole on specific dates from 10 October 2025 at a redemption price equal to the principal amount, together with accrued and

unpaid interest. If the notes are not repaid on that date, the rate of interest will be reset to 3.852% plus the appropriate benchmark gilt for a further five year period.

In June 2023, notes with a nominal value of £40m were repurchased and cancelled.

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.

## 16.2 Movement in debt outstanding

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Balance, beginning of year	126	166
Repayment of debt	-	(40)
Amortisation of debt	1	-
<b>Balance, end of year</b>	<b>127</b>	<b>126</b>

## 16.3 Movement in accrued interest payable on issued debt

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Balance, beginning of year	2	2
Interest paid	(7)	(7)
Interest charged	7	7
<b>Balance, end of year<sup>1</sup></b>	<b>2</b>	<b>2</b>

<sup>1</sup>Balance included within Other liabilities on the Consolidated statement of financial position.

## 17. Share capital

The issued share capital of the parent company is fully paid and is summarised in the following table:

	2024		2023	
<b>As at 31 December</b>	<b>Number</b>	<b>£m</b>	<b>Number</b>	<b>£m</b>
Ordinary Shares of £1 each	1,563,286,980	1,563	1,563,286,979	1,563
Preference shares of £1 each	-	-	125,000,000	125
	<b>1,563,286,980</b>	<b>1,563</b>	<b>1,688,286,979</b>	<b>1,688</b>

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
<b>For the year ended 31 December 2024</b>			
<b>Balance, beginning of the year</b>	<b>1,563,286,979</b>	<b>1,563</b>	<b>1,366</b>
Capital injection from 2283485 Alberta Limited	1	-	154
Capital reduction	-	-	(1,520)
<b>Balance, end of the year</b>	<b>1,563,286,980</b>	<b>1,563</b>	<b>-</b>

For the year ended 31 December 2023

Balance, beginning of the year	1,563,286,973	1,563	282
Capital injection from 2283485 Alberta Limited	6	-	1,084
Balance, end of the year	1,563,286,979	1,563	1,366

On 12 June 2024, the Group's Preference Shareholders were invited to tender their preferred shares. This transaction was part of the Group's on-going process of optimising its capital structure, as these perpetual instruments would have lost their regulatory eligibility in 2026 and would no longer have satisfied the purpose for which they were originally issued.

Following the shareholders' approval on 16 July 2024, all 125,000,000 preferred shares were cancelled at an offer price of £1.22 per preferred share plus voting and transaction fees for total cash consideration of approximately £155m. The preferred

shares of £125m were derecognised and a loss of approximately £30m was recorded in retained earnings. In addition, £3m of dividends were accrued and paid to the preferred shareholders related to this transaction.

On 16 July 2024 at a General Meeting of shareholders, a resolution was passed to implement a reduction of capital in the Company by cancelling its share premium account, resulting in the creation of distributable reserves.

## 18. Distributions paid and declared

	2024	2023
For the years ended 31 December	£m	£m
Ordinary shares	182	-
Preferred shares	8	9
	190	9

On 19 July 2024, an ordinary interim dividend of £82m was paid by the Group to 2283485 Alberta Limited.

On 25 November 2024, an ordinary interim dividend of £100m was paid by the Group to 2283485 Alberta Limited.

The Group's Preference Shareholders received a dividend at the rate of 7.375% per annum until the cancellation of the preferred shares on 16 July 2024. Refer to note 17 - Share capital for further information.

## 19. Capital management

### 19.1 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.

### 19.2 Regulatory solvency position during 2024

The Group operates a Prudential Regulation Authority (PRA) approved Solvency UK Internal Model which forms the basis of the primary Solvency UK 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 2024. As at 31 December 2024, the Group's unaudited estimated coverage of its Solvency UK SCR is approximately **1.8 times** (31 December 2023: 1.7 times).

### 19.3 Tangible net asset value (TNAV)

TNAV is one of many capital metrics used by the Group and reconciles to IFRS net assets as follows:

	2024	2023
As at 31 December	£m	£m
Equity attributable to shareholders	2,767	2,812
Less: preference share capital	-	(125)
Less: goodwill and intangibles	(841)	(897)
<b>TNAV</b>	<b>1,926</b>	<b>1,790</b>



The key movements in TNAV are as follows:

	2024	2023
For the years ended 31 December	£m	£m
<b>Balance, beginning of the year</b>	<b>1,790</b>	2,040
Profit / (loss) after tax <sup>1</sup>	<b>307</b>	(33)
Exchange gains net of tax	<b>1</b>	6
Fair value gains net of tax	<b>2</b>	66
Pension fund losses net of tax	<b>(34)</b>	(742)
Dividends (note 18)	<b>(190)</b>	(9)
Goodwill and intangible additions and disposals	<b>(74)</b>	(622)
Share issue (note 17)	<b>154</b>	1,084
Cancellation of preference shares	<b>(30)</b>	-
<b>Balance, end of the year</b>	<b>1,926</b>	1,790

<sup>1</sup> Profit (loss) after tax excludes amortisation and impairment of intangible assets.

#### **19.4 Own risk and solvency assessment (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 November 2024. 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.

## 20. Net investment return and net insurance financial result

### 20.1 Net investment return and net insurance financial result

	2024	2023
For the years ended 31 December	£m	£m
Net investment income	251	185
Net (losses) gains on investment portfolio	(119)	5
Net investment return	132	190
Net insurance financial result	(94)	(119)
<b>Net investment return and net insurance financial result</b>	<b>38</b>	<b>71</b>

### 20.2 Net investment income

	2024	2023
For the years ended 31 December	£m	£m
Interest income calculated using the effective interest method:		
Debt securities classified as FVTOCI	111	64
Loans and cash and cash equivalents at amortised cost	28	25
Interest and similar income on securities classified or designated as FVTPL	93	82
<b>Interest income</b>	<b>232</b>	<b>171</b>
<b>Dividend income on FVTPL equity securities</b>	<b>11</b>	<b>11</b>
<b>Investment property rental income</b>	<b>17</b>	<b>12</b>
<b>Investment income</b>	<b>260</b>	<b>194</b>
<b>Investment expense</b>	<b>(9)</b>	<b>(9)</b>
<b>Net investment income</b>	<b>251</b>	<b>185</b>

### 20.3 Net gains (losses) on investment portfolio

	2024			2023		
	Fixed income	Equity and property	Total	Fixed income	Equity and property	Total
For the years ended 31 December	£m	£m	£m	£m	£m	£m
<b>Net gains (losses) from:</b>						
Financial instruments:						
Classified as FVTOCI	5	-	5	92	-	92
Classified or Designated as FVTPL	(33)	2	(31)	56	7	63
	(28)	2	(26)	148	7	155
Derivatives <sup>1</sup>	-	4	4	-	-	-
Investment property	-	3	3	-	(9)	(9)
Net foreign currency gains (losses)	(94)	-	(94)	(47)	1	(46)
ECL expense <sup>2</sup>	(1)	-	(1)	(1)	-	(1)
	(123)	9	(114)	100	(1)	99
<b>Recognised in:</b>						
Profit (loss)	(128)	9	(119)	8	(1)	7
OCI	5	-	5	92	-	92
<b>Total gains (losses) on investment portfolio</b>	<b>(123)</b>	<b>9</b>	<b>(114)</b>	<b>100</b>	<b>(1)</b>	<b>99</b>

<sup>1</sup> 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.

<sup>2</sup> ECL expense is not significant due to the high credit quality of the investment portfolio.

## 20.4 Net insurance financial result

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	(223)	(226)
Changes in discount rates and other financial assumptions	(6)	(28)
Net foreign currency gains	85	75
<b>Insurance finance expense</b>	<b>(144)</b>	<b>(179)</b>
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	59	71
Changes in discount rates and other financial assumptions	(2)	7
Net foreign currency losses	(7)	(18)
<b>Reinsurance finance income</b>	<b>50</b>	<b>60</b>
<b>Net insurance financial result</b>	<b>(94)</b>	<b>(119)</b>

## 21. Other net gains (losses) and other income and expense

### 21.1 Components of other net gains (losses)

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Gain (loss) on disposal of business <sup>1</sup>	95	(6)
Other net foreign currency gains (losses)	2	(1)
Other <sup>2</sup>	3	-
	<b>100</b>	<b>(7)</b>

<sup>1</sup>Mainly relates to the sale of the UK direct Home and Pet operations completed on 31 March 2024. Refer to note 5 - Business combinations and disposals for further information.

<sup>2</sup>£3m represents the release of non-payable contingent consideration in respect of the 2023 DLG acquisition.

### 21.2 Other income and other expense

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Other income <sup>1</sup>	1	30
Other expense <sup>2</sup>	(130)	(86)
	<b>(129)</b>	<b>(56)</b>

<sup>1</sup> Includes pension interest income.

<sup>2</sup> Refer to 22 for further information.

