Registered number: 00093792

ROYAL & SUN ALLIANCE INSURANCE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Company information

Directors[1]

Mark Hodges (Chair)
Ken Anderson
Sally Bridgeland
Rosie Harris
Louis Marcotte[2]
Susan McInnes
Ken Norgrove
Andy Parsons
Sylvie Paquette[2]
Mathieu Lamy[2]

Secretary

Roysun Limited

Registered Office

St Marks Court
Chart Way
Horsham
West Sussex
RH12 1XL

Auditor

KPMG LLP
15 Canada Square
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E14 5GL

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[1] Changes to the board during the year are detailed on page 8.
[2] Shareholder nominated director.

The directors present their annual report on the affairs of Royal & Sun Alliance Insurance Limited (the Company) and the audited financial statements for the year ended 31 December 2023.

The Company's ultimate parent company and controlling party is Intact Financial Corporation (IFC). At a local level the Company is a member of the RSA Insurance Group (the RSA Group or RSA) headed by RSA Insurance Group Limited (RSAIG). Due to RSAIG's issued securities it provides more detailed reporting on the RSA Group. The Company's immediate parent company is Royal Insurance Holdings Limited, whose registered address is St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL. The RSA Group provides the Company with access to all central resources that it needs and provides policies in all key areas including finance, risk and human resources. The Company transacts the majority of the RSA Group's UK business. The directors of the Company have concluded that the RSA Group approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity.

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

Principal activity

The principal activity of the Company, its subsidiaries and overseas branches is the transaction of insurance and related financial services. The subsidiary undertakings are listed in Appendix A.

Business review

Comparatives are re-stated for first time adoption of International Financial Reporting Standards (IFRS). This includes the adoption of IFRS 17 - Insurance Contracts (IFRS 17) and IFRS 9 - Financial Instruments (IFRS 9). In addition, on first time adoption of IFRS the accounting basis for investments in subsidiaries has been changed from fair value to cost less accumulated impairment losses. Refer to note 3 - First time adoption of IFRS.

The Company reports a loss on ordinary activities before tax of **£94m** (2022: £148m) for the year. Net written premiums[1] for the year ended 31 December 2023 are **£3,146m** (2022: £2,850m) and net assets at 31 December 2023 are **£2,915m** (2022: £2,721m).

Loss before tax of £94m consists of **£43m** of underwriting profit (2022: £58m); investment result **£164m** (2022: £117m); **£2m** central costs (2022: £2m); and **£299m** of other charges (2022: £321m other charges). These measures are alternative performance measures (APMs). Refer to note 38 - Alternative performance measures for a reconciliation of these measures to the Income statement, and to Our KPIs below for further information. Other charges includes £151m of Integration and restructuring costs (2022: £91m) and £163m of Insurance finance expense (2022: £16m income).

On 27 February 2023, the Company announced that the Trustees of its two major defined benefit pension plans had entered into an agreement with Pension Insurance Corporation plc (PIC), a specialist insurer of defined benefit pension plans, to purchase annuity buy-in insurance contracts (the buy-ins) as part of their de-risking strategy. At the transaction date, the plans transferred the majority of their plan assets and an upfront contribution of £481m to PIC. Refer to note 28 - Employee future benefits for further information on this transaction.

On 28 March 2023, the Company announced its exit from the UK personal lines motor insurance market and on 7 December 2023, the Company announced its exit from the UK personal lines home and pet markets. Profit before tax in 2023 is impacted by the de-recognition of £55m of internally generated software assets in relation to these exits. In 2022 software assets with a net book value of £30m were derecognised as part of a strategic reassessment of programme plans for internally generated software assets following the acquisition of the RSA Group by IFC. Refer to note 17 - Intangible assets for further information.

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

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

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

During 2022, an RSA Group-wide project was undertaken to rationalise the intra-group loan position. As part of the project, the Company received £4,000m of dividends from subsidiary entities which were offset against intra-group payables. Separate to the above, the Company received a £279m dividend in specie from its subsidiary entity RSA Finance, consisting of preference shares in another subsidiary entity, Royal International Insurance Holdings Limited. As a consequence of these distributions, the valuation of the Company's investment in its subsidiary entities was impaired and a reduction in value totalling £4,100m was recorded.

A similar project was undertaken during 2023 and as a result the Company received £294m of dividends. As a consequence of these distributions, the valuation of the Company's investment in its subsidiary entities was impaired and a reduction in value of £288m was recognised in the Income statement in relation to this project.

Our KPIs

The Company uses both IFRS and non-IFRS financial measures to assess performance, including common insurance industry metrics. Refer to note 38 - Alternative performance measures for a reconciliation of these measures to the Income statement.

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

i. **Net written premiums[1] £3,146m** (2022: £2,850m): premiums incepted in the period, irrespective of whether they have been paid, less the amount shared with reinsurers. They represent how much premium the Company retains for assuming risk. The Company targets growth that does not compromise underwriting performance;
ii. **Underwriting result[1] £43m** (2022: £58m profit): Insurance service result less other expenses as shown in note 38 - Alternative performance measures. The Company aims to provide competitive pricing to customers that delivers a sustainable ongoing underwriting profit for the Company; and
iii. **Loss before tax £94m** (2022: £148m loss): net profit generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Company. The impact of tax can vary from company to company, therefore excluding this enhances comparability. The Company seeks to maximise its profit before tax.

Non-financial and sustainability KPI statement

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

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

A core pillar of our strategy is focused on customer experience and delivering good outcomes - this involves improving products and propositions, omni-channel customer journeys, service levels, and claims experience. Our customer policy sets out principles for the business to help deliver good customer outcomes and we monitor customer outcomes to understand performance and take action where needed. Further information on how we support and engage with our customers is contained in the Section 172 statement on pages 5 to 7.

Climate: Our ambition is to achieve net zero by 2050 and halve our operations emissions by 2030. We are working on building plans towards this with IFC across all our geographies. Further information can be found in the Taskforce on Climate-Related Financial Disclosures (TCFD) report on pages 13 to 19 of the RSAIG Annual Report.

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company are set out in note 12 - Financial risk and note 14 - Insurance risk. Further detail on how the Company manages its principal risks and uncertainties is set out in the risk management report on page 4.

Future outlook

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

Events after the reporting period

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

[1] Net written premiums and the underwriting result are APMs. Refer to note 38 - Alternative Performance Measures.

Managing risk

Managing risk to deliver for our customers and achieve our goals

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

The Company'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 the development of the business plans and delivery against our objectives and those of our customers.

Approach to managing risk and our appetite in 2023

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

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of RSAIG. The principal risks and uncertainties of the RSA Group, which include those of the Company, are set out in note 12 - Financial risk and note 14 - Insurance risk of the Company's Accounts and the Strategic report of the 2023 Annual Report & Accounts of RSAIG.

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 Company gives full and fair consideration to applications for employment from disabled persons, where a disabled person can adequately fulfil the job's requirements. Where existing employees become disabled, the Company's policy, wherever practicable, is to provide continuing employment under normal terms and conditions and make any required changes to their working environment. The Company provides training, career development and promotion to disabled employees.

Human rights

The RSA Group is a signatory of the UN Global Compact, and the Company 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 Organizations 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 Conflicts of Interest Gifts and Hospitality Policy apply across the Company. 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.

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 Company. The Board has acted in a way that it considers, in good faith, would be most likely to promote the success of the Company 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 Company's business relationships with suppliers, customers and others;
iv. the impact of the Company's operations on the community and the environment;
v. the desirability of the Company to maintain a reputation for high standards of business conduct; and
vi. the need to act fairly.

Shareholder

The RSA 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 Group Board.

Customers

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

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

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

Workforce

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

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

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

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

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

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

Regulators

RSA is regulated by the PRA and the FCA and is committed to working with its regulators in an open, cooperative and transparent manner. 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 Company's financial soundness, strategic and operational priorities, governance and culture, and that we understand the issues of interest to them.

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

We believe that open and regular dialogue promotes transparency between the Company 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 our 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 environment

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

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

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

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

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

Suppliers

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

A balanced and collaborative approach to stakeholder engagement

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

Key strategic decisions in 2023

The Board considers the potential consequences of decisions in the long-term, the stakeholders that might be affected and how they may be impacted as part of the decision-making process. The key strategic decisions undertaken by the Board in 2023 were informed and supported by consideration of the Company'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 Company's ultimate owner, IFC, on a number of topics including strategic opportunities, capital management, financial performance and planning and reinsurance arrangements. This included the decision to undertake an RSA Group-wide project to rationalise the intra-group loan position and simplify the capital structure of the RSA Group.

Strategic decisions

Stakeholders: Shareholders, Regulators, Employees and Customers

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

Pension Buy-In Transaction

Stakeholders: Employees, Shareholder and Regulators

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

Diversity, Equity & Inclusion

Stakeholders: Employees

The Company 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.

By order of the Board

L. Youssouf

L Youssouf
For and on behalf of Roysun Limited
Secretary

Approved by the Board of Directors on 20 March 2024

Directors

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

Directors' responsibilities

The directors' responsibilities statement appears on page 11 and is incorporated by reference into this report.

None of the directors have any interest in the shares of the Company.

Dividends

Interim dividends of £nil were paid during the year (2022: £137m). The directors do not recommend payment of a final dividend (2022: £nil).

Information included within the Strategic Report

Information relating to overseas subsidiaries and branches of the Company, financial risk management, likely future developments and the Company's employment policy is contained within the Strategic report on pages 2 to 3 and is incorporated into this report by reference.

Political donations

The Company did not make any political donations during the financial year (2022: £nil).

Charitable donations

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

i. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
ii. the director has taken all reasonable steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor tenure

KPMG was appointed as the Company's external auditor in 2013 and has been re-appointed each subsequent year. During the year, the Audit Committee undertook a joint audit tender alongside the IFC Audit Committee and recommended the appointment of Ernst & Young LLP (EY) as the Company's external auditor, effective for the year ending 31 December 2024. The appointment of EY was approved by the Board on 2 November 2023.

Directors' indemnity

Article 82 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 directors and officers of the Company and its subsidiaries have the benefit of Directors' and Officers' insurance which provides cover in respect of legal actions brought against them.

Post balance sheet events

Post balance sheet events are set out in note 39 of the Accounts.

Going concern

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

Based on this review no material uncertainties have been identified in relation to the ability of the Company to remain a going concern for at least the next twelve months, from both the date and the approval of the financial statements.

Corporate governance

For the year ended 31 December 2023, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied 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). Details of how the Company has complied with the principles and supporting guidance are set out below.

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 Company's values are (i) integrity, (ii) respect, (iii) customer-driven, (iv) excellence, (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 and assess culture, including employee surveys and cultural health assessments.

Principle 2 – Board composition

The directors of the Company are named on page 1, and their biographies can be found on the RSA Group's website www.rsainsurance.co.uk. The Board is composed of the Chair, two executive directors and seven non-executive directors (three of which are shareholder nominated directors). The non-executive directors provide independent challenge to the executives. There is a clear division of responsibility between the Chair and the Chief Executive.

The Company's board is composed of the same directors as the RSAIG board. The Board is responsible for reviewing the structure, size and composition of the Board and committees and is responsible for ensuring appropriate succession plans are in place for the Board and reviews executive succession planning.

The Board recognises the importance of diversity, including gender, social and ethnic backgrounds, and of cognitive and personal strengths. The Board values the breadth of perspective that such diversity can bring and the beneficial effect it can have on the Board's effectiveness. As at the date of this report, the Board is composed of 40% women. The Company will continue to seek out opportunities to further improve diversity and inclusion on the Board and across the Company while always seeking to appoint the most appropriate candidates based on merit.

The Board considers that five members of the Board are independent of the Company. The Non-Executive Directors, led by the chair, seek to challenge executive management on their execution of the Company's operating plan and strategy. The non-executive directors ensure there is objective judgement in all Board decisions. The Chair encourages a culture of openness and debate.

Effectiveness

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-facilitated review was completed in the second half of 2023. The results of the review were shared with the Board, its committees and with regular attendees, and action plans to address the areas highlighted in the review were agreed.

Principle 3 – Director responsibilities

Accountability

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

Committees

In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates authority to the Audit Committee, the Risk Committee and the GCR Committee for relevant matters. The Board shares these committees with RSAIG. Further information on the work of the committees can be found in the Annual Report and Accounts of RSAIG.

Integrity of information

The Board receives regular and timely information on all aspects of the Company's business. This includes financial performance, strategy, performance against the operational plan, internal audit, risk and compliance and governance. Internal processes and systems are robust which ensures that management information is accurate and timely. The Company's financial statements are audited by KPMG LLP on an annual basis. In 2024, Ernst & Young LLP (EY) will take over as the Company's external auditor.

Principle 4 – Opportunity and risk

Opportunity

The long-term opportunities for the Company are aligned with its ultimate owners IFC.

Risk

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of RSAIG. The principal risks and uncertainties of the RSA Group, which include those of the Company, are set out in note 12 - Financial risk and note 14 - Insurance risk of the Company's Accounts and the Strategic report of the 2023 Annual Report & Accounts of RSAIG.

Responsibilities

The Risk Committee supports the Board to ensure that the key risks to the Company 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 Company. It monitors the Company'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 primary purpose of the Corporate Audit Services' (CAS) (Internal Audit) is to 'keep RSA safe and improving'. Specifically, it helps the Board and executive management to protect the assets, reputation and sustainability of the RSA Group and the Company. CAS does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and executive management; assessing whether they are adequately controlled and by challenging executive management to improve the effectiveness of governance, risks management and internal controls.

The CAS is an independent and objective function reporting to the Board through the Audit Committee.

CAS's scope of activities is unrestricted, and its audit universe extends to all legal entities, joint ventures and other business partnerships, outsourcing and reinsurance arrangements. It includes first line of defence control validation and second line of defence assurance activities, and the system of governance as set out under Solvency II.