## 22. Expense by nature

	Amortisation of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
For the year ended 31 December 2024	£m	£m	£m	£m
Claims and adjustment expenses	-	2,458	-	2,458
Risk adjustment	-	(27)	-	(27)
Losses on onerous contracts <sup>1</sup>	-	(26)	-	(26)
Commissions	465	-	-	465
Premium taxes and levies	1	-	-	1
Allocated indirect expenses <sup>2</sup>	267	374	71	712
Amortisation of acquired intangible assets <sup>3</sup>	-	-	19	19
Administration and other expenses	-	-	40	40
	733	2,779	130	3,642
<b>Represented by:</b>				
Insurance service expense	733	2,779	-	3,512
Other expense	-	-	130	130
	733	2,779	130	3,642

### For the year ended 31 December 2023

Claims and adjustment expenses	-	2,650	-	2,650
Risk adjustment	-	6	-	6
Losses on onerous contracts <sup>1</sup>	-	(41)	-	(41)
Commissions	467	-	-	467
Premium taxes and levies	1	-	-	1
Allocated indirect expenses <sup>2</sup>	259	323	68	650
Amortisation of acquired intangible assets <sup>3</sup>	-	-	3	3
Administration and other expenses	-	-	15	15
	727	2,938	86	3,751
<b>Represented by:</b>				
Insurance service expense	727	2,938	-	3,665
Other expense	-	-	86	86
	727	2,938	86	3,751

<sup>1</sup> Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.

<sup>2</sup> Mainly includes salaries, rent and technology costs.

<sup>3</sup> Includes the amortisation of acquired distribution networks and trade names.

## 23. Integration and restructuring costs

Integration costs include restructuring costs related to acquisitions by the Group and to the Group being acquired, including redundancy costs, retention bonuses and system integration. Restructuring and other costs include restructuring costs not related to acquisitions by the Group or to the Group being acquired, including impairment expenses and expenses related to the implementation of significant new accounting standards.

	2024 £m	2023 £m
<b>For the years ended 31 December</b>		
Integration costs	(60)	(54)
Restructuring and other costs	(104)	(108)
	(164)	(162)

## 24. Income taxes

### 24.1 Income tax expense recognised in the Consolidated income statement

	2024 £m	2023 £m
<b>For the years ended 31 December</b>		
<b>Current tax:</b>		
Charge for the year	37	35
Adjustments in respect of prior years	9	(1)
<b>Total current tax</b>	<b>46</b>	<b>34</b>
<b>Deferred tax:</b>		
Charge (credit) for the year	(19)	36
Adjustments in respect of prior years	(11)	-
<b>Total deferred tax</b>	<b>(30)</b>	<b>36</b>
<b>Total tax charge</b>	<b>16</b>	<b>70</b>

### 24.2 Effective income tax rate

	2024 £m	2023 £m
<b>For the years ended 31 December</b>		
(Profit) loss on ordinary activities before tax	(195)	19
Tax at the UK rate of <b>25%</b> (2023: 23.5%)	49	(4)
Tax effect of:	-	-
Income / gains not taxable (or taxed at lower rate)	(2)	(1)
Expenses not deductible for tax purposes	3	2
Non-taxable loss (gain) on sale of subsidiaries	-	5
Increase (Decrease) of current tax in respect of prior periods	9	(1)
Increase (Decrease) of deferred tax in respect of prior periods	(11)	-
(Recognition) de-recognition of prior year deferred tax assets	(33)	35
Different tax rates of subsidiaries operating in other jurisdictions	(3)	-
IFRS 17 transitional adjustment	-	42
Other	4	(8)
<b>Income tax expense</b>	<b>16</b>	<b>70</b>
<b>Effective tax rate</b>	<b>8%</b>	<b>(368)%</b>

The main drivers of the Group's tax charge for year ended 31 December 2024 are as follows:

- the significant contributions paid to the UK pension plans in 2023 in respect of the buy-ins meant that the tax relief for a portion of these contributions was deferred and becomes deductible in years 2024-26. These deferred contributions created a new deferred tax asset recognised in OCI, where the buy-in transactions are accounted for. Due to restrictions on UK deferred tax asset recognition, as the new OCI deferred tax asset unwinds it is replaced by previously displaced temporary differences in the income statement. This re-recognition results in a £27m deferred tax credit in the Consolidated income statement, with an offsetting £27m deferred tax charge in OCI. There is no change in the net deferred tax asset on the Consolidated statement of financial position.
- the recognised deferred tax asset increased by £11m (predominantly in the UK, £10m), due to increased forecast future taxable profits. £6m of this increase is recognised in the Consolidated income statement in the year (with the balance in OCI). See the deferred tax disclosures below for further details.
- an adjustment in respect of prior years arose for current tax and deferred tax in the UK on the gain on disposal of the direct personal home and pet business lines to Admiral. A portion of the gain on sale was taxable when the business transfer agreement was signed (in December 2023) rather than in 2024 when it arose for accounting purposes. As a consequence, the current tax expense relating to 2023 was increased (£9m) and a new deferred tax asset (£10m) recognised for the timing difference. The net overall impact is a c£1m reduction in the 2024 tax charge as a consequence of the tax rate difference.

### 24.3 Income tax recognised in OCI

	Current Tax		Deferred Tax		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
<b>For the years ended 31 December</b>						
Fair value gains and losses	-	-	-	22	-	22
Remeasurement of net defined benefit pension liability	(43)	(29)	(23)	(89)	(20)	(118)
<b>Total credited to OCI</b>	<b>(43)</b>	<b>(29)</b>	<b>(23)</b>	<b>(67)</b>	<b>(20)</b>	<b>(96)</b>

Foreign exchange arising on the revaluation of current and deferred tax balances is reported through OCI 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** (2023: less than £10m).

### 24.4 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.

For the years ended 31 December	2024		2023	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
UK	25.00%	25.00%	23.50%	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.

### 24.5 Current and deferred tax

#### Current tax

	Asset		Liability	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>As at 31 December</b>				
To be settled within 12 months	-	1	(2)	(2)
To be settled after 12 months	1	1	-	-
<b>Current tax position</b>	<b>1</b>	<b>2</b>	<b>(2)</b>	<b>(2)</b>

#### Deferred tax

	Asset		Liability	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>As at 31 December</b>				
<b>Deferred tax position</b>	<b>275</b>	<b>266</b>	<b>2</b>	<b>-</b>

There is a **£7m increase** in net deferred tax assets during the period (2023: £1m decrease).

Tax assets and liabilities are recognised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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 2023.

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 £11m of deferred tax assets was recognised during the period due to an increase in forecast taxable profits; £10m of which was in the UK with the balance in Ireland (£1m). The recognition of UK deferred tax assets was of previously unrecognised tax losses and therefore the recognition was in the Consolidated income statement and in OCI in the proportion in which the losses had arisen (45%:55%).

The UK forecast profits for DTA purposes are prudent and therefore assume no UK premium growth and no overseas premium growth post year 3 in the projection. The base forecasts also incorporate a contingency of **£35m per annum** (31 December

2023: £55m per annum). 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 which included a 1% deterioration in COR, a decline in return of investment income of 100 basis points and a number of other prudent expense assumptions. The UK DTA recognition will be reassessed in 2025 once the NIG integration journey is more advanced, the UK personal line exits and run-offs are more progressed and continued improvement in UK profitability is 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*

		2024	2023
<b>As at 31 December</b>	<b>Change in assumption</b>	<b>£m</b>	<b>£m</b>
Change in COR <sup>1</sup> across all 5 years	1% increase	(23)	(22)
	1% decrease	21	22
Forecast modelling period	1 year reduction	(69)	(66)
Change in bond yields	50 basis points increase	(10)	(6)
	50 basis points decrease	10	6

<sup>1</sup> COR is a measure of underwriting performance and is the ratio of underwriting costs expressed in relation to earned premiums.

A deferred tax asset of **£21m** is recognised in respect of temporary differences arising from unrealised losses on the FVTOCI bond portfolio (31 December 2023: £21m). 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 which unwinds over 10 years via the income statement.

The tax relief for a portion of the pension contributions paid to RSA's pension schemes in 2023 under the buy-in transaction was deferred under UK tax rules and is deductible in years 2024-26 (on a straight-line basis). The deferred contributions created a new category of deferred tax asset which was recognised in OCI. The original recognition in 2023 (£81m with a 3 year unwind) displaced previously recognised temporary differences in the Consolidated income statement. As the deferred tax asset unwinds (£27m in 2024) it is replaced by unrecognised 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.

In 2024, the UK group has recognised a £30m 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 5 for further detail). The deferred tax liability is unwinding over 15 years. This deferred tax liability is partially offset by the recognition of additional deferred tax assets (£15m).