Principle 5: Remuneration

Setting remuneration

The GCR Committee reviews and challenges the Company's remuneration policy and ensures this promotes the long-term sustainable success of the Company. This includes challenging and setting the remuneration of executive directors and the Chair of the Board. The Committee also reviews workforce remuneration and related policies. It also ensures alignment between incentives and culture, and takes these into account when setting the policy for executive director remuneration.

Principle 6 – Stakeholder relationships and engagement

Information on the Company's stakeholder relationships and engagement can be found in the section 172(1) statement on pages 5 to 7 of the Company's Strategic report.

Signed by order of the Board

L. Youssouf

L Youssouf

For and on behalf of Roysun Limited

Secretary

Approved by the Board of Directors on 20 March 2024

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

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law they have elected to prepare the 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 Company and of the profit or loss of the Company for that period. In preparing these 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;

iv. assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report and a Directors' report 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements on pages 19 to 23, 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 Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report on pages 2 to 3 includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 Company's position and performance, business model and strategy.

Ken Anderson

Chief Financial Officer

20 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL & SUN ALLIANCE INSURANCE LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Royal & Sun Alliance Insurance Limited ("the Company") for the year ended 31 December 2023 which comprise the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, and the related notes, including the accounting policies in note 4.

In our opinion the financial statements:

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

Basis for opinion

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

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

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

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

Valuation of liability for incurred claims 2023: £4,816 million of the total insurance contract liabilities of £5,339 million; 2022: £4,616 million of £5,376 million (restated) Risk vs 2022 ▲ *Refer to pages 28-33 (accounting policy) and pages 54-63 (financial disclosures)*	
The risk	**Our response**
Subjective valuation: The liability for incurred claims represents the single largest liability for the Company and comprises the discounted unbiased probability weighted estimate of the cashflows and a risk adjustment. There is a significant risk around the valuation of the liability for incurred claims driven by the risk of inappropriate estimation in respect of the future cash flows. Valuation of incurred but not reported claims (IBNR) is the most subjective component of the incurred claims liability, requiring a number of assumptions to be made with high estimation uncertainty. This is heightened due to the need for adjustments to the historical claims pattern to reflect uncertainty driven by COVID-19 and by the current inflationary environment and judgmental allowance for the effect of events not in the historic claims data. Certain lines of business have greater inherent uncertainty, such as those where claims emerge slowly over time, or where there is greater potential exposure to large losses due to the effect of uncertain or unknown incurred events. The adoption of IFRS 17 affects the measurement of the liability for incurred claims, for example by including a risk adjustment and requiring discounting. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the liability for incurred claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 13) disclose the sensitivity estimated by the Company.	With the assistance of our own actuarial specialists, our procedures included: — **Independent re-performance:** We performed independent re-projections on the liability for incurred claims (fulfilment cashflows) using our own models for certain classes of business. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures. — **Our sector experience:** We applied our industry experience and market benchmarks to support our consideration and challenge of the Company's reserving methodology, key judgements and assumptions for the most significant and subjective classes of business. — **Challenge of key assumptions:** Our audit approach responded to the increased uncertainty in the current economic environment, making explicit allowance for inflation in our independent re-projections. We performed incremental tests to separate the impacts on frequency and severity, including inflation and other factors such as ongoing distortions as a result of COVID-19. — **Assessing consistency:** We assessed the consistency of the allowance for events not in data to other reporting by the Company, including the value in the Company's regulatory reporting, in respect of groups of contracts in the transition and prior year as well as the current year. We considered through inquiry with management and with our broader understanding of any changes in the Company's risks. — **Tests of details:** We tested the accuracy of the policy data elements relied upon within actuarial models in our independent re-projections of the liability for incurred claims. We compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters in order to test the valuation of individual claims reserves focused on portfolios deemed higher risk, whether that be due to size, complexity or uncertainty. Further, we have sample tested other data elements relevant to the valuation of liability for incurred claims such as premium inputs. From a completeness perspective, we reconciled the policy level claims listing subject to sampling, to the actuarial triangles used for our independent reprojections, with the output then reconciled to the financial statements. — **Assessing transparency:** We considered the adequacy of the Company'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. We did not seek to place reliance on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** We found the valuation of liability for incurred claims to be acceptable (2022 result: acceptable).

Valuation of deferred tax assets 2023: £221 million represents deferred tax assets recognised supported by future taxable profits; 2022: £186 million Risk vs 2022 ▼ *Refer to page 38 (accounting policy) and pages 73-77 (financial disclosures).*	
The risk	**Our response**
Forecast-based assessment: The recoverability of the recognised deferred tax assets is dependent on the future profitability of the Company. There is inherent uncertainty involved in developing the Company's operational plan upon which forecast future taxable profits are based and further judgement in assessing to what extent the deferred tax assets can be recovered against those forecast taxable profits, particularly in the current economic climate. These forecasts determine the extent to which deferred tax assets are, or are not, recognised in the financial statements. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of deferred tax assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. We assessed the risk reduced reflecting the increase in contingency in the UK business profit forecast. Financial statements (note 26) disclose the sensitivity estimated by the Company.	Our procedures included: — **Historical comparisons:** We assessed the accuracy of the Company's approved operating plan in relation to the forecasting process in the past. We considered whether projected margins are achievable with reference to recent business performance, operating plans, and allowing for adjustments including the contingency applied in determining the value of the deferred tax asset. — **Our experience:** We assessed the Company's approach to the assessment of recoverability and challenged the approach with reference to our understanding of the business, forecast periods used by peers, and the requirements of the relevant accounting standards. — **Sensitivity analysis:** We carried out independent sensitivity analyses of taxable profits to assumptions such as expected weather losses, the development of claims reserves, expenses and projected future growth rates. — **Our tax expertise:** With the support of our own tax specialists and their knowledge of tax legislation, we also assessed the extent to which projected profits were taxable, in particular the Company's assumptions about how accumulated tax losses and other similar items can be utilised within the Company. — **Assessing transparency:** We assessed the adequacy of the Company's disclosures in respect of the assumptions applied in the calculation and the adequacy of the Company's disclosures in respect of the sensitivity of the valuation of the deferred tax asset to key assumptions. We did not seek to place reliance on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** As a result of our work, we found the level of deferred tax assets recognised to be acceptable (2022 result: acceptable).

Valuation of acquired intangible assets 2023: £219 million New Risk in 2023 *Refer to page 35 (accounting policy) and pages 40-42 (financial disclosures).*	
The risk	**Our response**
Subjective valuation: The valuation of acquired intangible assets acquired as part of the acquisition of business from Direct Line Group in October 2023, comprising customer relationships and distribution networks, are based on assumptions that are used in determining the level of expected future cashflows. The assumptions of broker attrition rates and useful economic lives for the distribution channels are based on historical information as well as expected future changes based on a market participant's view. Judgement is required to determine appropriate royalty rates and discount rates that reflect a market participant's view. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the intangible assets recognised in respect of this acquisition has a high degree of estimation uncertainty. Financial statements (note 6) disclose the sensitivity estimated by the Company.	With the assistance of our own valuations specialists, our procedures included: — **Assessing valuer's credentials:** We evaluated the Company's external valuer's competence, objectivity, capability and scope of work. — **Methodology choice:** We assessed the appropriateness of the methodologies used in the valuation compared to our industry experience and the requirements of IFRS. — **Our sector experience and benchmarking assumptions:** We applied our market and valuation experience, and knowledge of the industry, to challenge the methodology and key assumptions applied by the Company's valuer and benchmark the key assumptions and the valuation as a whole against industry peers. — **Sensitivity analysis:** We carried out independent sensitivity analysis of the valuation of intangible assets to reasonably possible alternative assumptions related to attrition rates, royalty rates, useful economic lives and the discount rate. — **Assessing transparency:** We assessed the adequacy of the Company's disclosures in respect of assumptions applied in the valuation and the sensitivity of the valuation of intangible assets to key assumptions. We did not seek to place reliance on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** As a result of our work, we found the valuation of intangible assets recognised on acquisition to be acceptable (2022 result: not applicable).

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

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

Materiality for the financial statements as a whole was set at £35.5m (2022: £27m based on net earned premiums), determined with reference to a benchmark of insurance revenue (of which it represents 1% (2022: 0.9% of net earned premiums)).

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

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

Performance materiality for the Company was set at 65% (2022: 75%) of materiality for the financial statements as a whole, which equates to £23m (2022: £20m). We applied this percentage in our determination of performance materiality this year based on the level of aggregation risk following business transactions and the adoption of IFRS 17.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.7m (2022: £1.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Investments and intra group reinsurance arrangements are either managed centrally at the Intact Financial Corporation group level in Canada or by other entities within the ultimate group. Accordingly, we engaged the auditors of those entities to perform specified risk-focussed procedures over investments and intra-group reinsurance arrangements. We communicated our audit risk assessment in respect these areas to these other audit teams, agreed the scoping of the planned audit procedures and the information to be reported back and reviewed these audit teams' documentation to evaluate the quality of execution of the work on these areas.

All other audit procedures were performed by the audit team in the UK.

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

4 Going concern

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

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

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

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

Our procedures also included:

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

Our conclusions based on this work:

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

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

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

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

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

We performed procedures including:

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

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

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

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

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
20 March 2024

STATEMENT OF FINANCIAL POSITION

As at	Note	**31 December 2023** £m	31 December 2022 £m	1 January 2022 £m
Assets				
Cash and cash equivalents	**7**	**168**	220	315
Financial assets	**7**	**4,933**	4,807	4,743
Investment property	**7/18**	**283**	289	368
Investments in subsidiaries	**10**	**860**	1,227	5,518
Reinsurance contract assets	**13**	**1,363**	1,464	1,410
Income taxes receivable		**1**	-	2
Property and equipment	**16**	**86**	95	65
Intangible assets	**17**	**529**	289	250
Goodwill	**17**	**326**	-	-
Other assets	**19**	**332**	760	1,144
Deferred tax assets	**26**	**253**	260	146
Total assets		**9,134**	9,411	13,961
Liabilities				
Insurance contract liabilities	**13**	**5,337**	5,361	5,068
Financial liabilities related to investments	**8**	**40**	26	50
Other liabilities	**19**	**842**	1,298	5,299
Income taxes payable	**26**	**-**	5	1
Total liabilities		**6,219**	6,690	10,418
Equity				
Equity attributable to shareholders		**2,915**	2,721	3,543
Total equity and liabilities		**9,134**	9,411	13,961

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

The financial statements were approved on 20 March 2024 by the Board of Directors and are signed on its behalf by:

Ken Anderson
Chief Financial Officer

INCOME STATEMENT

For the year ended	Note	31 December 2023 £m	31 December 2022 £m
Income			
Insurance revenue	13	3,552	3,710
Insurance service expense	13/24	(3,207)	(3,469)
Insurance service result from insurance contracts		345	241
Expenses from reinsurance contracts	13	(687)	(809)
Income from reinsurance contracts	13	434	650
Net expense from reinsurance contracts		(253)	(159)
Insurance service result		92	82
Net investment income	22	458	4,508
Net losses on investment portfolio	22	(355)	(4,634)
Net investment return		103	(126)
Insurance finance (expense) income	22	(163)	16
Reinsurance finance income (expense)	22	57	(23)
Net insurance financial result		(106)	(7)
Net investment return and net insurance financial result		(3)	(133)
Other net (losses) gains	23	(8)	16
Other income	28	29	6
Other expense	24	(53)	(27)
Integration and restructuring costs	25	(151)	(91)
Finance costs		-	(1)
Loss before tax		(94)	(148)
Income tax (expense) credit	26	(73)	39
Loss for the year		(167)	(109)

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended	31 December 2023	31 December 2022
	£m	£m
Loss for the period	**(167)**	(109)
Items that may be reclassified to the Income statement:		
Exchange gains net of tax on translation of foreign operations	**-**	2
Fair value gains (losses) on FVTOCI assets net of tax	**59**	(217)
	59	(215)
Items that will not be reclassified to the Income statement:		
Pension – remeasurement of defined benefit asset (liability) net of tax	**(741)**	(358)
Movement in property revaluation surplus net of tax	**(3)**	(3)
	(744)	(361)
Total other comprehensive expense for the period	**(685)**	(576)
Total comprehensive expense for the period	**(852)**	(685)
Attributable to:		
Shareholders	**(852)**	(685)
	(852)	(685)

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Ordinary share capital	Ordinary share premium	Fair value reserves	Foreign currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2023	**90**	**1,854**	**(132)**	**40**	**869**	**2,721**
Total comprehensive income						
Loss for the period	-	-	-	-	**(167)**	**(167)**
Other comprehensive income (expense) for the period	-	-	**56**	-	**(741)**	**(685)**
	-	-	**56**	-	**(908)**	**(852)**
Transactions with owners of the Company						
Contribution and distribution						
Shares issued for cash	**1,046**	-	-	-	-	**1,046**
	1,046	-	-	-	-	**1,046**
Balance at 31 December 2023	**1,136**	**1,854**	**(76)**	**40**	**(39)**	**2,915**
For the year ended 31 December 2022						
Balance at 31 December 2021 (as reported)	90	1,854	525	38	962	3,469
Impact of IFRS adoption[1]	-	-	(437)	-	511	74
Balance at 1 January 2022 (restated)	90	1,854	88	38	1,473	3,543
Total comprehensive income						
Loss for the period	-	-	-	-	(109)	(109)
Other comprehensive (expense) income for the period	-	-	(220)	2	(358)	(576)
	-	-	(220)	2	(467)	(685)
Transactions with owners of the Company						
Contribution and distribution						
Dividends	-	-	-	-	(137)	(137)
	-	-	-	-	(137)	(137)
Balance at 31 December 2022	90	1,854	(132)	40	869	2,721

[1] Refer to note 3 - First time adoption of IFRS for further information.