#### *Movement in the net deferred tax assets*

	2024	2023
<b>For the years ended 31 December</b>	<b>£m</b>	<b>£m</b>
Balance, beginning of the year	266	267
Amounts credited (charged) to the Consolidated income statement	30	(36)
Amounts (charged) credited to OCI	(23)	67
Amounts arising on business combination	-	(32)
<b>Balance, end of the year</b>	<b>273</b>	<b>266</b>

Major deferred tax assets (liabilities) recognised by the Group

	Balance, beginning of the year	Charged to Consolidated income statement	Charged to Consolidated OCI	Charged to Consolidated statement of financial position	Balance, end of the year
For the year ended 31 December 2024	£m	£m	£m	£m	£m
Net unrealised losses (gains) on investments	21	-	-	-	21
Tax losses and unused tax credits	34	6	5	-	45
Other deferred tax reliefs	91	22	-	-	113
Net insurance contract liabilities	(2)	(1)	-	-	(3)
Retirement benefit obligations	80	-	(28)	-	52
Capital allowances	70	-	-	-	70
Provisions and other temporary differences	(28)	3	-	-	(25)
<b>Net deferred tax asset</b>	<b>266</b>	<b>30</b>	<b>(23)</b>	<b>-</b>	<b>273</b>
For the year ended 31 December 2023					
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)
<b>Net deferred tax asset</b>	<b>267</b>	<b>(36)</b>	<b>67</b>	<b>(32)</b>	<b>266</b>

Unrecognised tax assets

At the end of the reporting period, the Group had the following unrecognised tax assets:

	2024		2023	
	Gross amount	Tax effect	Gross amount	Tax effect
As at 31 December	£m	£m	£m	£m
Trading tax losses	2,114	502	2,087	489
Deductible temporary differences	415	104	501	125
Capital tax losses	1,284	321	1,274	319
<b>Unrecognised tax assets</b>	<b>3,813</b>	<b>927</b>	<b>3,862</b>	<b>933</b>

The Group's unrecognised trading losses are located in the UK, Ireland, France, and Luxembourg 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 (£1,284m), 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 2023: £2m) of the gross trading tax losses are attributable to Luxembourg and will expire in 2036.

## 24.6 Pillar 2

In May 2023, the IASB issued International Tax Reform - Pillar two Model Rules, which amended IAS 12, Income Taxes (IAS 12) for fiscal years beginning as of 31 December 2023. The amendments, which the Group has applied, include a mandatory 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 Group has prepared its financial statements to consider enacted and substantively enacted Pillar Two legislation, with an effective date of 1 January 2024, in jurisdictions in which it operates. There was no material impact on the Consolidated financial statements for the year ended 31 December 2024.



## 25. Share-based payments

The total amount included within staff costs in the Consolidated income statement in respect of all share scheme plans in 2024 is set out below.

### 25.1 Analysis of share scheme costs

	2024	2023
For the years ended 31 December	£m	£m
Long term incentive plan (LTIP)	11	7
Save as you earn (SAYE)	7	3
<b>Total</b>	<b>18</b>	<b>10</b>

### 25.2 Analysis of awards

	2024		2023	
	Awarded during the year	Total value granted	Awarded during the year	Total value granted
For the years ended 31 December	£m	£m	£m	£m
LTIP	8	22	8	22
SAYE	-	9	-	2
<b>Total</b>	<b>8</b>	<b>31</b>	<b>8</b>	<b>24</b>

The balance of the value of the awards will be charged to the Consolidated income statement during the remaining vesting periods.

### 25.3 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:

- IFC's estimated ROE outperformance versus an industry benchmark, based on a three-year average; or
- 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		
Performance cycles	Number of units	Weighted average fair value at grant date £	Total £m	Number of units	Weighted average fair value at grant date £	Total £m
2021 - 2023	-	-	-	44,681	94.17	4
2022 - 2024	52,479	102.66	5	55,777	102.66	6
2022 - 2026	12,723	102.66	1	12,723	102.66	1
2023 - 2025	49,681	118.40	6	54,428	118.40	6
2024 - 2026	57,537	116.04	7	-	-	-
Special cycles	27,162	112.66	3	18,339	110.67	2
Integration cycles	-	-	-	29,227	94.17	3
	199,582	111.79	22	215,175	104.41	22

*Movement in LTIP shares*

	2024	2023
For the years ended 31 December	(in units)	(in units)
Outstanding, beginning of year	210,940	167,264
Awarded	64,121	54,503
Net change in estimate of units outstanding	(9,818)	(10,271)
Units settled	(83,245)	(556)
<b>Outstanding, end of year</b>	<b>181,998</b>	<b>210,940</b>

**25.4 Save as you earn IFC shares**

Employees can 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.

*Movement in SAYE shares*

	2024		2023	
	(in units)		(in units)	
For the years ended 31 December	Sharesave	Sharebuild	Sharesave	Sharebuild
Outstanding, beginning of year	220,407	3,562	177,989	2,213
Granted	90,464	2,378	61,111	1,865
Exercised	(4,808)	(170)	(3,426)	(286)
Cancelled	(6,403)	-	(8,725)	-
Forfeited	(7,980)	(286)	(6,150)	(230)
Expired	(2,376)	-	(392)	-
<b>Outstanding, end of year</b>	<b>289,304</b>	<b>5,484</b>	<b>220,407</b>	<b>3,562</b>

**25.5 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	£67.94
2022 - 2025	£59.10
2023 - 2026	£31.42
2024 - 2027	£29.03
Exercise price <sup>1</sup>	
2021 - 2024	£79.79
2022 - 2025	£89.82
2023 - 2026	£88.70
2024 - 2027	£116.12
Share price at valuation date	£150.29
Expected life <sup>2</sup>	3.2 years
Risk-free interest rate	2.94%
Expected volatility <sup>3</sup>	16.58%
Dividend yield	2.12%

<sup>1</sup> The exercise price represents the weighted average trading price for the three-week period preceding the grant date.

<sup>2</sup> The maturity date of the options outstanding varies between December 2025 and December 2027.

<sup>3</sup> 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.

## 26. Employee future benefits

### 26.1 Defined contribution pension plans

Costs of **£40m** (2023: £38m) were recognised in respect of defined contribution plans by the Group.

### 26.2 DB pension plans

#### Funded status

The DB obligation, net of the fair value of plan assets, is recognised on the Consolidated statement of financial position as an asset when the plan is in a surplus position, or as a liability when the plan is in a deficit position. This classification is determined on a plan-by-plan basis.

	2024			2023		
As at 31 December	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
DB obligation (funded)	(4,895)	(54)	(4,949)	(5,459)	(59)	(5,518)
DB obligation (unfunded)	(3)	-	(3)	(4)	-	(4)
Fair value of plan assets	4,898	70	4,968	5,449	76	5,525
	-	16	16	(14)	17	3
Other net surplus remeasurements	(2)	-	(2)	(2)	-	(2)
<b>Net DB asset (liability)</b>	<b>(2)</b>	<b>16</b>	<b>14</b>	<b>(16)</b>	<b>17</b>	<b>1</b>
<b>Recognised in:</b>						
Other assets - plans in a surplus position	9	16	25	6	17	23
Other liabilities - plans in a deficit position and unfunded plans	(11)	-	(11)	(22)	-	(22)
	(2)	16	14	(16)	17	1

#### UK plans

The major DB pension plans are in the UK. The UK DB 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 25% (35% as at 31 December 2023) tax cost of an authorised return of surplus, classified as Other net surplus remeasurements. The Group's 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, inflation risk and longevity risk. However the completion of the buy-ins during 2023 removed all significant risk exposures for the two main UK DB plans. Refer to note 26.6 - Purchase of annuity buy-in insurance contracts for more details.

The profile of the members of the two main UK DB 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 dependants receiving benefits	19,340
<b>Total members</b>	<b>40,290</b>

#### *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.

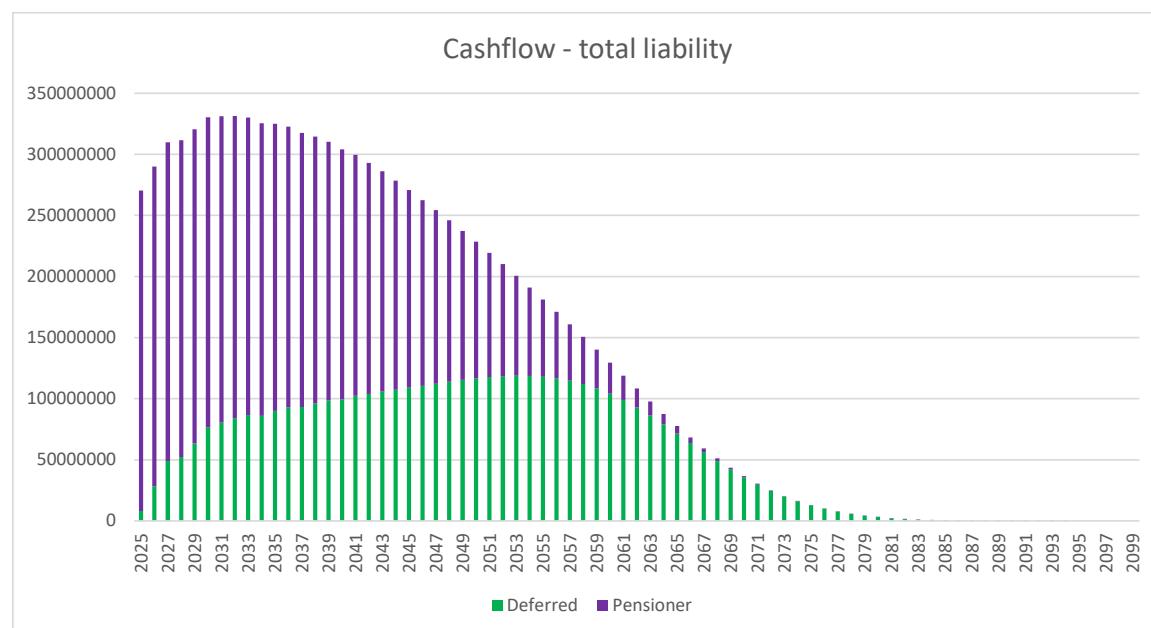
The effective date of the most recent valuations of the main UK plans is 31 March 2021. At that date, the main UK plans had an aggregate funding deficit of £138 million, equivalent to a funding level of 98%. The Company and the Trustees agreed on funding plans to eliminate the funding deficits by 2025.