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

STATEMENT OF CASH FLOWS

For the year ended	Note	31 December 2023 £m	31 December 2022 £m
Operating activities			
Loss before tax		(94)	(148)
Income tax paid, net		(6)	(1)
Adjustments for non-cash items	29	388	4,813
Changes in other operating assets and liabilities	29	(723)	(3,936)
Net cash flows (used in) provided by operating activities		**(435)**	728
Investing activities			
Business combinations, net of cash acquired	6	(520)	-
Purchases of investments in subsidiaries		(9)	(280)
Proceeds from sale of investments		2,979	1,546
Purchases of investments		(3,014)	(1,937)
Purchases of intangibles and property and equipment		(118)	(122)
Dividends received from subsidiaries		17	111
Net cash flows used in investing activities		**(665)**	(682)
Financing activities			
Payment of lease liabilities		(6)	(9)
Proceeds from issuance of ordinary shares	20	1,046	-
Payment of dividends on ordinary shares		-	(137)
Net cash flows provided by (used in) financing activities		**1,040**	(146)
Net decrease in cash and cash equivalents		(60)	(100)
Cash and cash equivalents at beginning of the period		200	298
Effect of exchange rate changes on cash and cash equivalents		(1)	2
Cash and cash equivalents at end of the period		**139**	200
Composition of cash and cash equivalents			
Cash		90	53
Cash equivalents		78	167
Overdrafts		(29)	(20)
Cash and cash equivalents, end of period		**139**	200
Other relevant cash flow disclosures – operating activities			
Interest payable		(8)	(291)
Interest receivable		173	148
Dividends receivable		10	13

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

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the Company

The Company is a wholly owned subsidiary of Royal Insurance Holdings Limited and is incorporated and domiciled in the UK. The Company's ultimate parent company and controlling party is IFC. At a local level, the Company is a member of the RSA Group headed by RSAIG, which is registered in England and Wales and has prepared its consolidated financial statements in accordance with UK-adopted International Accounting Standards and the requirements of Companies Act 2006.

The registered office of the Company is St Marks Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom.

2. Glossary of abbreviations

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

3. First time adoption of IFRS

The Company's financial statements for the year ended 31 December 2023 are the first annual financial statements that have been prepared in accordance with UK-adopted IAS and the requirements of the Companies Act 2006. They were previously prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the requirements of Companies Act 2006.

During the year, the Company transitioned from FRS 101 to the full IFRS basis of accounting. As a first time adopter of IFRS, IFRS 1 has been applied. The major adjustments arising from the transition to full IFRS Standards arose from the application of IFRS 17 Insurance contracts and IFRS 9 Financial instruments. In addition, on transitioning from FRS 101 to the full IFRS basis of accounting, the accounting basis for investments in subsidiaries has been changed from fair value to cost less accumulated impairment losses. The Company's transition date is 1 January 2022 and an opening IFRS Statement of financial position has been prepared at that date.

IFRS 1 allows some exemptions from full retrospective application of certain standards. In preparing these financial statements in accordance with IFRS 1, the Company has applied the following mandatory exemptions from full retrospective application of IFRS:

i. derecognition of financial assets and liabilities exception: financial assets and liabilities derecognised before 1 January 2022 are not re-recognised under IFRS; and

ii. estimates exception: estimates under IFRS at 1 January 2022 are consistent with estimates made for the same date under FRS 101 and the requirements of Companies Act 2006.

The following table provides a reconciliation of equity at 1 January 2022 and 31 December 2022.

Equity as at 31 December 2022 and 1 January 2022		31 December 2022 £m	1 January 2022 £m
Equity attributable to shareholders as reported under FRS 101		2,609	3,469
Reinsurance contract assets (IFRS 17)	3.1 (i)		
Discounting	a	(241)	(159)
Risk adjustments and other remeasurement of claims liabilities	b	203	168
Onerous contracts	c	5	-
Other	d	(17)	(13)
Insurance contract liabilities (IFRS 17)	3.1 (i)		
Discounting	a	570	311
Risk adjustments and other remeasurement of claims liabilities	b	(284)	(224)
Onerous contracts	c	(52)	(9)
Other	d	(3)	1
Total impact of IFRS 17 adoption		181	75
ECL on amortised cost loans (IFRS 9)	3.2	(1)	(1)
Impact of IFRS 1 adoption		180	74
Change in balance sheet value of investments in subsidiaries (IAS 27)	3.3	(68)	-
Equity attributable to shareholders as reported under IFRS		**2,721**	**3,543**

The following table provides a reconciliation of total comprehensive income for the year ended 31 December 2022:

Total comprehensive income for the year ended 31 December 2022		£m
Profit for the year ended 31 December 2022 as reported under FRS 101		198
Adjusted for:		
Reinsurance contract assets (IFRS 17)	3.1 (i)	
Discounting	a	(82)
Risk adjustments and other remeasurement of claims liabilities	b	35
Onerous contracts	c	5
Other	d	(4)
Insurance contract liabilities (IFRS 17)	3.1 (i)	
Discounting	a	260
Risk adjustments and other remeasurement of claims liabilities	b	(60)
Onerous contracts	c	(43)
Other	d	(4)
Total impact of IFRS 17 adoption		107
Reclassification of unreleased losses (net of tax) from Fair value reserves to the Income statement (IFRS 9)	3.2	(102)
Impairment of subsidiaries recognised in the Income statement (IAS 27)	3.3	(312)
Profit for the year ended 31 December 2022 as reported under IFRS		(109)
Total other comprehensive income for the year ended 2022 as reported under FRS 101		(921)
Reclassification of unreleased losses (net of tax) from Fair value reserves to the Income statement (IFRS 9)	3.2	102
Reversal of fair value of subsidiaries recognised in Fair value reserves	3.3	243
Total other comprehensive income for the year ended 31 December 2022 as reported under IFRS		(576)
Total comprehensive income for the year ended 31 December 2022 as reported under IFRS		**(685)**

Notes to the reconciliations of equity and total comprehensive income

3.1 IFRS 17 Insurance contracts

The nature and the effect of the application of IFRS 17 is summarised as follows:

i) Changes to classification, recognition and measurement

The Company applies IFRS 17 to the same scope of contracts previously reported under FRS 101. As a result, the adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts.

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

The accounting under the PAA differs from the policy applied under FRS 101 in the following key areas:

a. ***Discounting*** **–** the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Previously, only Provisions for losses and loss adjustment expenses (claims liabilities) where there is a long period from incident to claims settlement were discounted, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date;
b. ***Risk adjustment*** **–** the liability for incurred claims includes an explicit risk adjustment which replaces the risk margin under FRS 101. The previous risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Like the risk margin, the risk adjustment includes the benefit of diversification;
c. ***Onerous contracts*** **–** IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under FRS 101. Under IFRS 17 the loss component of onerous contracts measured based on projected profitability is recognised immediately in the Income statement, resulting in earlier recognition; and
d. ***Other*** **–** mainly comprise reinsurance non-performance risk. Under IFRS 17, for risks ceded under reinsurance contracts, the expected cash flows must be altered to reflect the chance of default by the reinsurer when it comes to paying claims or meeting other contractual obligation. Under FRS 101, the Company created bad debt provisions for amounts due from some reinsurers depending on their risk rating.

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

ii) Changes to presentation and disclosure

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

Statement of financial position

Changes in the Statement of financial position line items are introduced by IFRS 17. The previously reported line items debtors arising out of direct insurance operations, claims outstanding, and other related assets and liabilities are presented together by portfolio on a single line called Insurance contract liabilities or assets. The previously reported line items reinsurers' share of technical provisions, debtors arising out of reinsurance operations, creditors arising out of reinsurance operations, and other related assets and liabilities are presented together by portfolio on a single line called Reinsurance contract assets or liabilities.

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

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

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

Income Statement

The Income statement is no longer divided into a Technical account and a Non-technical account and changes in line items are introduced by IFRS 17, which requires separate presentation of Insurance revenue, Insurance service expenses and Insurance finance income or expense. The following previously reported line items are no longer disclosed: gross written premiums, net earned premiums, net claims and net operating expenses.

3.2 IFRS 9 Financial Instruments

On application of IFRS 9 on 1 January 2022, the Company's Equity attributable to shareholders was negatively impacted by £1m, which equates to the ECL calculated on its amortised cost loans.

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

i. certain equity instruments previously classified as AFS are now classified as FVTPL;
ii. the designation of some fixed income instruments changed on transition from AFS to FVTPL. The designation of other fixed income instruments changed from AFS to FVTOCI; and
iii. the ECL calculated on instruments at fair value previously in OCI were recycled to Retained earnings (subsequently to the Income statement).

As at 1 January 2022, the Company reclassified £2m of unrealised losses (after tax) from Revaluation reserves to Retained earnings.

The following table summarises the classification and measurement impacts of IFRS 9 on adoption. The adoption of IFRS 9 had no significant impact on the Company's other financial assets or liabilities.

Impact of IFRS 9 on the classification and measurement of investments

As at 1 January 2022	Measurement category FRS 101	Measurement category IFRS 9	Carrying amount FRS 101	Carrying amount Impact of IFRS 9	Carrying amount IFRS 9
Cash and cash equivalents[1]	Amortised cost	Amortised cost	66	249	315
Debt securities	AFS	FVTOCI	4,059	(1,410)	2,649
	FVTPL	FVTPL	-	1,410	1,410
Shares and other variable yield securities and units in unit trusts	AFS	n/a	575	(575)	-
Equities	FVTPL	FVTPL	-	326	326
Loans	Amortised cost	Amortised cost	359	(1)	358
			5,059	(1)	5,058

[1] £249m of cash equivalents have been transferred from being classified as Equities under FRS 101 to being classified as Cash and cash equivalents under IFRS. This presentational change is due to first time adoption of IFRS.

3.3 Investments in subsidiaries

The accounting basis for investments in subsidiaries was fair value when the accounts were prepared in accordance with FRS 101 and the requirements of Companies Act 2006. On first time adoption of IFRS, the accounting basis for this item has been changed to cost less accumulated impairment losses, with impairment losses being recognised in the Income statement. As permitted by IFRS 1, at 1 January 2022, investments in subsidiaries are measured at deemed cost, being the fair value reported in the previous financial statements prepared under FRS 101 at 31 December 2021.

4. Summary of material accounting policies

4.1 Basis of presentation

These financial statements and the accompanying notes are prepared in accordance with IFRS, as adopted in the UK. They were authorised for issue in accordance with a resolution of the Board of Directors on 20 March 2024.

Comparative information has been restated for first time adoption of IFRS (refer to note 3 - First time adoption of IFRS).

The material accounting policies applied in the preparation of these financial statements are described below. These policies have been applied consistently to all periods presented.

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

Going concern

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

4.2 Insurance and reinsurance contracts

IFRS 17 requires management to use judgements, estimates and assumptions, further details of which are provided in note 13 - Insurance and reinsurance contracts.

IFRS 17 accounting policies are described below.

a) Classification

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Company 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 Company 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 Company. The Company 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 by the Company, unless otherwise stated.

b) Separating components from insurance and reinsurance contracts

Insurance and reinsurance contracts are assessed to determine whether they contain components which must be accounted for under an IFRS other than the insurance contract standard. The Company'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 Company 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 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 Company 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 Company 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 Company uses different measurement models depending on the type of contract.

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

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

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

Premium Allocation Approach

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

	Description
Overview	Simplified measurement model which may be applied to insurance contracts when: i. the coverage period is one year or less; or ii. for contracts longer than one year, and there is no material difference in the liability for remaining coverage between the PAA and the GMM.
Contracts applying this model	All insurance and reinsurance contracts, except in limited circumstances where the GMM is required.

	Description
Initial and subsequent measurement	The liability for remaining coverage includes: i. premiums received; ii. minus insurance acquisition cash flows paid net of the amortisation of the insurance acquisition cash flows recognised; iii. minus any amounts recognised as insurance revenue for the services provided; iv. minus any investment component paid or transferred to the liability for incurred claims; and v. plus any loss component for onerous contracts.
Onerous contracts	The Company assumes that no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Company has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information, forecast information and historic experience (refer to Onerous contracts below).
Other policies	The Company: i. does not discount the liability for remaining coverage; and ii. allocates insurance acquisition cash flows to related groups and amortises them over the coverage period of those groups.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts.

General Measurement Model

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

	Description
Overview	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. The liability for remaining coverage includes: i. fulfilment cash flows are measured using current estimates and are comprised of: • discounted estimates of future cash flows; and • a risk adjustment for non-financial risk (risk adjustment) which is the compensation required for bearing uncertainty. ii. contractual service margin, which is the unearned profit that is recognised as services are provided.
Contracts applying this model	A limited number of contracts for retroactive reinsurance contracts covering adverse development of existing claims.

	Description
Initial and subsequent measurement	*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: i. initial recognition of fulfilment cash flows; ii. any cash flows arising from the contracts in the group at that date; and iii. any amount arising from the derecognition of assets or liabilities previously recognised for cash flows related to the group. Subsequently, the contractual service margin is adjusted for: i. the effect of any new contracts; ii. interest accreted at the discount rates at initial recognition (locked-in discount rate); iii. changes in fulfilment cash flows relating to future service, except to the extent that such: • increases exceed the contractual service margin, in which case the excess is recognised as a loss in the Income statement and a loss component is recognised; • decreases are allocated to the loss component, reversing losses previously recognised in the Income statement; iv. the effect of any currency exchange differences; and v. amounts recognised as insurance revenue for services provided, determined by allocating the contractual service margin over the current and remaining service coverage period. Changes in fulfilment cash flows related to current services are recognised immediately in the Income statement which include: i. changes in risk adjustment for expired risk; and ii. experience adjustments which are the difference between estimated premiums and claims and other insurance service expenses incurred in the period.
Onerous contracts	Groups of contracts are assessed as onerous when fulfilment cash flows exceed the carrying amount of the liability for remaining coverage (refer to Onerous contracts below).
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts, except: i. they include an allowance for non-performance risk by the reinsurer; ii. the risk adjustment represents the amount of risk being transferred to the reinsurer; iii. day 1 gains/losses are recognised initially as a contractual service margin and released to the Income statement as the reinsurer renders services, except for day 1 losses related to events before initial recognition; and iv. changes in fulfilment cash flows are recognised in the Income statement if changes in the fulfilment cash flows in the related underlying ceded contracts have been recognised in the Income statement as well. Otherwise, changes in the fulfilment cash flows adjust the contractual service margin.

Onerous contracts

For onerous contracts, a loss component determined based on estimated fulfilment cash flows is included in the liability for remaining coverage when insurance contracts are issued with a loss recognised immediately in the Income statement. The loss component is reversed to the Income statement over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

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

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

Liability for incurred claims

For contracts measured under PAA, the Company 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 Company 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 Company has elected to discount all of its liability for incurred claims.

The Company 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 Company and include an explicit risk adjustment.

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

Refer to note 13.4 - Significant accounting judgements, estimates and assumptions for more details.

g) Modification and derecognition

The Company 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 Company derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Company 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 Company's yearly billing plans.

i) Insurance service expenses

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

i. incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts;

ii. amortisation of insurance acquisition cash flows; and

iii. losses and reversal of losses on onerous contracts.

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

j) Insurance acquisition cash flows

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

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

k) Insurance finance income and expense

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

l) Net expense from reinsurance contracts

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

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

m) Investment component

The Company 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 contact matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

4.3 Financial instruments

IFRS 9 requires management to use judgements, estimates and assumptions, further details of which are provided in note 12 - Financial risk.

IFRS 9 accounting policies are described below:

a) Classification and measurement of financial instruments

Financial assets

Business model assessment

The Company 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 Company's business models fall into two categories, which are indicative of the key strategies to generate returns:

i. the Company's primary business model is HTC&S which provides a desired flexibility to support the Company'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 Company also carries certain financial assets under a HTC business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

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

SPPI assessment

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

Debt instruments

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

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

Equity instruments

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

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

Financial Instruments

Classification and measurement of the Company's most significant financial instruments under IFRS 9

Classification	Financial instruments	Description	Initial and subsequent measurement
FVTOCI	Debt securities	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices at the end of the period (except as noted below for Level 3 instruments), with changes in fair value recognised in OCI when unrealised or in Net gains or losses when realised or impaired.
Designated as FVTPL on initial recognition	Debt securities backing insurance and reinsurance contracts	A portion of the Company's investments backing its insurance and reinsurance contracts has been voluntarily designated as FVTPL to eliminate the accounting mismatch caused by fluctuations in fair values of underlying insurance and reinsurance contracts due to changes in discount rates. The Company ensures that the duration of debt securities designated as FVTPL is approximately equal to the duration of insurance and reinsurance contracts.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (for financial assets) or ask prices (for financial liabilities) at end of period, with changes in fair value recognised in Net gains or losses.
Classified as FVTPL	Equity instruments	All ordinary shares portfolios and certain preferred shares.	
	Derivative financial instruments	Derivatives used for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio as long as the resulting exposures are within the investment policy guidelines.	
	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 investments 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

Net investment income is recognised as follows:

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

The Company 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 12 – Financial risk.

At each reporting date, the Company 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 Income statement. Refer to note 12 – 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 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 Company will apply the low credit risk simplification to its investment grade assets with a quoted market price. This represents approximately 95% of the debt security portfolio at 31 December 2023 (31 December 2022: 97%).

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

d) Derecognition of financial assets and financial liabilities

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

e) Offsetting of financial assets and financial liabilities

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

i. a legally enforceable right to offset the recognised amounts; and

ii. an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.4 Derivative financial instruments

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

Derivatives are initially measured at fair value at the trade date and subsequently remeasured at fair value at the end of each reporting date. Derivative financial instruments with a positive fair value are recognised as assets and presented in Other assets, while derivative financial instruments with a negative fair value are recognised as liabilities and presented in Financial liabilities related to investments. Changes in the fair value of Company's derivative instruments are recognised in Net gains (losses) on investment portfolio. Refer to note 9 - Derivative financial instruments for details

4.5 Business combinations

Business combinations are accounted for using the acquisition method. The purchase consideration is measured at fair value at acquisition date. At that date, the identifiable assets acquired, and liabilities assumed, are measured at their fair value. Acquisition-related costs are expensed as incurred. When the Company 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 Income statement.

4.6 Intangible assets and goodwill

Goodwill

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

Goodwill is allocated to the CGU that is expected to benefit from the business combination in which it 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 Company's operating segments.

Upon disposal of a portion of a CGU through a 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 Company's intangible assets include internally developed software, externally acquired software and intangible assets relating to distribution networks, customer lists and trade names.

Intangible assets with finite economic lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite lives, as well as those intangible assets that are under development, are not subject to amortisation, but are tested for impairment on an annual basis at the CGU level. Amortisation of intangible assets is included in Other expense in the Income statement.

Refer to note 17 - Goodwill and intangible assets for further information.

4.7 Translation of foreign operations

Items included in the financial statements of each of the Company's branches are measured using the currency of the primary economic environment in which the branch operates (the functional currency). The results and balance sheet of those Company branches whose functional currency is not Sterling are translated into Sterling as follows:

i. assets and liabilities for each statement of financial position presented are translated at closing exchange rates at the end of the period;

ii. income and expenses for each income statement are translated at average exchange rates during each period; and

iii. all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When a branch or the business of the branch is sold, the cumulative exchange differences relating to that branch are recognised in the profit and loss account as part of the gain or loss on sale.

Foreign currency transactions

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

i. monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognised in the Income statement;

ii. non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined; and

iii. revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

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

	As at			Average rate for the years	
	31 December 2023	31 December 2022	1 January 2021	**2023**	2022
EUR	**1.15**	1.13	1.19	**1.15**	1.17
CAD	**1.69**	1.64	1.71	**1.68**	1.61
USD	**1.27**	1.20	1.35	**1.24**	1.23

4.8 Investments in subsidiaries

The Company accounts for investments in subsidiaries at cost less accumulated impairment losses. Accumulated impairment is assessed against the recoverable amount.

4.9 Property and equipment

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

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

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

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

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

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

4.10 Investment property and rental income

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value. The fair value methodology is set out in more detail in note 11 – Fair value measurement. Rental income and gains and losses are recognised in Net gains (losses) on investment portfolio in the Income statement. Rental income from operating leases on investment property is recognised as Net investment income in the Income statement on a straight line basis over the length of the lease.

4.11 Leases

The Company as lessee

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

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

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

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

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

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

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

The Company as lessor

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

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

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

Company's net investment outstanding in respect of the leases.

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

4.12 Current and deferred tax

Current and deferred tax are recognised in the 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 26 - Income tax. 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 income statement or OCI, as is the case typically for brought forward tax losses, then these amounts are attributed between the 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 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 Company 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 for deferred tax is made for possible Pillar Two tax liabilities.

4.13 Share-based payments

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

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

Further information on the share schemes the Company operates can be found in note - 27.

4.14 Post-employment benefits and obligations

The Company operates both defined contribution and defined benefit schemes.

A defined contribution scheme is a pension scheme under which the Company 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 income statement in the period in which the underlying employment services are provided to the Company.

A defined benefit scheme refers to any other pension scheme; specifically, the Company'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 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 statement of financial position in Other liabilities. For those schemes in a net asset (surplus) position, the net asset is recognised in the statement of financial position in Other assets only to the extent that the Company 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 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 Company 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 28 - Employee future benefits.

4.15 Current vs non-current

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

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

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

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

5. Material accounting judgements, estimates and assumptions

5.1 Use of judgements, estimates and assumptions

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

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

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

Descriptions	Reference	Descriptions	Reference
Global economic environment	Note 5.2	Impairment of goodwill and intangible assets	Note 17.2
Business combinations and disposals	Note 6	Valuation of financial assets	Note 11
Insurance and reinsurance contracts	Note 13.3	Measurement of income taxes	Note 26.5
Valuation of intangible assets	Note 17		

5.2 Global economic environment

Global financial market volatility

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

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

i. the valuation of investments (note 11); and

ii. the valuation of the liability for incurred claims (note 13).

Climate change

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

Russia-Ukraine and Israel-Gaza wars

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

6. Business combinations and disposals

6.1 Business acquisition completed in 2023

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

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

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

The acquisition was structured through several agreements as described below:

i. *business combination* - the business transfer agreement related to new business franchise and certain operations, renewal rights, data, brands, employees, contractors, third party contracts and premises for which the operational transfer is expected to occur in the second quarter of 2024. The business transfer agreement resulted in a business combination as the Company assumes control from the closing date. As a result, the acquired net assets are reported from that date; and

ii. *quota share reinsurance agreement* - the reinsurance agreement related to premiums written but not yet earned starting from 1 October 2023. As a result, substantially all of the future economics of the business were transferred to the Company before policies will be renewed by the Company starting in the second quarter of 2024. The reinsurance agreement was recognised in direct insurance results in the fourth quarter of 2023. In addition, if approved by the High Court of Justice in England and Wales, these policies will be legally transferred to the Company. The quota share reinsurance arrangement was not part of the business combination; and

iii. *administration and transitional services arrangements* - the Company 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 Company is not exposed to any development on prior-year claims related to premiums earned pre 1 October 2023.

The purchase price of £520m and expected related integration costs of approximately £45m were funded through a capital injection by IFC, via a subscription of one share in the Company at a premium of £565m. Refer to note 30 - Related party transactions for further information.

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

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

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

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

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

The distribution networks are amortised over a 15-year period and trade names are amortised over an 8-year period. The fair value of the acquired distribution networks was determined using discounted cash flows with the key estimates and assumptions as follows:

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

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

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

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

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

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

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

6.2 Disposals

UK Personal lines

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

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

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

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

7. Investments

7.1 Classification of investments

	FVTPL			**FVTOCI**	**Amortised Cost**	**Total carrying amount**
	Designated as FVTPL	**Mandatorily measured at FVTPL**	**Measured at FVTPL**			
As at 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**168**	**168**
Investment property	**-**	**-**	**283**	**-**	**-**	**283**
Equity securities	**-**	**179**	**-**	**-**	**-**	**179**
Debt & fixed income securities	**1,698**	**314**	**-**	**2,351**	**-**	**4,363**
Loans	**-**	**-**	**-**	**-**	**391**	**391**
	1,698	**493**	**283**	**2,351**	**559**	**5,384**

	FVTPL			FVTOCI	Amortised Cost	Total carrying amount
	Designated as FVTPL	Mandatorily measured at FVTPL	Measured at FVTPL			
As at 31 December 2022	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	-	-	-	-	220	220
Investment property		-	289	-	-	289
Equity securities	-	185	-	-	-	185
Debt & fixed income securities	2,138	285	-	1,766	-	4,189
Loans	-	-	-	-	433	433
	2,138	470	289	1,766	653	5,316

7.2 Carrying amounts of investments

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

	FVTPL investments	**Other investments**				**Total investments**
	Carrying amount	**Cost/ amortised cost**	**Unrealised gains**	**Unrealised losses**	**Carrying amount**	**Carrying amount**
As at 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	**-**	**168**	**-**	**-**	**168**	**168**
Investment property	**283**	**-**	**-**	**-**	**-**	**283**
Equity securities	**179**	**-**	**-**	**-**	**-**	**179**
Debt & fixed income securities	**2,013**	**2,449**	**24**	**(123)**	**2,350**	**4,363**
Loans	**-**	**391**	**-**	**-**	**391**	**391**
	2,475	**3,008**	**24**	**(123)**	**2,909**	**5,384**

	FVTPL investments	Other investments				Total investments
	Carrying amount	Cost/ amortised cost	Unrealised gains	Unrealised losses	Carrying amount	Carrying amount
As at 31 December 2022	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	-	220	-	-	220	220
Investment property	289	-	-	-	-	289
Equity securities	185	-	-	-	-	185
Debt & fixed income securities	2,423	1,947	8	(189)	1,766	4,189
Loans	-	433	-	-	433	433
	2,897	2,600	8	(189)	2,419	5,316

7.3 Collateral

The following table summarises the investment-related collateral:

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

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

Total collateral pledged is **£1,379m** (2022: £1,319m) including the collateral pledged pertinent to reinsurance arrangements with related parties (note 30).

At 31 December 2023, collateral accepted consisted of government and non-government debt securities of **£418m** (2022: £416m), which the Company is permitted to sell or repledge in the event of default by the owner. **£416m** of debt securities on the Statement of financial position are lent out under stock lending arrangements (2022: £339m). Cash and cash equivalents of **£33m** (2022: £30m) is also accepted as collateral. The obligation to repay the cash is included in the Statement of financial position in Other liabilities. The fair value of the collateral accepted is **£451m** (2022: £446m). The terms and conditions of the collateral held are market standard. The assets held as collateral are readily convertible into cash.