For the two main UK plans, the level of contributions in 2024 was **£80m** (2023: £611m), including contributions required for payment of the remaining deferred annuity premium, the termination of the plans' longevity swaps, and ongoing expenses.

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 and any residual payments relating to the final annuity premium (see Note 26.6 - *Purchase of annuity buy-in insurance contracts* for more details).

Expected contributions to the main UK plans for the year ending 31 December 2025 are approximately **£15m**, clearing the remaining deficit as well as covering ongoing expenses and regulatory levies.

The maturity profile of the undiscounted cash flows of the two main UK DB 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 **12 years** (2023: 13 years).

### Non-UK plans

The Group also operates a DB 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.

### 26.3 Movement in the DB obligation and fair value of plan assets

	Present value of obligations	Fair value of plan assets	Other net surplus remeasure ments	Net surplus (deficit)
	£m	£m	£m	£m
<b>For the year ended 31 December 2024</b>				
<b>Balance, beginning of year</b>	<b>(5,522)</b>	<b>5,525</b>	<b>(2)</b>	<b>1</b>
Interest income (expense)	(244)	245	-	1
Administration costs	-	(13)	-	(13)
<b>Total income (expenses) recognised in income statement</b>	<b>(244)</b>	<b>232</b>	<b>-</b>	<b>(12)</b>
Return on plan assets less amounts in interest income <sup>1</sup>	-	(569)	-	(569)
Effect of changes in financial assumptions	560	-	-	560
Experience losses	(44)	-	-	(44)
Investment expenses	-	(1)	-	(1)
<b>Remeasurements recognised in OCI</b>	<b>516</b>	<b>(570)</b>	<b>-</b>	<b>(54)</b>
Employer contribution	-	81	-	81
Benefit payments	297	(297)	-	-
Exchange adjustment	3	(3)	-	-
<b>Balance, end of year</b>	<b>(4,950)</b>	<b>4,968</b>	<b>(2)</b>	<b>16</b>
Deferred tax	-	-	-	-
<b>IAS 19 net surplus net of deferred tax</b>	<b>(4,950)</b>	<b>4,968</b>	<b>(2)</b>	<b>16</b>
<b>For the year ended 31 December 2023</b>				
<b>Balance, beginning of year</b>	<b>(5,461)</b>	<b>5,792</b>	<b>(110)</b>	<b>221</b>
Interest income (expense)	(258)	298	-	40
Administration costs	-	(10)	-	(10)
<b>Total income (expenses) recognised in income statement</b>	<b>(258)</b>	<b>288</b>	<b>-</b>	<b>30</b>
Return on plan assets less amounts in interest income	-	(13)	-	(13)
Annuity buy-in insurance contracts <sup>2</sup>	-	(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	-	-	108	108
<b>Remeasurements recognised in OCI</b>	<b>(93)</b>	<b>(876)</b>	<b>108</b>	<b>(861)</b>
Employer contribution	-	611	-	611
Benefit payments	288	(288)	-	-
Exchange adjustment	2	(2)	-	-
<b>Balance, end of year</b>	<b>(5,522)</b>	<b>5,525</b>	<b>(2)</b>	<b>1</b>
Deferred tax	-	-	-	-
<b>IAS 19 net surplus net of deferred tax</b>	<b>(5,522)</b>	<b>5,525</b>	<b>(2)</b>	<b>1</b>

<sup>1</sup>The Group terminated longevity swaps resulting in a net actuarial loss of £33m in OCI. Refer to note 26.7 - Asset and longevity swaps for more details.

<sup>2</sup> 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 26.6 - Purchase of annuity buy-in insurance contracts for more details.

### 26.4 Composition of pension plan assets

The pension plan assets are mainly composed of annuity buy-in insurance contracts. The composition of the fair value of pension plan assets by category and quoted and unquoted is shown below:

	2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
<b>As at 31 December</b>						
Cash and cash equivalents	22	-	22	33	-	33
Government debt securities	49	-	49	60	-	60
Non-government debt securities	15	4	19	14	3	17
Debt securities	64	4	68	74	3	77
Equity securities	15	-	15	15	-	15
Annuity buy-in insurance contracts	-	4,860	4,860	-	5,445	5,445
Derivative financial instruments	-	(3)	(3)	-	(8)	(8)
Investment property	1	-	1	1	-	1
Other	-	5	5	-	69	69
<b>Total investments</b>	<b>102</b>	<b>4,866</b>	<b>4,968</b>	<b>123</b>	<b>5,509</b>	<b>5,632</b>
Deferred annuity premium	-	-	-	-	(107)	(107)
<b>Total assets</b>	<b>102</b>	<b>4,866</b>	<b>4,968</b>	<b>123</b>	<b>5,402</b>	<b>5,525</b>

## 26.5 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 26.6 - *Purchase of annuity buy-in insurance contracts* for further details).

The weighted average principal actuarial assumptions used are:

	UK		Other	
	2024 %	2023 %	2024 %	2023 %
<b>For the years ended 31 December</b>				
<b>Assumptions used in calculation of retirement benefit obligations:</b>				
Discount rate	5.46	4.54	3.75	3.55
Annual rate of inflation (RPI)	3.18	3.05	-	-
Annual rate of inflation (CPI)	2.63	2.45	2.20	2.40
Annual rate of increase in pensions <sup>1</sup>	3.01	2.91	2.20	2.40
<b>Assumptions used in calculation of pension net interest costs for the year:</b>				
Discount rate	4.54	4.86	3.55	4.25

<sup>1</sup> 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 2023 tables (2023: CMI 2022 tables) with a long-term improvement rate of 1.25% (2023: 1.25%). The weighted average assumptions imply the following expected future lifetimes:

<b>As at 31 December</b>	<b>2024</b>	<b>2023</b>
<b>Life expectancy (in years) for pensioners at the age of 60:</b>		
Male	26.7	26.7
Female	28.6	28.5

**Life expectancy (in years) for future pensioners in 15 years' time at the age of 60:**

Male	<b>27.6</b>	27.6
Female	<b>29.7</b>	29.6

**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.

<b>As at 31 December</b>	<b>Change in assumption</b>	<b>2024 £m</b>	<b>2023 £m</b>
Discount rate	Increase by 0.25%	<b>(135)</b>	(167)
	Decrease by 0.25%	<b>141</b>	176
	Increase by 1.00%	<b>(503)</b>	(619)
	Decrease by 1.00%	<b>609</b>	762
RPI/CPI <sup>1</sup>	Increase by 0.25%	<b>90</b>	114
	Decrease by 0.25%	<b>(90)</b>	(112)
Core mortality rates <sup>2</sup>	Decrease by 13%	<b>164</b>	198
	Increase by 13%	<b>(165)</b>	(198)
Long-term future improvements to mortality rates	Increase by 0.25%	<b>22</b>	31
	Decrease by 0.25%	<b>(22)</b>	(31)

<sup>1</sup> 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.

<sup>2</sup> Reducing the core mortality rates by 13% is broadly equivalent to increasing the life expectancy of a male aged 60 years by 1 year at 31 December 2024.

**26.6 Purchase of annuity buy-in insurance contracts**

On 27 February 2023, the Group announced that the Trustees of its two major UK DB pension plans (the plans) entered into an agreement with Pension Insurance Corporation (PIC), a specialist insurer of DB pension plans, to purchase annuity buy-in insurance contracts (the buy-ins), as part of their de-risking strategy. The buy-ins transferred the remaining economic and demographic risks associated with the plans to PIC and removed the volatility in relation to the plans from the Group's consolidated statement of financial position. The principal risk remaining is the counterparty risk in respect of PIC. This risk will remain until such time as the Schemes discharge their obligations to their members.

A secondary risk relates to potential changes to those obligations that may arise from ongoing data cleanse activities. As part of the transaction with PIC, extensive data cleansing and testing has already been undertaken without any material adjustment to the Schemes' liabilities expected to be required. However, until the exercise has concluded there remains the possibility of further adjustments. The Group has monitored developments regarding a Court of Appeal ruling in 2024, upholding a High Court decision, which ruled that certain past amendments to a scheme contracted out of the state second pension were invalid, due to the lack of an appropriate actuarial confirmation under the Pension Schemes Act 1993. The Group has considered this ruling and continues to believe the plans were appropriately administered, that the plans' liabilities are materially correct and has determined that the most material amendments made to the plans were carried out appropriately. Further legal cases are likely to be brought, and the Group will monitor these to determine what, if any, further action needs to be taken and what, if any, impact there may be on the plans' liabilities.

At the transaction date, the plans transferred the majority of their assets and an upfront contribution of £481m to PIC. Of the total buy-in premium of £6.3 billion, an amount of £550m was deferred and subsequently paid during 2023 and 2024 through the sale of certain less liquid assets that were initially retained by the plans, but were liquidated by the end of 2023. During the year ended 31 December 2023, the plans paid £457m of the deferred annuity premium. The remaining portion of the deferred annuity premium was paid during the year ended 31 December 2024. In addition, the plans retained longevity swaps that were already in place. Refer to note 26.7 - Asset and longevity swaps 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 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 was recognised in OCI during the year ended 31 December 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-ins were funded through the injection of share capital from the Group's immediate parent company, 2283485 Alberta Limited, of £480m.

## 26.7 Asset and longevity swaps

In 2009, the UK DB pension plans entered into an arrangement that provided coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment from the 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. On the buy-in transaction date, the portfolio and asset swaps were novated to PIC and the longevity swaps remained in place as plan assets of the 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, based on the value of the associated DB obligation under IAS 19.

On 11 November 2024, the Group agreed to terminate the longevity swaps and, simultaneously, to adjust the buy-ins acquired in 2023 from PIC to receive replacement cover. This termination enhances the Group's strategic flexibility in managing its pension obligations. As a result, on the agreement's effective date of 15 November 2024, the Group recognised a net actuarial loss of £33m in OCI. The net actuarial loss reflects a combination of the termination fees due and differences in the latest view of life expectancy.

## 27. Operating segments

### 27.1 Reportable segments

The Group's primary operating segments comprise UK, International and Central Functions. The primary operating segments are based on geography and, during 2024, were engaged in providing personal and commercial general insurance services. During 2023, the Group announced its intention to exit from the UK Personal lines general insurance market. This forms part of the UK operating segment. Refer to note 5 - 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 with 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 the chief operating decision makers in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets.

### 27.2 Segment operating 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 a 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 36 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.

	UK	International	Central Functions	Total
	£m	£m	£m	£m
<b>For the year ended 31 December 2024</b>				
<b>Net written premiums (management basis note 36)</b>	<b>2,435</b>	<b>534</b>	<b>1,018</b>	<b>3,987</b>
Underwriting result (note 36) <sup>1, 2</sup>	147	68	76	291
Net investment income (note 20)				251
Central costs and other activities (note 36)				(29)
<b>Business operating result (management basis)</b>				<b>513</b>
Realised losses				(6)
Net insurance finance result, foreign exchange and gains (losses) on FVTPL investments				(205)
Finance costs (note 36)				(10)
Amortisation of intangible assets <sup>1</sup>				(19)
Pension net interest and administration costs (note 26)				(12)
Integration and restructuring costs (note 23) <sup>1</sup>				(164)
Profit on disposal of business				98
<b>Profit before tax</b>				<b>195</b>
Tax on operations (note 24)				(16)
<b>Profit after tax</b>				<b>179</b>

<sup>1</sup> Amortisation expense of £128m relates to the UK segment (£125m) and the International segment (£3m). The expense has been charged to Underwriting result (£57m), Integration and restructuring costs (£52m) and Amortisation of intangible assets (£19m).

<sup>2</sup> Depreciation expense of £12m relates to the UK segment (£10m) and the International segment (£2m). The expense has been charged to Underwriting result.



For the year ended 31 December 2023

<b>Net written premiums (management basis note 36)</b>	2,478	526	343	3,347
Underwriting result (note 36)	(2)	62	17	77
Net investment income (note 20)				185
Central costs and other activities (note 36)				(15)
<b>Business operating result (management basis)</b>				247
Net insurance finance result, foreign exchange and gains (losses) on FVTPL investments				(115)
Finance costs (note 36)				(10)
Amortisation of intangible assets				(3)
Pension net interest and administration costs (note 26)				30
Integration and restructuring costs (note 23)				(162)
Loss on disposal of business				(6)
<b>Loss before tax</b>				(19)
Tax on operations (note 24)				(70)
<b>Loss after tax</b>				(89)

### 27.3 Selected segment assets and liabilities

	UK	International	Central Functions	Total
	£m	£m	£m	£m
<b>As at 31 December 2024</b>				
Investments (note 6)	5,652	294	-	5,946
Net liability for incurred claims (note 10)	2,686	939	511	4,136

As at 31 December 2023

Investments (note 6)	5,189	297	-	5,486
Net liability for incurred claims (note 10)	2,390	1,109	416	3,915

### 27.4 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.

	2024	2023
As at 31 December	£m	£m
UK	1,218	1,246
International	57	63
<b>Total Group</b>	<b>1,275</b>	<b>1,309</b>

## 28. Additional information on the Consolidated statement of cash flows

### 28.1 Supplementary information on cash flows from operating activities

For the years ended 31 December	2024 £m	2023 £m
<b>Adjustments for non-cash items</b>		
Net losses (gains) on investment portfolio	23	(66)
Depreciation and impairment of property and equipment	23	25
Amortisation and impairment of intangible assets	128	59
Amortisation of investments	(32)	4
Pension net interest and admin costs (note 26)	12	(30)
Gain on disposal of business	(95)	-
Derecognition and disposal of intangibles and property and equipment	8	49
Foreign exchange loss	15	5
Other	(3)	-
	<b>79</b>	<b>46</b>
<b>Changes in other operating assets/liabilities</b>		
Contributions to the defined benefit pension plans	(81)	(611)
Changes in insurance and reinsurance contracts	411	187
Other operating assets	39	12
Other operating liabilities	62	35
	<b>431</b>	<b>(377)</b>
<b>Other relevant cash flow disclosures - operating activities</b>		
Interest paid	(10)	(10)
Interest received	186	184
Dividends received	10	11
	<b>186</b>	<b>185</b>

### 28.2 Composition of cash and cash equivalents, net of bank overdraft

As at 31 December	2024 £m	2023 £m
Cash	164	208
Cash equivalents	57	112
<b>Cash and cash equivalents</b>	<b>221</b>	<b>320</b>
Bank overdraft, recorded in Other liabilities	-	(8)
<b>Cash and cash equivalents, net of bank overdraft</b>	<b>221</b>	<b>312</b>

## 29. Related party transactions

### 29.1 Transactions with parent company

The Group's parent company is 2283485 Alberta Limited (2023: Alberta Limited), a wholly owned subsidiary of IFC, the ultimate controlling party.

During the year ended 31 December 2024, the following related party transactions have taken place with 2283485 Alberta Limited:

- i. on 16 July, the Group received a capital injection of £154m to fund the cancellation of the Group's preferred shares;
- ii. on 19 July, the Group paid an ordinary dividend of £82m;
- iii. on 24 November, the Group paid an ordinary dividend of £100m.

During the year ended 31 December 2023, the following related party transactions took place with 2283485 Alberta Limited:

- i. on 3 March, the Group received a capital injection 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 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 of £39m to fund the repurchase of issued debt; and
- iv. on 26 October, the Group received a capital injection of £565m to fund the acquisition and integration of the brokered Commercial lines operations of DLG.

## 29.2 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. On 1 January 2024, the Group entered into a new reinsurance arrangement with Belair, also a member of the IFC group. Under the terms of this arrangement, the insurance risk of a proportion of Belair'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 40% of Belair's insurance business at the same date and new written premiums for all lines of business. Collateral assets, comprising assets held in trust and a letter of credit, have been pledged by the Group as security against the outstanding balances for the Unifund and Belair quota shares.

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 amounts relating to the above related party transactions included in the Consolidated income statement are provided in the table below:

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
<b>Income (expenses) recognised in:</b>		
Insurance revenue	621	393
Insurance service expenses	(570)	(367)
Income from reinsurance contracts	8	22
Expenses from reinsurance contracts	(44)	(53)
Net investment income	(1)	(1)

The amounts relating to the above related party transactions included in the Consolidated statement of financial position are provided in the table below:

	2024	2023
	£m	£m
<b>As at 31 December</b>		
<b>Assets (liabilities) recognised in:</b>		
Debt and fixed income securities	942	960
Equity securities	7	1
Reinsurance contract assets	32	96
Other assets	7	-
Insurance contract liabilities	(996)	(631)
Other liabilities	(26)	(19)

## 29.3 Compensation of key management personnel

Key management personnel comprise members of the Group's Operating Committee, executive directors and non-executive directors. The compensation of key management personnel is set out below.