8. Financial liabilities related to investments

As at 31 December	2023 £m	2022 £m
Accounts payable to investment brokers on unsettled trades	**15**	1
Derivative financial liabilities (Note 9)	**25**	25
	40	26

9. Derivative financial instruments

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

Types of derivatives used

Derivatives	Description	Objective	Designation
Forwards	*Contractual obligation to exchange:*		
Currency	One currency for another at a predetermined future date	Mitigate risk arising from foreign currency fluctuations on:	
		• foreign currency cash inflows and outflows impacting the Company's operations; and	Not designated
		• the Company's net investment in foreign operations.	Not designated
Swaps	*Over-the-counter contracts:*		
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	Not designated
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	Not designated
Equity	In which two counterparties exchange a series of cash flow based on a basket of stocks, applied to a notional amount	Mitigate exposure to equity market fluctuations	Not designated
Inflation	That transfer inflation risk from one party to another	Modify exposure to inflation risk	Not designated

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

		Term to maturity (notional amount)				Fair Value	
As at 31 December 2023		**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
Type of hedge	**Instrument type**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Not designated for hedge accounting	Currency forward contracts	**586**	**-**	**-**	**586**	**7**	**2**
	Cross currency interest swaps	**3**	**28**	**16**	**47**	**-**	**6**
	Interest rate swaps	**-**	**-**	**54**	**54**	**18**	**-**
	Equity swaps	**96**	**-**	**-**	**96**	**-**	**4**
	Inflation swaps	**-**	**-**	**120**	**120**	**34**	**13**
		685	**28**	**190**	**903**	**59**	**25**

As at 31 December 2022		Term to maturity (notional amount)				Fair Value	
		Less than 1 year	From 1 to 5 years	Over 5 years	Total	Asset	Liability
Type of hedge	Instrument type	£m	£m	£m	£m	£m	£m
Not designated for hedge accounting	Currency forward contracts	472	-	-	472	4	7
	Cross currency interest swaps	-	34	16	50	-	8
	Interest rate swaps	-	-	54	54	-	-
	Inflation swaps	-	-	120	120	46	10
		472	34	190	696	50	25

The Company 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 Company 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**
As at 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Derivative financial assets	**59**	**-**	**59**	**(23)**	**(32)**	**4**
Derivative financial liabilities	**25**	**-**	**25**	**(23)**	**-**	**2**

	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
As at 31 December 2022	£m	£m	£m	£m	£m	£m
Derivative financial assets	50	-	50	(19)	(31)	-
Derivative financial liabilities	25	-	25	(19)	(6)	-

10. Investments in subsidiaries

	Subsidiaries
	£m
Investments at 1 January 2022	5,518
Purchases	280
Impairment	(4,571)
Investments at 31 December 2022	**1,227**
Purchases	**9**
Impairment	**(376)**
Investments at 31 December 2023	**860**

Impairment of investments in subsidiaries in 2023 and 2022 largely relates to RSA Group-wide project to rationalise the intra-group loan position. Further information on these projects is provided in the Business review. The impairment recorded for 2022 also includes impairment based on level 3 fair valuation for two subsidiaries, RSA Luxembourg and RSA Insurance Ireland. For these subsidiaries, fair value has been calculated by applying the income approach, which uses discounted cash flow valuation models to assess the present value of expected future benefits. Discounted cash flows are based on the latest 3 year Board approved operational plan, with the final year being forecasted to perpetuity, by applying a long term growth assumption.

11. Fair value measurement

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

Fair value hierarchy

The three-level fair value hierarchy comprises:

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

ii. Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

iii. Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

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

For Level 1 and Level 2 investments, the Company 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 Company 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 Company does not receive pricing information from an external provider for its financial investments. In such circumstances the Company calculates fair value, which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

Investment property

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

Private fund structures

Loan funds are principally valued at the proportion of the Company's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 31 December 2023 range from **4.2%** to **9.5%** and have a weighted average of **7.1%** (31 December 2022: 3.0% to 11.6% and 7.6% respectively). If necessary the Company will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

Derivative financial instruments

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

The items presented in the following table are measured in the 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.

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

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

11.1 Fair value hierarchy

The items presented in the following table are measured in the 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.

	Level 1	**Level 2**	**Level 3**	
		Valued using models		**Total**
	Valued using quoted (unadjusted market prices)	**with observable inputs**	**without observable inputs**	
As at 31 December 2023	**£m**	**£m**	**£m**	**£m**
Equity securities	**130**	**-**	**49**	**179**
Debt securities	**891**	**3,158**	**314**	**4,363**
Derivative assets	**-**	**59**	**-**	**59**
Group occupied property	**-**	**-**	**19**	**19**
Investment properties	**-**	**-**	**283**	**283**
Total assets measured at fair value	**1,021**	**3,217**	**665**	**4,903**
Derivative liabilities	**-**	**25**	**-**	**25**
Total liabilities measured at fair value	**-**	**25**	**-**	**25**

	Level 1	Level 2	Level 3	
		Valued using models		Total
	Valued using quoted (unadjusted market prices)	with observable inputs	without observable inputs	
As at 31 December 2022	£m	£m	£m	£m
Equity securities	120	-	65	185
Debt securities	661	3,243	285	4,189
Derivative assets	-	50	-	50
Group occupied property	-	-	18	18
Investment properties	-	-	289	289
Total assets measured at fair value	781	3,293	657	4,731
Derivative liabilities	-	25	-	25
Total liabilities measured at fair value	-	25	-	25

11.2 Fair value categorisation (level 3 assets)

	Classified as FVTPL	Mandatorily measured as FVTPL			
	Equity securities	**Debt securities**	**Investment property**	**Group occupied property**	**Total**
As at 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**
Balance, beginning of period	**65**	**285**	**289**	**18**	**657**
Total gains/(losses) recognised in:					
Income statement[1]	**(3)**	**1**	**(8)**	**-**	**(10)**
Other comprehensive income	**-**	**-**	**-**	**(3)**	**(3)**
Purchases	**-**	**127**	**12**	**4**	**143**
Disposals	**(13)**	**(87)**	**(10)**	**-**	**(110)**
Exchange adjustment	**-**	**(12)**	**-**	**-**	**(12)**
Balance, end of year	**49**	**314**	**283**	**19**	**665**

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

	Classified as FVTPL	Mandatorily measured as FVTPL			
	Equity securities	Debt securities	Investment property	Group occupied property	Total
As at 31 December 2022	£m	£m	£m	£m	£m
Balance, beginning of the period	80	250	368	18	716
Total gains/(losses) recognised in:					
Income statement[1]	2	8	(13)	13	10
Other comprehensive income	5	(3)	-	(3)	(1)
Purchases	12	141	7	3	163
Disposals	(34)	(128)	(73)	(13)	(248)
Exchange adjustment	-	17	-	-	17
Balance, end of year	65	285	289	18	657

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

11.3 Fair value sensitivity (level 3 assets)

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

		Reasonably possible alternative assumptions[1]			
		2023		2022	
		Current fair value	**Decrease in fair value**	Current fair value	Decrease in fair value
Available for sale financial assets and property	**Main assumptions**	**£m**	**£m**	£m	£m
Group occupied property - land and buildings	Property valuation	**19**	**(1)**	18	(1)
Investment properties	Cash flows; discount rate	**283**	**(20)**	289	(20)
Level 3 available for sale financial assets:					
Equity securities	Cash flows; discount rate	**49**	**(1)**	65	(1)
Debt securities	Cash flows; discount rate	**314**	**(5)**	285	(3)
Total		**665**	**(27)**	657	(25)

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

12. Financial risk

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

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

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

12.1 Credit risk

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

Credit risk is managed at both an RSA 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 RSA Group level. In addition, the Credit Ratings Review Committee reviews the credit ratings of material investment exposures and unrated investments.

The RSA 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 RSA Group policies, procedures and limits.

In defining its appetite for credit risk, the RSA 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 RSA Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.

The Company'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 Company's core fixed income investment manager as to the level of exposure to various credit rating categories including unrated securities.

The RSA 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 RSA Group.

The Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. Company 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 Company's list of approved reinsurers. The exceptions are fronting arrangements for captives, where some form of collateral is generally obtained, and some global network partners. At 31 December 2023 the extent of collateral held by the Company against reinsurance contract assets was **£36m** (2022: £44m), which in the event of a default would be called and recognised on the Statement of financial position. This collateral consists of letters of credit and security agreements.

The Company's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Company 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 Company has the largest reinsurance asset recoverable are Berkshire Hathaway, Lloyd's of London and Talanx. At 31 December 2023 the reinsurance asset recoverable from each of these groups does not exceed **6.3%** (2022: 7.3%) of the Company's total financial assets.

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

The credit profile of the Company's assets exposed to credit risk is shown below. The table below sets out the Company's Maximum exposure to credit risk.

Credit quality

The Company'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 Company's public fixed income investment portfolio has over 99% invested in investment grade securities. This excludes indirect investment through debt funds. In the case of funds, specific policy limits apply to manage the overall exposure to these investments. Management monitors subsequent credit rating changes on a regular basis.

The following tables present the credit quality of the Company's debt securities.

As at 31 December	**2023 £m**	2022 £m
Debt & fixed income securities:		
AAA	**34%**	33%
AA	**25%**	25%
A	**23%**	22%
BBB	**17%**	19%
<BBB	**1%**	1%
	100%	100%

Credit exposure

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

As at 31 December	**2023 £m**	2022 £m
Cash and cash equivalents	**168**	220
Debt & fixed income securities	**4,363**	4,189
Loans	**391**	433
Reinsurance contract assets	**1,363**	1,464
Other financial assets[1]	**746**	985
Credit risk exposure	**7,031**	7,291

[1] Mainly includes other receivables and recoverables, financial assets related to investments, restricted funds, and accrued investment income on balance sheet structured settlements.

Impairment assessment under IFRS 9

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

Expected credit loss

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

The Company 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 Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

i. the internal rating of the counterparty indicating default or near-default;

ii. the counterparty having past due liabilities to public creditors or employees;

iii. the counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and

iv. the counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company 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 Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a LTECL.

Forward-looking information

In its ECL models, the Company 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 Company'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 Company's investment portfolio, the allowance for ECL was not significant as at 31 December 2023.

12.2 Market risk

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

Market risk can be broken down into three key components:

Equity and property risk

At 31 December 2023 the Company held investments classified as equity securities FVTPL of **£179m** (2022: FVTPL equity securities of £185m). These include interests in structured entities (as disclosed in note 33) and other investments where the price risk arises from interest rate risk rather than from equity market price risk. The Company considers that within equity securities, investments with a fair value of **£129m** (2022: £121m) may be more affected by equity index market price risk than by interest rate risk. An equity hedging programme was put in place from 1 January 2023. On this basis a 15% fall in the value of equity index prices would result in the recognition of losses of **£3m** in the Income statement net of equity hedges. As of 31 December 2022 a 15% fall in the value of equity index prices would have resulted in the recognition of £15m losses in other comprehensive income.

In addition, the Company holds investments in properties and in group occupied properties which are subject to property price risk. A decrease of 15% in property prices would result in the recognition of losses of **£42m** (2022: £43m) in the Income statement net of equity hedges and **£3m** (2022: £3m) in other comprehensive income.

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

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

Interest rate risk

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

Changes in the Income statement and Other comprehensive income (OCI):

	Decrease in Income statement		Decrease in Other comprehensive income	
	2024	2023	2024	2023
	£m	£m	£m	£m
Increase in interest rate markets:				
Impact on fixed income securities and cash of an increase in interest rates of 100bps	**(55)**	(56)	**(70)**	(59)

The Company 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 13.5 - Sensitivity analysis for sensitivity information in respect of the liability for incurred claims.

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

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

Currency risk

The Company 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 Company 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 Company is exposed to the risk that fluctuations in foreign exchange rates impact the reported profitability of foreign operations to the Company, 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 Company'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 through currency forward contracts, swaps and foreign exchange options within predetermined limits set by the Board. In managing structural currency risk, the needs of the Company's subsidiaries to maintain net assets in local currencies to satisfy local regulatory solvency and internal risk based capital requirements are taken into account.

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 EUR	10% weakening in Pounds Sterling against EUR
	£m	£m
Movement in equity attributable to shareholders at 31 December 2023	**17**	**(20)**
Movement in equity attributable to shareholders at 31 December 2022	12	(15)

12.3 Liquidity risk

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. To help mitigate this risk, the BRC sets limits on assets held by the Company 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 Company's operational requirements based on actuarial assessment and allowing for contingencies.

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

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

Financial assets by contractual maturity

As at 31 December 2023	**Less than one year**	**From one to five years**	**Over five years**	**No specific maturity**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	**168**	**-**	**-**	**-**	**168**
Investment property	**-**	**-**	**-**	**283**	**283**
Equity securities	**-**	**-**	**-**	**179**	**179**
Debt & fixed income securities	**457**	**2,305**	**1,287**	**314**	**4,363**
Loans	**48**	**90**	**253**	**-**	**391**
	673	**2,395**	**1,540**	**776**	**5,384**

As at 31 December 2022	Less than one year	From one to five years	Over five years	No specific maturity	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	220	-	-	-	220
Investment property	-	-	-	289	289
Equity securities	-	-	-	185	185
Debt & fixed income securities	518	2,238	1,148	285	4,189
Loans	-	158	275	-	433
	738	2,396	1,423	759	5,316

Financial liabilities by contractual maturity

As at 31 December 2023	**Less than one year**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**Five to ten years**	**Greater than ten years**	**Total**	**Carrying value in the statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowings	**29**	**-**	**-**	**-**	**-**	**-**	**-**	**29**	**29**
Derivative liabilities	**7**	**3**	**2**	**-**	**-**	**-**	**13**	**25**	**25**
Lease liabilities[1]	**7**	**9**	**4**	**3**	**3**	**13**	**10**	**49**	**40**
Other financial liabilities	**719**	**6**	**6**	**1**	**-**	**1**	**2**	**735**	**735**
Total	**762**	**18**	**12**	**4**	**3**	**14**	**25**	**838**	**829**

[1] Maturity profile shown on an undiscounted basis.

As at 31 December 2022	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
	£m	£m	£m	£m	£m	£m	£m		£m
Borrowings	20	-	-	-	-	-	-	20	20
Derivative liabilities	7	1	4	3	-	-	10	25	25
Lease liabilities[1]	7	8	8	4	3	26	-	56	43
Other financial liabilities	1,199	8	3	3	-	-	2	1,215	1,215
Total	1,233	17	15	10	3	26	12	1,316	1,303

[1] Maturity profile shown on an undiscounted basis

The capital and interest payable on the bonds and notes have been included until the earliest dates on which the Company has the option to call the instruments and the interest rates are reset.