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Short term employee benefits (salaries, bonuses, allowances or other benefits)	9	9
Share-based awards	5	3
	14	12

A number of the directors and other key managers, and their close families, have general insurance policies with the Group. Such policies were available at discounted rates to all employees, including executive directors however, following the exit of UK Personal lines, these will not be available going forward.

## 30. Commitments and contingencies

### 30.1 Capital commitments

The Group has capital commitments in respect of intangible assets (£12m at 31 December 2024), property and equipment (£3m at 31 December 2024), and investment property (£1m at 31 December 2024). Capital commitments at 31 December 2023 were £20m, £7m and £1m respectively. The remaining life of these commitments is less than one year.

The future commitments to structured entities are disclosed in note 32 - Interests in structured entities. In addition, the Group has committed to invest **£247m** (2023: £121m) in other classes of investment.

Refer to Note 9.2 - Market risk - financial liabilities by contractual maturity and note 15.2 - Other liabilities for details on lease liabilities.

### 30.2 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.

## 31. Leases

### 31.1 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 15 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 3 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
For the year ended 31 December 2024	£m	£m	£m
Balance, beginning of the year	44	2	46
Depreciation charge for the year	(10)	(1)	(11)
Additions to right-of-use assets	15	1	16
Remeasurements	1	-	1
Other <sup>1</sup>	-	(1)	(1)
<b>Balance, end of the year</b>	<b>50</b>	<b>1</b>	<b>51</b>
For the year ended 31 December 2023			
Balance, beginning of the year	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)
<b>Balance, end of the year</b>	<b>44</b>	<b>2</b>	<b>46</b>

<sup>1</sup> Other includes transfers to Investment property in respect of subleases and foreign exchange.

### Lease liabilities

Lease liabilities of **£72m** (2023: £67m) are included within Other liabilities in the Consolidated statement of financial position (see note 15). The maturity analysis of this balance is provided in note 9 – Financial risk.

A reconciliation of lease liabilities is presented below.

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Balance, beginning of the year	67	71
Lease payments	(14)	(11)
Additions to lease liabilities	16	5
Remeasurements	1	-
Interest on lease liabilities	3	3
Foreign exchange	(1)	(1)
<b>Balance, end of the year</b>	<b>72</b>	<b>67</b>

### Other amounts recognised in the Consolidated income statement

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Interest on lease liabilities	3	3
Expenses relating to short-term leases	1	-
Expenses relating to variable lease payments	-	11

### Amounts recognised in the Consolidated statement of cash flows

	2024	2023
	£m	£m
<b>For the years ended 31 December</b>		
Total cash outflow for leases	15	23

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.

### 31.2 Leases as a lessor

The Group leases out its investment property consisting of freehold and leasehold land and buildings. 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 2024, the Group recognised **£18m** of rental income within its net investment return (2023: £12m).

The following table provides a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2024	2023
	£m	£m
<b>As at 31 December</b>		
Less than one year	19	16
One to two years	17	16
Two to three years	16	14
Three to four years	15	13
Four to five years	12	10
More than five years	65	46
<b>Total</b>	<b>144</b>	<b>115</b>

### 32. 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 as at 31 December 2024 and 31 December 2023 are summarised in the table below:

		2024		2023	
Class of investments	Nature of the underlying investments of the vehicle	Carrying value	Exposure	Carrying value	Exposure
		£m	£m	£m	£m
Mortgage backed securities	Mainly consists of domestic mortgage backed securities	11	11	11	11
Collateralised debt obligations	Structured debt security backed by bonds	207	207	235	235
Cash money market funds	Mainly short term cash deposits	57	57	105	105
Collective investment undertakings	Mainly consists of property funds	51	51	72	72
		326	326	423	423

Structured entities are not consolidated and are included as follows in the Consolidated statement of financial position:

	2024	2023
As at 31 December	£m	£m
Financial assets - Equity securities	51	72
Financial assets - Debt and fixed income securities	218	246
Cash and cash equivalents	57	105
	326	423

### 33. Employee expenses

Staff costs for all employees comprise:

	2024	2023
For the years ended 31 December	£m	£m
Wages and salaries	296	280
Redundancy costs	15	10
Social security costs	41	36
Pension costs	55	8
Share-based payments to directors and employees	18	10
<b>Total staff costs</b>	<b>425</b>	<b>344</b>

The average number of employees during the year is as follows:

For the years ended 31 December	2024	2023
UK	4,990	5,163
International	831	826
<b>Total average employees</b>	<b>5,821</b>	<b>5,989</b>

Further information on pension obligations of the Group can be found in note 26 – Employee future benefits. Further information on employee share schemes can be found in note 25 – Share-based payments.

### 34. Directors' emoluments

The aggregate emoluments of the Group's directors are as follows:

	2024	2023
For the years ended 31 December	£m	£m
Short term benefits (salaries, bonuses, allowances and other benefits)	3.5	3.0

The criteria for making bonus awards is based on targeted levels of business sector profit and specific business objectives.

At the end of 2024 one director had accrued retirement benefits under a defined benefit pension scheme of **£103,775** (2023: £89,331). No contributions were made to defined contribution pension schemes during the year ended 31 December 2024 (year ended 31 December 2023: £nil).

During the year ended 31 December 2024, no directors (2023: no directors) exercised share options; one director (2023: no directors) had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company; one director (2023: one director) and two non-executive director (2023: one non-executive director) had Performance Share Units (PSUs), and one non-executive director (2023: one non-executive director) had 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 one non-executive directors (2023: 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 are as follows:

	2024	2023
For the years ended 31 December	£m	£m
Short term benefits	1.5	1.3

During 2024, no retirement benefits were accrued under defined benefit pension schemes (2023: £nil) and no contributions were made to defined contribution schemes (2023: £nil) for the highest paid director.

During 2024 the highest paid director had no share awards vesting under long term incentive schemes in respect of ordinary shares of the Company (2023: the highest paid director had no share awards vesting under long term incentive schemes).

### 35. Auditor's remuneration

	2024	2023
For the years ended 31 December	£m	£m
Fees payable to EY LLP for audit of the Company's annual accounts	1.7	-
Fees payable to EY LLP and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	3.7	-
Non-audit services:		
Audit related assurance services <sup>1</sup>	1.0	-
	6.4	-
Fees payable to the previous auditor for audit of the Company's annual accounts	0.3	2.2
Fees payable to the previous auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	1.2	6.3
Non-audit services:		
Audit related assurance services <sup>1</sup>	-	1.3
	1.5	9.8
<b>Total auditor's remuneration</b>	<b>7.9</b>	<b>9.8</b>

<sup>1</sup> Included in the Audit related assurance services for 2024 is **£0.6m** (2023: £0.7m) of assurance work in respect of UK and Ireland Solvency reporting. The remainder of **£0.4m** (2023: £0.6m) represents in aggregate **7%** (2023: 7%) of the Group IFRS audit fee of **£5.5m** (2023: £8.5m).

EY was appointed as the Group's external auditor in 2023, effective for the year ended 31 December 2024. The 2024 fees included in relation to the previous auditor are related to the year-ended 31 December 2023 audits. All 2023 fees relate to the previous external auditor.

### 36. Alternative Performance Measures

*Reconciliation of the IFRS financial result to the management result*

**For the year ended 31 December 2024**

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Profit before tax
Insurance revenue	4,344	4,344			4,344		4,344
Insurance service expenses	(3,512)	(3,512)			(3,512)		(3,512)
<b>Insurance service result from insurance contracts</b>	<b>832</b>						
Expense from reinsurance contracts	(566)	(566)			(566)		(566)
Income from reinsurance contracts	94	94			94		94
<b>Net expense from reinsurance contracts</b>	<b>(472)</b>						
<b>Insurance service result</b>	<b>360</b>						
Net investment income	251		251		251		251
Net losses on investment portfolio	(119)					(119)	(119)
<b>Net investment return</b>	<b>132</b>						
Insurance finance expense	(144)					(144)	(144)
Reinsurance finance income	50					50	50
<b>Net insurance financial result</b>	<b>(94)</b>						
Other net gains	100					100	100
Other income and expense	(129)	(69)		(29)	(98)	(31)	(129)
Integration and restructuring costs	(164)					(164)	(164)
Finance costs	(10)					(10)	(10)
<b>Profit before tax</b>	<b>195</b>	<b>291</b>	<b>251</b>	<b>(29)</b>	<b>513</b>	<b>(318)</b>	<b>195</b>
Income tax expense	(16)						
<b>Profit</b>	<b>179</b>						

*Reconciliation of Insurance revenue to Net written premiums*

**For the year ended 31 December 2024**

	£m
<b>Insurance revenue</b>	<b>4,344</b>
Movement in gross earned premium	163
Other income	(20)
Reinsurance written premiums	(638)
Revenue for internal contracts	199
Revenue measured under GMM	(61)
<b>Net written premiums (note 27)</b>	<b>3,987</b>



## Reconciliation of the IFRS financial result to the management result

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 expense	(3,665)	(3,665)			(3,665)		(3,665)
<b>Insurance service result from insurance contracts</b>	<b>322</b>						
Expenses from reinsurance contracts	(808)	(808)			(808)		(808)
Income from reinsurance contracts	631	631			631		631
<b>Net expense from reinsurance contracts</b>	<b>(177)</b>						
<b>Insurance service result</b>	<b>145</b>						
Net investment income	185		185		185		185
Net gains on investment portfolio	5					5	5
<b>Net investment return</b>	<b>190</b>						
Insurance finance (expense) income	(179)					(179)	(179)
Reinsurance finance income (expense)	60					60	60
<b>Net insurance financial result</b>	<b>(119)</b>						
<b>Net investment return and net insurance financial result</b>	<b>71</b>						
Other net (losses) gains	(7)					(7)	(7)
Other income and expense	(56)	(68)		(15)	(83)	27	(56)
Integration and restructuring costs	(162)					(162)	(162)
Finance costs	(10)					(10)	(10)
<b>Loss before tax</b>	<b>(19)</b>	77	185	(15)	247	(266)	(19)
Income tax expense	(70)						
<b>Loss</b>	<b>(89)</b>						

## Reconciliation of Insurance revenue to Net written premiums

For the year ended 31 December 2023

	£m
<b>Insurance revenue</b>	<b>3,987</b>
Movement in gross earned premium	(260)
Other income	(74)
Reinsurance written premiums	(291)
Revenue for internal contracts	95
Revenue measured under GMM	(110)
<b>Net written premiums (note 27)</b>	<b>3,347</b>

## 37. Events after the reporting period

Effective 1 January 2025, the Group entered into a commutation and release agreement and terminated the retrospective quota share agreement with Unifund, an insurance company based in Canada that is also a subsidiary of IFC, for an approximate amount of £115m. Under the terms of this agreement, Unifund was ceding 60% of its obligations (net of reinsurance) with effective dates prior to 1 January 2022 to the Group. Further information in respect of the quota share agreements with IFC group companies is provided in note 29.2 – Other related party transactions.

## 38. Accounting standards issued but not yet effective

### 38.1 IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 - Presentation and Disclosure in Financial Statements (IFRS 18) to improve reporting of financial performance. IFRS 18 replaces IAS 1; however, it carries forward many requirements from IAS 1 unchanged. IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 introduces specified subtotals in the income statement, new disclosures for management-defined performance measures, and additional requirements for the aggregation and disaggregation of information.

The Group is currently assessing the impact of this new standard on the presentation and disclosure of its financial statements.

### ***38.2 Amendments to the classification and measurement of financial instruments***

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 to address matters identified during the post-implementation review of IFRS 9. The amendments clarify the classification of certain financial assets as well as the derecognition of a financial liability and introduce an accounting policy option for the derecognition of financial liabilities settled through electronic transfer if certain conditions are met. The amendments also add disclosure requirements for certain financial instruments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted, and will apply retrospectively. The Group is currently assessing the impact of these amendments on its 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. No subsidiary holds a disclosable interest in the shares of RSA Insurance Group Limited.

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 (%)
<b>Brazil</b>			
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		
<b>Guernsey</b>			
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		
<b>India</b>			
RSA Actuarial Services (India) Private Limited	First Floor, Building 10 C, Cyber City Complex, DLF Phase II, Gurgaon, Haryana, 122002, India		
<b>Ireland</b>			
123 Money Limited <sup>4</sup>	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland	B1 Ordinary, B2 Ordinary, B3 Ordinary, B4 Ordinary, B5 Ordinary, C Ordinary	
123 Money Limited	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland		
Benchmark Underwriting Limited	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland		
EGI Holdings Limited	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland		
RSA Insurance Ireland DAC	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No 1) Unlimited Company	RSA House, Dundrum Town Centre, Sandford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No. 2) Unlimited Company <sup>8</sup>	Teneo Restructuring (Ireland) Limited, 3rd Floor, 20 On Hatch Street, Hatch Street Lower, Dublin 2, Dublin, D02 Xh02, Ireland		
RSA Broker Motor Insurance Ireland Limited (previously Sertus Underwriting Limited) <sup>8</sup>	Teneo Restructuring (Ireland) Limited, 3rd Floor, 20 On Hatch Street, Hatch Street Lower, Dublin 2, Dublin, D02 Xh02, Ireland		
<b>Isle of Man</b>			
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		
<b>Luxembourg</b>			
RSA Luxembourg S.A.	40 rue du Cure, L-1368 Luxembourg		
<b>United Kingdom</b>			
Centrium Management Company Limited <sup>3</sup>	55 Wells Street, London, England, W1T 3PT		31.45
Punchbowl Park Management Limited <sup>3,5</sup>	10 Buckingham Gate, London, SW1E 6LA, United Kingdom		65.09
Polaris U.K. Limited <sup>3</sup>	New London House, 6 London Street, London, EC3R 7LP, United Kingdom		25.38
RSA Northern Ireland Insurance Limited <sup>8</sup>	C/O A&L Goodbody Northern Ireland Llp, 42-46 Fountain Street, Belfast, BT1 5EB		
Emersons Green Management Company <sup>3</sup>	The Old Council Chambers, Halford Street, Tamworth, England		33
Aztec West Management Limited <sup>3</sup>	Minton Place, Station Road, Swindon, SN1 1DA		8.27
Tournament Fields (Warwick) Management Company Limited <sup>9</sup>	Ednaston Park Painters Lane, Ednaston. Ashbourne, Derbyshire, England, DE6 3FA		5.49
Hempton Court Manco Limited <sup>3,5</sup>	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AG		62.5
Royal Insurance Operational Services (U.K.) Limited <sup>9</sup>	30 Finsbury Square, London, EC2P 2YU		
Alliance Assurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Regent Subco Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		

Non-Destructive Testers Limited <sup>8</sup>	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
R&SA Marketing Services Limited <sup>7</sup>	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 <sup>6</sup>	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 <sup>8</sup>	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
Royal & Sun Alliance Reinsurance Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance Holdings Limited <sup>1,7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance (U.K.) Limited <sup>8</sup>	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
Royal International Insurance Holdings Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	£1.00 Ordinary	
Royal International Insurance Holdings Limited <sup>7</sup>	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 <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Finance <sup>8</sup>	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
RSA Law Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		100
Sal Pension Fund Limited <sup>1</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		99.99
Sun Alliance and London Insurance Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Insurance Overseas Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Mortgage Company Limited <sup>1,8</sup>	C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
Sun Insurance Office Limited <sup>7</sup>	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 <sup>7</sup>	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 <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Westgate Properties Limited <sup>7</sup>	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		

<sup>1</sup> Directly owned by the Parent Company RSA Insurance Group Limited.

<sup>2</sup> No subsidiary holds a disclosable interest in the shares of RSA Insurance Group Limited.

<sup>3</sup> Indicates that the holding represents an Investment or is an Associate of the Group.

<sup>4</sup> Indicates ownership of non-voting shares.

<sup>5</sup> 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.

<sup>6</sup> IFC hold 18.04% of the share capital of Royal & Sun Alliance Insurance Limited in non-voting "nil-paid" shares.

<sup>7</sup> 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 2024.

<sup>8</sup> These entities were in liquidation as at 31 December 2024.

## 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.	
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.	
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.	
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 expense.	
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 UK / 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 UK.	
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.	
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

	2024	2023
For the years ended 31 December	£m	£m
Profit (loss)	322	(371)
Total other comprehensive expense	-	-
Total comprehensive income (expense)	322	(371)

The profit for the year net of tax includes dividend income of **£329m** received from Royal Insurance Holdings Limited (2023: £273m from Royal Insurance Holdings Limited and £5m from Sun Alliance Mortgage Company Limited) less interest on dated loan capital of **£7m** (2023: £7m) and a tax credit of **£nil** (2023: £6m tax credit).

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Ordinary share premium £m	Preference shares £m	Retained earnings £m	Total equity £m
<b>For the year ended 31 December 2024</b>					
<b>Balance as at 1 January 2024</b>	1,563	1,366	125	(101)	2,953
<b>Total comprehensive income for the year</b>					
Profit for the year net of tax	-	-	-	322	322
				322	322
Dividends payable <sup>1</sup> (note 7)	-	-	-	(190)	(190)
Shares issued for cash (note 10)	-	154	-	-	154
Cancellation of preferred shares <sup>2</sup>	-	-	(125)	(30)	(155)
Capital reduction <sup>2</sup>	-	(1,520)	-	1,521	1
<b>Balance at 31 December 2024</b>	1563	0	0	1,522	3,085

For the year ended 31 December 2023

<b>Balance at 1 January 2023</b>	1,563	282	125	279	2,249
<b>Total comprehensive income (expense) for the year</b>					
Loss for the year net of tax	-	-	-	(371)	(371)
	-	-	-	(371)	(371)
Dividends payable <sup>1</sup> (note 7)	-	-	-	(9)	(9)
Shares issued for cash (note 10)	-	1,084	-	-	1,084
<b>Balance at 31 December 2023</b>	1,563	1,366	125	(101)	2,953

<sup>1</sup> Refer to note 18 – Dividends paid and proposed of the consolidated financial statements for further information.