Insurance and reinsurance contracts by maturity

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

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	No specific maturity	Total
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2023								
Insurance contract liabilities[1]	**(2,279)**	**(1,011)**	**(602)**	**(375)**	**(224)**	**(640)**	**-**	**(5,131)**
Reinsurance contract assets[1]	**543**	**275**	**168**	**102**	**56**	**231**	**-**	**1,375**
As at 31 December 2022								
Insurance contract liabilities[1]	(2,388)	(1,003)	(410)	(530)	(209)	(587)	-	(5,127)
Reinsurance contract assets[1]	690	294	95	168	56	214	-	1,517

[1] Excludes the liability for remaining coverage under the PAA.

13. Insurance and reinsurance contracts

13.1 Insurance revenue

	2023	2022
For the year ended 31 December	**£m**	£m
Contracts measured under PAA	**3,388**	3,410
Contracts measured under the GMM		
Amounts related to changes in liability for remaining coverage		
Risk adjustment recognised for the risk expired	**5**	10
Expected incurred claims and other insurance service expense	**159**	290
Total insurance revenue	**3,552**	3,710

13.2 Reconciliation of movements in carrying amounts

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

The Company 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 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

	Liability for remaining coverage		Liability for incurred claims			
				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 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract balances, beginning of period	**(546)**	**(214)**	**(180)**	**(4,259)**	**(177)**	**(5,376)**
Changes in comprehensive income:						
Insurance revenue	**3,552**	**-**	**-**	**-**	**-**	**3,552**
Incurred claims and other insurance service expense	**-**	**197**	**(158)**	**(2,674)**	**(67)**	**(2,702)**
Amortisation of insurance acquisition cash flows	**(583)**	**-**	**-**	**-**	**-**	**(583)**
Losses and reversal on onerous contracts	**-**	**(115)**	**-**	**-**	**-**	**(115)**
Adjustments to liabilities for incurred claims	**-**	**-**	**-**	**122**	**71**	**193**
Insurance service expense	**(583)**	**82**	**(158)**	**(2,552)**	**4**	**(3,207)**
Investment component	**71**	**-**	**-**	**(71)**	**-**	**-**
Insurance service result from insurance contracts	**3,040**	**82**	**(158)**	**(2,623)**	**4**	**345**
Insurance finance income (expense)	**10**	**(1)**	**4**	**(169)**	**(7)**	**(163)**
Exchange rate differences	**-**	**-**	**-**	**3**	**-**	**3**
Total changes in comprehensive income	**3,050**	**81**	**(154)**	**(2,789)**	**(3)**	**185**
Cash flows						
Premium received	**(3,811)**	**-**	**-**	**-**	**-**	**(3,811)**
Claims and other insurance service expense paid	**-**	**-**	**195**	**2,551**	**-**	**2,746**
Insurance acquisition cash flows	**911**	**-**	**-**	**-**	**-**	**911**
Total cash flows	**(2,900)**	**-**	**195**	**2,551**	**-**	**(154)**
Disposal of business[1]	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Amounts transferred from insurance acquisition cash flows	**18**	**-**	**-**	**-**	**-**	**18**
Insurance contract balances, end of period	**(390)**	**(133)**	**(139)**	**(4,497)**	**(180)**	**(5,339)**

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

	Liability for remaining coverage		Liability for incurred claims			
				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 2022	£m	£m	£m	£m	£m	£m
Insurance contract balances, beginning of period	(713)	(84)	(219)	(3,889)	(180)	(5,085)
Changes in comprehensive income:						
Insurance revenue	3,710	-	-	-	-	3,710
Incurred claims and other insurance service expense	-	95	(185)	(2,363)	(55)	(2,508)
Amortisation of insurance acquisition cash flows	(552)	-	-	-	-	(552)
Losses and reversal on onerous contracts	-	(232)	-	-	-	(232)
Adjustments to liabilities for incurred claims	-	-	-	(235)	58	(177)
Insurance service expense	(552)	(137)	(185)	(2,598)	3	(3,469)
Investment component	90	-	-	(90)	-	-
Insurance service result from insurance contracts	3,248	(137)	(185)	(2,688)	3	241
Insurance finance (expense) income	(25)	7	(12)	46	-	16
Exchange rate differences	-	-	-	(3)	-	(3)
Total changes in comprehensive income	3,223	(130)	(197)	(2,645)	3	254
Cash flows						
Premium received	(3,924)	-	-	-	-	(3,924)
Claims and other insurance service expense paid	-	-	236	2,275	-	2,511
Insurance acquisition cash flows	855	-	-	-	-	855
Total cash flows	(3,069)	-	236	2,275	-	(558)
Amounts transferred from insurance acquisition cash flows	13	-	-	-	-	13
Insurance contract balances, end of period	(546)	(214)	(180)	(4,259)	(177)	(5,376)

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

For the year ended 31 December 2023	Present value of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities, beginning of period	**(686)**	**(15)**	**(701)**
Changes in comprehensive income:			
Changes that relate to current services:			
Risk adjustment recognised for the risk expired	**-**	**7**	**7**
Experience adjustments	**132**	**-**	**132**
Changes that relate to future services:			
Changes in estimates that do not adjust the contractual service margin	**(97)**	**(3)**	**(100)**
Insurance service result from insurance contracts	**35**	**4**	**39**
Insurance finance income	**4**	**-**	**4**
Total changes in comprehensive income	**39**	**4**	**43**
Cash flows:			
Claims and other insurance service expenses paid	**193**	**-**	**193**
Total cash flows	**193**	**-**	**193**
Insurance contract liabilities, end of period	**(454)**	**(11)**	**(465)**

For the year ended 31 December 2022	Present value of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities, beginning of period	(912)	(24)	(936)
Changes in comprehensive income:			
Changes that relate to current services:			
Risk adjustment recognised for the risk expired	-	11	11
Experience adjustments	136	-	136
Changes that relate to future services:			
Changes in estimates that do not adjust the contractual service margin	(121)	(4)	(125)
Insurance service result from insurance contracts	15	7	22
Insurance finance (expense) income	(25)	2	(23)
Total changes in comprehensive income	(10)	9	(1)
Cash flows:			
Claims and other insurance service expenses paid	236	-	236
Total cash flows	236	-	236
Insurance contract liabilities, end of period	(686)	(15)	(701)

13.3 Insurance contracts

Insurance contract liabilities

As at 31 December	2023 £m	2022 £m
Insurance contract liabilities		
Insurance contract balances	**5,339**	5,376
Assets for insurance acquisition cash flows	**(2)**	(15)
	5,337	5,361

Assets for insurance acquisition cash flows

For the year ended 31 December	**2023** **£m**	2022 £m
Opening balance	**15**	17
Amounts incurred during the year	**5**	13
Amounts derecognised and included in the measurement of insurance contracts	**(18)**	(13)
Impairment losses and reversals	**-**	(2)
Closing balance	**2**	15

Reinsurance contracts analysis by remaining coverage and incurred claims

	Asset for remaining coverage		Asset for incurred claims		
			Contracts under PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
For the year ended 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**
Reinsurance contract assets, beginning of period	**(35)**	**5**	**1,447**	**47**	**1,464**
Changes in comprehensive income					
Allocation of reinsurance premiums	**(735)**	**-**	**-**	**-**	**(735)**
Commissions ceded	**48**	**-**	**-**	**-**	**48**
Expense from reinsurance contracts	**(687)**	**-**	**-**	**-**	**(687)**
Amounts recoverable for incurred claims and other expenses	**-**	**(5)**	**503**	**7**	**505**
Loss recoveries and reversals on onerous contracts	**-**	**-**	**-**	**-**	**-**
Prior-year development	**-**	**-**	**(47)**	**(20)**	**(67)**
Changes in non-performance risk of reinsurers	**-**	**-**	**(4)**	**-**	**(4)**
Income from reinsurance contracts	**-**	**(5)**	**452**	**(13)**	**434**
Net expense from reinsurance contracts	**(687)**	**(5)**	**452**	**(13)**	**(253)**
Reinsurance finance (expense) income	**(2)**	**-**	**57**	**2**	**57**
Exchange rate differences	**-**	**-**	**(2)**	**-**	**(2)**
Total changes in comprehensive income	**(689)**	**(5)**	**507**	**(11)**	**(198)**
Cash flows					
Premium paid	**744**	**-**	**-**	**-**	**744**
Amounts received	**-**	**-**	**(647)**	**-**	**(647)**
Total cash flows	**744**	**-**	**(647)**	**-**	**97**
Reinsurance contract assets, end of period	**20**	**-**	**1,307**	**36**	**1,363**

For the year ended 31 December 2022	Asset for remaining coverage		Asset for incurred claims		Total
			Contracts under PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
	£m	£m	£m	£m	£m
Reinsurance contract assets, beginning of period	-	-	1,364	46	1,410
Changes in comprehensive income					
Allocation of reinsurance premiums	(852)	-	-	-	(852)
Commissions ceded	43	-	-	-	43
Expense from reinsurance contracts	(809)	-	-	-	(809)
Amounts recoverable for incurred claims and other expenses	-	(1)	619	13	631
Loss recoveries and reversals on onerous contracts	-	6	-	-	6
Prior-year development	-	-	26	(12)	14
Changes in non-performance risk of reinsurers	-	-	(1)	-	(1)
Income from reinsurance contracts	-	5	644	1	650
Net expense from reinsurance contracts	(809)	5	644	1	(159)
Reinsurance finance expense	(11)	-	(12)	-	(23)
Exchange rate differences	-	-	-	-	-
Total changes in comprehensive income	(820)	5	632	1	(182)
Cash flows					
Premium paid	785	-	-	-	785
Amounts received	-	-	(549)	-	(549)
Total cash flows	785	-	(549)	-	236
Reinsurance contract assets, end of period	(35)	5	1,447	47	1,464

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

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

For the year ended 31 December 2022	Present value of future cash flows £m	Risk adjustment £m	Total £m
Reinsurance contract assets, beginning of period	5	36	41
Changes in comprehensive income:			
Changes that relate to future services			
Changes in estimates that do not adjust the contractual service margin	(1)	(13)	(14)
Net expense from reinsurance contracts	(1)	(13)	(14)
Reinsurance finance expense	(2)	(12)	(14)
Total changes in comprehensive income	(3)	(25)	(28)
Reinsurance contract assets, end of period	2	11	13

13.4 Significant accounting judgements, estimates and assumptions

Liability for incurred claims - Estimate of undiscounted future cash flows

The Company 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 Company. 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 Company'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 using relevant judgements.

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

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

Discount rates

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

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

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

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

Risk adjustment

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

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

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

The Company has estimated the risk adjustment based on the loss distribution from the Company'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 Company estimates that the net risk adjustment which relates to the risk retained by the Company after reinsurance, is at the **75th** percentile of the assessed loss distribution at 31 December 2023 (31 December 2022: 78th percentile).

The main assumptions underlying these techniques are:

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

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

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

The Company 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 Company includes all cash flows on a mean basis that are within the contract boundary. The Company 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.

13.5 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 Income statement. Movements in these assumptions may be non-linear and may be correlated with one another.

Sensitivity analysis (liability for incurred claims[1]) – Impact on the Income statement

	31 December 2023				31 December 2022			
	Gross of reinsurance[2]		**Net of reinsurance[3]**		Gross of reinsurance[2]		Net of reinsurance[3]	
	Reserves	**Discount rate**	**Reserves**	**Discount rate**	Reserves	Discount rate	Reserves	Discount rate
	+5%	**+1%**	**+5%**	**+1%**	+5%	+1%	+5%	+1%
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Liability for incurred claims	**(253)**	**134**	**(189)**	**84**	(252)	127	(179)	76

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

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

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

13.6 Reconciliation of the liability for incurred claims to undiscounted value

	2023			2022		
	Direct	**Ceded**	**Net**	Direct	Ceded	Net
As at 31 December	**£m**	**£m**	**£m**	£m	£m	£m
Undiscounted value	**(4,900)**	**1,280**	**(3,620)**	(4,898)	1,420	(3,478)
Effect of time value of money	**359**	**(83)**	**276**	365	(96)	269
Undiscounted risk adjustment	**(198)**	**40**	**(158)**	(198)	58	(140)
Periodic payment orders[1]	**(231)**	**95**	**(136)**	(229)	97	(132)
Liability for incurred claims before net payables	**(4,970)**	**1,332**	**(3,638)**	(4,960)	1,479	(3,481)
Net payables included in incurred claims	**(170)**	**15**	**(155)**	(177)	28	(149)
Reclassification of claims reported under GMM	**324**	**(4)**	**320**	521	(13)	508
Liability for incurred claims	**(4,816)**	**1,343**	**(3,473)**	(4,616)	1,494	(3,122)

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

13.7 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.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013 & Prior	Total
As at 31 December	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Estimates of undiscounted net cumulative claims	1,251	1,075	1,028	964	998	1,260	1,454	1,076	1,322	1,187		
Revised estimates												
One year later		1,122	1,047	948	1,001	1,277	1,364	1,035	1,266	1,230		
Two years later			1,024	984	996	1,256	1,352	1,044	1,212	1,196		
Three years later				966	1,012	1,247	1,379	1,053	1,207	1,133		
Four years later					998	1,243	1,369	1,067	1,210	1,121		
Five years later						1,239	1,376	1,058	1,221	1,113		
Six years later							1,367	1,052	1,184	1,113		
Seven years later								1,045	1,182	1,114		
Eight years later									1,178	1,106		
Nine years later										1,129		
Current estimate	**1,251**	**1,122**	**1,024**	**966**	**998**	**1,239**	**1,367**	**1,045**	**1,178**	**1,129**		
Cumulative net claims paid to date		(480)	(558)	(606)	(769)	(1,066)	(1,252)	(958)	(1,136)	(1,104)		
Undiscounted net claims	**1,251**	**642**	**466**	**360**	**229**	**173**	**115**	**87**	**42**	**25**	**230**	**3,620**
Effect of time value of money												(276)
Undiscounted risk adjustment												159
Periodic payment orders												135
Net liability for incurred claims before net payables and claims reported under the GMM												**3,638**
Net payables included in incurred claims												155
Reclass of claims reported under the GMM[1]												(320)
Net liability for incurred claims[2]												**3,473**

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

[2] Refer to Note 13.6 - Reconciliation of the liability for incurred claims to undiscounted value for reconciliation with the aggregate gross and net carrying amounts of the Company's insurance contracts.

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

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

14. Insurance risk

The Company principally underwrites commercial general insurance contracts as well as motor, home and pet to individuals. The adoption of IFRS 17 has not changed the way the Company manages insurance risk.

Most of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period.

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

i. underwriting and pricing risk (Note 14.1);
ii. fluctuation in the timing, frequency and severity of claims relative to expectations (Note 14.2);
iii. large, unexpected losses arising from a single event such as a catastrophe (Note 14.3);
iv. risk related to the liability for incurred claims (Note 14.4); and
v. inadequate reinsurance protection (Note 15.1).

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

The liability for incurred claims is the Company'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 Company's insurance risk, as well as the methods employed to mitigate risks, are described hereafter.

14.1 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 Company is exposed is of a short-term nature, and generally does not exceed 12 months. Annual policies allow the Company to respond to changing weather patterns when managing the global catastrophe risk. The Company'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 Company minimises the volatility of its insurance result.

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

The Company has developed enhanced methods of recording exposures and concentrations of risk and has a centrally managed Global Underwriting Forum looking at Company underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate. The Company 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 Company'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 Company, 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 Company's exposure to insurance risk, including protection against losses from severe weather events (see more details for the catastrophe reinsurance treaty in note 15 - Reinsurance). The Company Board determines a maximum level of risk to be retained by the Company as a whole. The net retained risk is distributed across the Company in accordance with Company 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 Company.

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

Concentration by lines of business

	2023		2022	
	Insurance revenues	**Net liability for incurred claims[1]**	Insurance revenues	Net liability for incurred claims[1]
Personal lines	**36%**	**34%**	52%	33%
Commercial lines	**64%**	**66%**	48%	67%

[1] Represents the net liability for incurred claims excluding net payables and including net claims reported under the GMM.

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

With the occurrence of claims being unforeseeable, the Company 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 Company's risk exposure. Further, the Company 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 Company regularly reviews large losses and contentious matters to ensure that an appropriate liability for incurred claims is established and approved.

14.3 Catastrophe risk

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

Catastrophic events include natural disasters and unnatural events:

i. there are a wide variety of natural disasters including but not limited to earthquakes, hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, solar storms, severe winter weather and wildfires; and

ii. unnatural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks.

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

The Company 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.

14.4 Liability for incurred claims risk

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

i. average claim costs, including claim handling costs (severity);
ii. average number of claims by accident period (frequency);
iii. trends in claim severity and frequency;
iv. payment patterns;
v. claims inflation including social inflation;
vi. other factors, for example changes in the business mix, changes in claims handling or in the wider claims environment such as the expected level of insurance fraud;
vii. discount rate; and
viii. risk adjustment (refer to Note 13.4 – Significant accounting judgments, estimates and assumptions for more details).

Refer to note 13.5 – 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 Company's ability to accurately assess the risk of insurance contracts that the Company 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 Company and additional lags between the time of reporting and final settlement of claims.

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

15. Reinsurance

In the ordinary course of business, the Company 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 Company is provided on a combined basis with IFC's operations in Canada and the US. The following table summarises the net retention and coverage limits for multi-risk events and catastrophes for UK and Europe located events.

Reinsurance net retention and coverage limits

As at 1 January	**2023 £m**	2022 £m
Retention[1]	**125**	75
Coverage limits[2]	**1,600**	1,350

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

[2] Represents the ground up limits before co-participations.

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

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

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

16. Property and equipment

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

As at 31 December	**2023 £m**	2022 £m
Property and equipment owned (see below)	**54**	60
Right-of-use assets (note 32)	**32**	35
Total property and equipment	**86**	95

Right-of-use assets relate to leased properties and other equipment. Further information can be found in note 32.

Property and equipment owned

	Group occupied property - land and buildings 2023 £m	**Other[1] 2023 £m**	**Total 2023 £m**	Group occupied property - land and buildings 2022 £m	Other 2022 £m	Total 2022 £m
Cost/valuation						
At 1 January	**18**	**116**	**134**	18	99	117
Additions	**4**	**2**	**6**	3	17	20
Disposals	**-**	**(2)**	**(2)**	-	-	-
Revaluation adjustments	**(3)**	**-**	**(3)**	(3)	-	(3)
At 31 December	**19**	**116**	**135**	18	116	134
Accumulated depreciation						
At 1 January	**-**	**65**	**65**	-	57	57
Depreciation charge	**-**	**9**	**9**	1	8	9
Depreciation on disposals	**-**	**(2)**	**(2)**	-	-	-
Revaluation adjustments	**-**	**-**	**-**	(1)	-	(1)
At 31 December	**-**	**72**	**72**	-	65	65
Accumulated impairment						
At 1 January	**-**	**9**	**9**	-	9	9
At 31 December	**-**	**9**	**9**	-	9	9
Carrying amount at 31 December	**19**	**35**	**54**	18	42	60

[1] Other includes fixtures, fittings and other equipment.

Depreciation expenses of **£9m** *(2022: £9m) have been charged to Insurance service expenses.*

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

The Company occupied property reserve at 31 December 2023 is **£16m** (2022: £18m).

17. Goodwill and intangible assets

17.1 Summary of goodwill and intangible assets

	Goodwill	Externally acquired software	Internally generated software	Trade names and customer relationships[1]	Distribution networks	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2023	-	72	586	-	-	658
Additions[2]	326	10	112	32	187	667
Derecognised[3]	-	-	(48)	-	-	(48)
At 31 December 2023	326	82	650	32	187	1,277
Accumulated amortisation						
At 1 January 2023	-	72	297	-	-	369
Amortisation charge	-	-	50	1	2	53
At 31 December 2023	-	72	347	1	2	422
Carrying amount at 31 December 2023	326	10	303	31	185	855

[1] Customer related intangibles includes customer lists.

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

[3] £48m of internally generated software assets have been derecognised in relation to the Company's exit from the UK personal lines insurance market. An additional £6m has been expensed as incurred. These charges are recognised in Integration and restructuring costs in the Income statement.

	Externally acquired software	Internally generated software	Total
	£m	£m	£m
Cost			
At 1 January 2022	72	519	591
Additions	-	101	101
Derecognised[1]	-	(34)	(34)
At 31 December 2022	72	586	658
Accumulated amortisation			
At 1 January 2022	72	269	341
Amortisation charge	-	32	32
Amortisation on disposals	-	(4)	(4)
At 31 December 2022	72	297	369
Carrying amount at 31 December 2022	-	289	289

[1] Ongoing strategic review of internally generated software assets identified certain assets for which no future economic benefits are expected. As a result the Company de-recognised assets in 2022 with a net book value of £30m. Following the adoption of IFRS 17, these charges are recognised in Integration and restructuring costs in the Income statement.

The carrying value of intangible assets not yet available for use at 31 December 2023 is **£129m** (31 December 2022: £137m). This primarily relates to the implementation of strategic software assets across the Company, reported within internally generated software.

Amortisation

Amortisation expense of **£35m** (2022: £32m) has been charged to Insurance service expense, with **£15m** charged to Integration and restructuring costs and the remainder recognised in Other expenses.

17.2 Impairments testing

When testing for impairment, the CGU to which intangibles have been allocated is compared to the recoverable amount as determined by a value in use calculation. Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the intangible asset is impaired in order to ensure that the CGU 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, as discussed in more detail in the Strategic Report. These plans reflect the Company's assessment of the impact of the current challenging economic environment and of the financial impacts of climate-related losses associated with the physical risks of changing weather patterns. Using up-to-date catastrophe models and building identifiable trends into our weather planning, technical pricing and exposure management are key parts of the Company's underwriting guidance.

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

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

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

	2023	2022
Pre-tax discount rate	**15%**	19%
Growth rate	**4%**	6%

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

17.3 Sensitivities

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

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

			Change in recoverable amount less carrying value	
	Goodwill	**Recoverable amount less carrying value**	**Discount rate +1%**	**Weighted average growth rate - 1%**
	£m	**£m**	**£m**	**£m**
UK	**326**	**1,241**	**(61)**	**25**

18. Investment property

Investment property of **£283m** (2022: £289m), relating to freehold and leasehold land and buildings, is held for long term rental yields and is not occupied by the Company.

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

	2023	2022
	£m	£m
At 1 January	**289**	368
Purchases	**12**	7
Sales	**(10)**	(73)
Fair value losses	**(8)**	(13)
Investment property at 31 December	**283**	289
Expected to be recovered after 12 months	**283**	289

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

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

19. Other assets and liabilities

19.1. Other assets

As at 31 December	2023 £m	2022 £m
Derivatives	**59**	50
Pension plan surplus (note 28)	**3**	204
Accrued interest and rent	**46**	45
Prepayments	**39**	34
Other debtors group undertakings	**140**	361
Other debtors	**44**	60
Collateral assets	**1**	6
Total other assets	**332**	760
To be settled within 12 months	**307**	556
To be settled after 12 months	**25**	204

19.2. Other liabilities

As at 31 December	2023 £m	2022 £m
Accruals	**440**	445
Deferred income	**4**	6
Lease liabilities (note 32)	**40**	43
Pension liabilities (note 28)	**23**	4
Overdrafts	**29**	20
Provisions	**31**	25
Other creditors group undertakings	**179**	682
Other creditors	**63**	43
Collateral liabilities	**33**	30
Total other liabilities	**842**	1,298
To be settled within 12 months	**763**	1,241
To be settled after 12 months	**79**	57

20. Share capital

As at 31 December	2023 £m	2022 £m
Shares reserved for issue under options and contracts (authorised but not paid)		
1,000,000,000 ordinary A Shares of 25p	**250**	250
Allotted, issued and fully paid		
4,541,868,697 ordinary A Shares of 25p (2022: 359,811,537 ordinary A Shares of 25p each)	**1,136**	90
1 ordinary B share at US$1 each (2022: 1 ordinary B share at US$1 each)	-	-

The Company has two classes of shares, ordinary Class A shares of 25p each and ordinary Class B share of US$1. Each ordinary Class A share carries the right to one vote at general meetings of the Company, the right to receive dividend payments in accordance with the number of shares held and the right to participate in any distribution of capital of the Company including on a winding-up. Each ordinary Class B share carries no voting rights and no right to a dividend, but carries the right on winding-up of the Company to a distribution in priority to the Class A shares equivalent to the US$/£ exchange rate gain as set out in the Articles of Association, payable in Pounds Sterling or US Dollars.

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2022	359,811,537	90	1,854
At 31 December 2022	359,811,537	90	1,854
At 1 January 2023	**359,811,537**	**90**	**1,854**
Capital injection	**4,182,057,160**	**1,046**	-
At 31 December 2023	**4,541,868,697**	**1,136**	**1,854**

21. Capital management

21.1 Capital management

It is a key regulatory requirement that the Company maintains sufficient capital to support its exposure to risk. Accordingly, the Company's capital management strategy is closely linked to its monitoring and management of risk. The Company'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 Company'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 Company aims to hold sufficient capital so as to maintain its single 'A' credit rating.

The Company 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 Company's policyholders and the continuation of the Company's ability to underwrite.

21.2 Regulatory solvency position during 2023

The Company operates a Prudential Regulation Authority (PRA) approved Solvency II Internal Model which forms the basis of the primary Solvency II solvency capital ratio (SCR) measure. The internal model is used to support, inform and improve the Company's decision making. It is used to inform the Company's optimum capital structure, its investment strategy, its reinsurance programme and target returns for each portfolio.

As at 31 December 2023, the Company's unaudited estimated coverage of its Solvency II SCR is approximately **1.7 times** (31 December 2022: 1.7 times).

21.3 Own risk and solvency assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA.

The Company 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 Company (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 Company's regulators as part of the normal supervisory process. The ORSA is reviewed by the BRC and approved by the Board.

The RSA Group ORSA report was delivered to the Board in July 2023. This outlined the balance sheet resilience to market stresses through the consideration of reverse stress testing, based on market and pensions impacts. The report concluded that RSA remains well capitalised, aided by increased capital generation following the completion of the pension buy-in transaction, which represents a material de-risking of RSA's Statement of financial position. Further information in respect of the pension buy-in is included in note 28 - Employee future benefits.

22. Net investment return and net insurance financial result

22.1 Net investment return and net insurance financial result

Years ended 31 December	2023 £m	2022 £m
Net investment income from third parties	**167**	122
Net investment expense from loans with group undertakings	**(3)**	(5)
Dividends receivable from subsidiaries[1]	**294**	4,391
Net investment income	**458**	4,508
Net losses on investment portfolio	**(355)**	(4,634)
Net investment return	**103**	(126)
Net insurance financial result	**(106)**	(7)
Net investment return and net insurance financial results	**(3)**	(133)

[1] Dividends receivable of £17m and £111m in 2023 and 2022 respectively were settled with cash. The remainder were settled by transfers of intra-group balances.