<sup>2</sup> Following shareholder approval on 16 July 2024 the Company's preferred shares were cancelled. The Company subsequently reduced its share capital. Refer to note 17 - Share capital of the consolidated financial statements for further information.

The following explanatory 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	2024 £m	2023 £m
<b>Assets</b>			
Investments in subsidiaries	8	3,122	3,005
Amounts owed by subsidiaries	6	137	137
Current tax assets	9	-	7
Other debtors		2	1
Other assets		139	145
Cash and cash equivalents		1	1
<b>Total assets</b>		<b>3,262</b>	<b>3,151</b>
<b>Liabilities</b>			
Amounts owed to subsidiaries	6	49	45
Debt outstanding	11	127	126
Other liabilities		1	27
<b>Total liabilities</b>		<b>177</b>	<b>198</b>
<b>Equity</b>		<b>3,085</b>	<b>2,953</b>
<b>Total equity and liabilities</b>		<b>3,262</b>	<b>3,151</b>

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

The profit for the year net of tax was **£322m** (2023: £371m loss).

The Parent Company financial statements were approved on 4 March 2025 by the Board of Directors and are signed on its behalf by:



**Karim Hirji**  
Chief Financial Officer



## PARENT COMPANY STATEMENT OF CASH FLOWS

	2024	2023
For the years ended 31 December	£m	£m
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	322	(379)
Income tax credit	-	8
Adjustments for non-cash items and items classified as investing cash flows	(327)	636
Changes in other operating assets and liabilities	(20)	10
<b>Net cash flows provided by operating activities</b>	<b>(25)</b>	<b>275</b>
<b>Cash flows from investing activities</b>		
Purchase of shares in subsidiaries	(117)	(1,046)
Net movements in amounts owed to subsidiaries	4	(458)
Dividends received from subsidiaries	329	194
<b>Net cash flows used in investing activities</b>	<b>216</b>	<b>(1,310)</b>
<b>Cash flows from financing activities</b>		
Redemption of long-term borrowings	-	(40)
Cancellation of preference shares	(155)	-
Proceeds from issuance of ordinary shares, net	154	1,084
Payment of dividends on ordinary shares and preferred shares	(190)	(9)
<b>Net cash flows (used in) provided by financing activities</b>	<b>(191)</b>	<b>1,035</b>
Cash and cash equivalents at beginning of the year	1	1
<b>Cash and cash equivalents at end of the year</b>	<b>1</b>	<b>1</b>
<b>Composition of cash and cash equivalents</b>		
Cash	1	1
<b>Cash and cash equivalents, end of the year</b>	<b>1</b>	<b>1</b>

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

## 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. 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 note 4 – Summary of material accounting policies 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. The Company assesses whether a subsidiary is impaired at the end of the reporting period by comparing its carrying value to its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs of sale. Charges for impairments are recognised in the Income statement.

#### ***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.

### 5. 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 9) and insurance risk (note 11) notes in the consolidated financial statements.

## 6. 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 overseas 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:

### 6.1 Key management compensation

	2024	2023
For the years ended 31 December	£m	£m
Short term employee benefits	9	9
Share-based awards	5	3
<b>Total</b>	<b>14</b>	<b>12</b>

### 6.2 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 2024, the following related party transactions have taken place with 2283485 Alberta Limited:

- i. on 16 July, the Company received a capital injection of £154m to fund the redemption of the Company's preference shares;
- ii. on 19 July, the Company paid an ordinary dividend of £82m; and
- iii. on 25 November, the Company paid an ordinary dividend of £100m.

During the year ended 31 December 2023, the following related party transactions took place with 2283485 Alberta Limited:

- i. on 3 March, the Company received a capital injection of £444m to fund contributions to the Company's two UK defined benefit pension plans;
- ii. on 23 March, the Company received a capital injection of £36m to fund contributions to the Company's two UK defined benefit pension plans;
- iii. on 5 June, the Company received a capital injection of £39m to fund the repurchase of issued debt; and
- iv. on 26 October, the Company received a capital injection of £565m to fund the acquisition and integration of the brokered Commercial lines operations of DLG.

### 6.3 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 charged by subsidiaries is **£1m** (2023: £2m). During the year, dividends of **£329m** were received from a subsidiary company, Royal Insurance Holdings Limited (2023: £273m from Royal Insurance Holdings Limited and £5m from Sun Alliance Mortgage Company Limited).

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 16 to the consolidated financial statements). The guarantees relating to the issued debt agreements are subordinated to all other creditors of RSAI.

## 6.4 Related party balances

Year end balances with related parties are set out below:

	2024 £m	2023 £m
<b>As at 31 December</b>		
<b>Receivable from related parties:</b>		
Receivable from subsidiaries, interest bearing loans and associated interest	136	136
Receivable from subsidiaries, non interest bearing loans	1	1
<b>Total receivable from related parties</b>	<b>137</b>	<b>137</b>
<b>Payable to related parties:</b>		
Payable to subsidiaries, interest bearing loans and associated interest	2	13
Payable to subsidiaries, non interest bearing loans	47	32
<b>Total payable to related parties</b>	<b>49</b>	<b>45</b>

## 7. Dividends

The final dividend is recognised as a liability when approved at the Annual General Meeting. Refer to note 18 – Dividends paid and proposed of the consolidated financial statements for further information.

## 8. Investments

Movements in the Company's investments in subsidiaries are provided below:

	2024 £m	2023 £m
<b>For the years ended 31 December</b>		
Balance, beginning of the year	3,005	2,595
Purchases <sup>1</sup>	117	1,046
Impairment <sup>2</sup>	-	(636)
<b>Balance, end of the year</b>	<b>3,122</b>	<b>3,005</b>

<sup>1</sup> During 2024, the Company acquired 1 share in a subsidiary entity Royal Insurance Holdings Limited. The company paid £1 for the share, along with share premium of **£117m** (2023: the Company acquired 4 shares in 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 a share premium of £481m. The Company subscribed for a further share in 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 £565m).

<sup>2</sup> When testing for impairment, the carrying value of the investment 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 investment in the Statement of financial position, the investment is impaired to ensure that the carrying value is not greater than its future value to the Company.

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. These plans reflect the Company's assessment of the current challenging economic environment and of the financial impacts of climate-related losses associated with the physical risks of changing weather patterns.

Cash flows beyond the operational plan period are extrapolated using the long term growth rates which management deem appropriate. The cash flow forecasts are adjusted by appropriate discount rates. The pre-tax discount rate used in the 2024 assessment is **11%** (2023: 12%). The long term growth rate used in the 2024 assessment is **0%** (2023: 0%).

Full details of the principal subsidiaries of the Company are set out in Appendix A to the consolidated financial statements.

## 9. Current and deferred tax

	Asset		Liability	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>As at 31 December</b>				
<b>To be settled within 12 months</b>	-	7	-	-

The current tax relating to items that are charged directly to equity is **£nil** (2023: £nil).

The Company had no deferred tax assets or liabilities at 31 December 2024 or 31 December 2023.

No deferred tax has been recognised in respect of **£151m** (2023: £156m) of deferred tax reliefs, predominantly relating to tax losses of **£116m** (2023: £120m) and capital expenditure of **£35m** (2023: £35m), due to the unpredictability of future profit streams.

## 10. Share capital

Full details of the share capital of the Company are set out in note 17 to the consolidated financial statements.

## 11. Debt outstanding

Issued debt is 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 16 to the consolidated financial statements.

## 12. Additional information on the statement of cash flows

### 12.1 Supplementary information on cash flows from operating activities

	2024 £m	2023 £m
<b>For the years ended 31 December</b>		
<b>Adjustments for non-cash items and items classified as investing cash flows</b>		
Impairment of investments	-	636
Other	2	-
Dividend income classified as investing cash flows <sup>1</sup>	(329)	-
	<b>(327)</b>	<b>636</b>
<b>Changes in other operating assets/liabilities</b>		
Other operating assets	6	-
Other operating liabilities	(26)	10
	<b>(20)</b>	<b>10</b>
<b>Other relevant cash flow disclosures – operating activities</b>		
Interest paid	(7)	(10)
Interest received	2	1

<sup>1</sup> In 2024, the operating activities cash flow is adjusted to classify dividend income within the investing cash flows. In 2023, £194m dividend income was included within the Net movements in amounts owed to subsidiaries.

### 12.2 Composition of cash and cash equivalents

	2024 £m	2023 £m
<b>As at 31 December</b>		
<b>Composition of cash and cash equivalents</b>		
Cash	1	1
<b>Cash and cash equivalents, end of year</b>	<b>1</b>	<b>1</b>