22.2 Net investment income

Years ended 31 December	2023 £m	2022 £m
Interest income calculated using the effective interest method:		
Debt securities classified as FVTOCI	**55**	41
Loans and cash and cash equivalents	**24**	18
Interest and similar income on securities designated as FVTPL	**50**	31
Interest or similar income on securities mandatorily measured as FVTPL	**24**	16
Interest income	**153**	106
Dividend income:		
FVTPL	**10**	13
Receivable from subsidiaries	**294**	4,391
Dividend income	**304**	4,404
Investment property rental income	**14**	14
Investment income	**471**	4,524
Expenses	**(13)**	(16)
Net investment income	**458**	4,508

22.3 Net gains (losses) on investment portfolio

	2023			2022		
	Fixed income	**Equity and property**	**Total**	Fixed income	Equity and property	Total
Years ended 31 December	**£m**	**£m**	**£m**	£m	£m	£m
Net gains (losses) from:						
Financial instruments:						
Classified or designated as FVTOCI	**80**	**-**	**80**	(286)	-	(286)
Classified as FVTPL	**57**	**6**	**63**	(146)	(19)	(165)
	137	**6**	**143**	(432)	(19)	(451)
Derivatives[1]	**-**	**3**	**3**	-	33	33
Investment property	**-**	**(8)**	**(8)**	-	(13)	(13)
Net foreign currency (losses) gains	**(32)**	**-**	**(32)**	81	-	81
ECL expense[2]	**(1)**	**-**	**(1)**	-	-	-
Other	**-**	**(4)**	**(4)**	-	1	1
	104	**(3)**	**101**	(351)	2	(349)
Impairment of group undertakings	**-**	**(376)**	**(376)**	-	(4,571)	(4,571)
	104	**(379)**	**(275)**	(351)	(4,569)	(4,920)
Recognised in:						
Income statement - Net losses on investment portfolio	**24**	**(379)**	**(355)**	(65)	(4,569)	(4,634)
Statement of comprehensive income	**80**	**-**	**80**	(286)	-	(286)
Total gains (losses) on investment portfolio	**104**	**(379)**	**(275)**	(351)	(4,569)	(4,920)

[1] Excluding foreign currency contracts, which are recognised in Net foreign currency gains (losses) on investments. Derivatives are mandatorily measured at FVTPL.

[2] ECL expense is not significant due to the high credit quality of the investment portfolio.

22.4 Net insurance financial result

Years ended 31 December	**2023 £m**	2022 £m
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	**(203)**	(79)
Changes in discount rates and other financial assumptions	**(26)**	214
Net foreign currency gains (losses)	**66**	(119)
Insurance finance (expense) income	**(163)**	16
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	**60**	26
Changes in discount rates and other financial assumptions	**5**	(67)
Net foreign currency (losses) gains	**(8)**	18
Reinsurance expense	**57**	(23)

23. Other net (losses) gains

As at 31 December	**2023 £m**	2022 £m
Other net foreign currency (losses) gains	**(9)**	16
Gain on sale of businesses	**1**	-
	(8)	16

24. Other expense

Year ended 31 December 2023	Amortisation of insurance acquisition cash flows £m	Other insurance service expense £m	Other expenses £m	Total £m
Claims and adjustment expenses	-	2,433	-	2,433
Risk adjustment	-	(4)	-	(4)
Losses on onerous contracts[1]	-	(82)	-	(82)
Commissions	368	-	-	368
Allocated indirect expenses[2]	215	277	49	541
Amortisation of acquired intangible assets	-	-	3	3
Administration and other expenses	-	-	1	1
	583	2,624	53	3,260
Represented by:				
Insurance service expense	583	2,624	-	3,207
Other expense	-	-	53	53
	583	2,624	53	3,260

[1] Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.

[2] Mainly includes salaries, rent and technology costs.

Year ended 31 December 2022	Amortisation of insurance acquisition cash flows £m	Other insurance service expense £m	Other expenses £m	Total £m
Claims and adjustment expenses	-	2,542	-	2,542
Risk adjustment	-	(3)	-	(3)
Losses on onerous contracts[1]	-	137	-	137
Commissions	374	-	-	374
Allocated indirect expenses[2]	178	241	25	444
Administration and other expenses	-	-	2	2
	552	2,917	27	3,496
Represented by:				
Insurance service expense	552	2,917	-	3,469
Other expense	-	-	27	27
	552	2,917	27	3,496

[1] Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.

[2] Mainly includes salaries, rent and technology costs.

25. Integration and restructuring costs

Integration costs include restructuring costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition as well as changes in the fair value of the contingent considerations. Restructuring and other costs include restructuring costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.

Year ended 31 December	**2023** £m	2022 £m
Integration costs[1]	**(54)**	(91)
Restructuring and other costs	**(97)**	-
	(151)	(91)

[1] For amounts related to the DLG Commercial Lines acquisition, refer to Note 6 – Business combinations and disposals.

26. Income taxes

26.1 Income tax expense recognised in the Income statement

The tax amounts charged (credited) in the Income statement are as follows:

Year ended 31 December	2023 £m	2022 £m
Current tax:		
Charge for the year	**29**	7
Overseas taxation	**2**	1
Adjustments in respect of prior years	**(1)**	(1)
Total current tax	**30**	7
Deferred tax:		
Charge (credit) for the year	**44**	(39)
Adjustments in respect of prior years	**(1)**	-
Adjustments for changes in tax rates	**-**	(7)
Total deferred tax	**43**	(46)
Total tax charge (credit) to income statement	**73**	(39)

26.2 Effective income tax rate

The tax charge (credit) for the year is more than 23.5% (2022: more than 19.0%), due to the items set out in the reconciliation below:

Year ended 31 December	2023 £m	2022 £m
Loss on ordinary activities before tax	**94**	148
Tax at the UK rate of 23.5% (2022: 19.0%)	**(22)**	(28)
Tax effect of:		
Expenses not deductible for tax purposes	**86**	869
Income/gains not taxable (or taxed at lower rate)	**(80)**	(857)
Transfer pricing	**(5)**	(1)
Release of tax provided in respect of previous periods	**(2)**	(1)
Effect of changes in tax rates/rate differences	**-**	(15)
Group relief received without payment	**8**	5
Unrelieved foreign tax credits	**2**	1
De-recognition (recognition) of prior year deferred tax assets	**43**	(12)
IFRS 17 transitional adjustment	**43**	-
Income tax charge (credit)	**73**	(39)
Effective tax rate	**78%**	**26%**

The main drivers of the Company's tax charge (and negative effective tax rate) for year ended 31 December 2023 are as follows:

i. the significant contributions paid to the UK pension plans in respect of the buy-ins (refer to note 28 - Employee future benefits) mean that the tax relief for a portion of these contributions is deferred and becomes deductible in 2024-26. These deferred contributions create a new deferred tax asset which is recognised in OCI, where the buy-in transactions are accounted for. Due to restrictions on UK deferred tax asset recognition, the new OCI deferred tax asset has displaced previously recognised temporary differences in the income statement. This de-recognition results in a £81m deferred tax charge in the income statement, with an offsetting £81m deferred tax credit in OCI. There is no change in the net deferred tax asset on the statement of financial position;

ii. the recognised deferred tax asset increased by £35m due to increased forecast future taxable profits. This partially offsets the £81m de-recognition noted in (i) above and is further offset by a recognition of £3m from other movements, resulting in an overall de-recognition of £43m deferred tax assets in the income statement in the year. See the deferred tax disclosures below for further details on the forecast future profits calculation and related sensitivities;

iii. a current tax charge of £43m arises as a result of the taxable IFRS17 transitional adjustment coming into the charge to tax in full in 2023.

iv. a £43m deferred tax liability was recognised for this transitional adjustment, which was fully offset by a recognition of £43m additional deferred tax assets. The IFRS17 deferred tax liability was released in the period as the profits came into the charge to tax. However, as a result of the significant pension contributions in the period (see i) above) more than offsetting the taxable profits for the period, the IFRS17 deferred tax asset was derecognised in the income statement;

v. expenses not deductible for tax purposes in 2023 mainly compromised the impairment recognised on investment in subsidiaries of £376m. The related tax impact is £88m;

vi. income/gains not taxable in 2023 mainly compromised dividends from subsidiaries of £293m. The related tax impact is £69m.

26.3 Income tax recognised in other comprehensive income

The current tax and deferred income tax credited (charged) to each component of other comprehensive income is as follows:

	Current Tax		**Deferred Tax**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
Year ended 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Fair value (losses) gains	**-**	-	**(21)**	69	**(21)**	69
Remeasurement of net defined benefit pension liability	**30**	-	**89**	(1)	**119**	(1)
Total tax credited to OCI	**30**	-	**68**	68	**98**	68

Foreign exchange arising on the revaluation of current and deferred tax balances is reported through other comprehensive income within the foreign currency translation reserve.

The net current tax and deferred tax charged directly to equity is £nil (2022: £nil).

The Company 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 Company totalled less than £10m (2022: less than £10m).

26.4 Tax rates

The table below provides a summary of the current tax and deferred tax rates for the year in respect of the UK, the largest jurisdiction in which the Company operates.

	2023		2022	
	Current Tax	**Deferred Tax**	Current Tax	Deferred Tax
UK	**23.5%**	**25.0%**	19.0%	25.0%

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

In May 2021, the change in the UK tax rate from 19% to 25% from 1 April 2023 was substantively enacted. This change impacts the UK current tax rate and a blended rate is used for current tax in the period. A 25% UK deferred tax rate is used as the UK temporary differences unwind in periods with a 25% tax rate.

26.5 Current and deferred tax

Current tax

	Asset		**Liability**	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
To be settled within 12 months	**1**	-	**-**	5
Current tax position at 31 December	**1**	-	**-**	5

Deferred tax

	Asset		**Liability**	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Deferred tax position at 31 December	**253**	260	**-**	-

There is a £7m reduction in deferred tax assets during the period (2022: £114m increase).

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

Whilst there has not been significant change in the deferred tax asset on the statement of financial position, there have been a number of changes in the categories of deferred tax asset recognised in the period.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The recognition approach is consistent with that applied at 31 December 2022.

The 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 £35m of deferred tax assets was recognised during the period due to an increase in forecast taxable profits. The UK forecast profits for DTA purposes are prudent and therefore assume 0% annual UK premium growth in the projection period (31 December 2022: 4.0% across UK business lines) and no overseas premium growth where relevant to UK profit projections. The base forecasts also incorporate a contingency of £70m per annum for the first three years and £55m per annum for the last two years (31 December 2022: £35m per annum). The contingencies were increased in recognition of the potential impact for additional integration or exit costs in the forecast horizon given recent announced transactions. Whilst contingency has been built into the base forecasts for DTA purposes, the increase in recognised UK DTA due to future profits was based on a further stressed scenario compared to the operational plans, which included a 3% deterioration in COR, a decline in return of investment income of 175 basis points and a worsening of the exited results by £30m per annum in years 1 to 3. The DTA recognition will be reassessed in 2024 once the Direct Line commercial lines integration journey is more advanced, the personal lines run-offs are further progressed and continued improvement in UK profitability has been demonstrated.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. Further stress and scenario tests are also run over the level of DTA supported by UK forecast profits to assess their impact on the recognised DTA. The impact is summarised below. These sensitivities are run on the base case scenario and their impact is already included in the scenario selected for DTA recognition. The relationship between the UK deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

Deferred tax sensitivities

	2023	2022
	£m	£m
1% increase in COR[1] across all 5 years	**(22)**	(18)
1 year reduction in the forecast modelling period	**(66)**	(47)
50 basis points decrease in bond yields	**(6)**	(7)

[1] COR is a measure of underwriting performance and is the ratio of underwriting costs expressed in relation to earned premiums.

A deferred tax asset of £19m is recognised in respect of temporary differences arising from unrealised losses on the FVTOCI bond portfolio (31 December 2022: £40m). On adoption of IFRS 9 on 1 January 2022, a portion of the AFS 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 now forms a new deferred tax asset for the transitional adjustment. There was no impact on the total amount of deferred tax recognised. The tax transitional adjustment will be relieved over 10 years via the income statement. This deferred tax asset has decreased by £5m in 2023 (and unwinds into current tax via the income statement).

On transition to IFRS17, the Company measured each group of insurance contracts as if the standard had always applied and recognised the resulting net difference in equity (see note 3 – First time adoption of IFRS). The deferred tax effect of the retrospective application of IFRS17 was included in the adjustment to equity. In the UK, a deferred tax liability was recognised on transition together with an offsetting deferred tax asset, resulting in no net impact. The current tax treatment of the IFRS17 transitional adjustment differs between territories. In the UK, the full transitional adjustment is subject to tax in 2023. The UK IFRS17 deferred tax liability has reversed in 2023 on the transitional adjustment coming into the charge to current tax. The offsetting deferred tax asset has also been derecognised in 2023. Both amounts were reversed in the income statement. This results in no change in the net UK deferred tax asset on the statement of financial position.

The tax relief for a portion of the 2023 pension contributions paid to RSA's pension schemes is deferred under UK tax rules and becomes deductible in years 2024-26 (on a straight-line basis). The 2023 contributions are significantly higher than previous periods because of the buy-in transaction (refer to note 28.6 - Purchase of annuity buy-in insurance contracts for transaction details). The deferred contributions create a new category of deferred tax asset which is recognised in OCI where the underlying transaction is accounted for. Due to restrictions on deferred tax asset recognition and its priority of use, the new OCI deferred tax asset (£81m) has displaced previously recognised temporary differences in the Income statement. This results in no change in the net UK deferred tax asset on the statement of financial position.

The Company has recognised a £32m deferred tax liability arising from the acquisition of the DLG broker commercial lines business due to differences between the accounting and tax value of acquired intangible assets. This deferred tax liability has been partially offset by the recognition of additional deferred tax assets (£16m).

Movement in the net deferred tax asset

	2023	2022
	£m	£m
Net deferred tax asset at 1 January	**260**	146
Amounts (charged) credited to Income statement	**(43)**	39
Amounts credited to Other comprehensive income	**68**	68
Amounts arising on business combination	**(32)**	-
Effect of change in tax rates - Income statement	**-**	7
Net deferred tax asset at 31 December	**253**	260

Major deferred tax assets (liabilities) recognised by the Company

	01 January 2023	Charged to income statement	Charged to OCI	Charged to statement of financial position	**31 December 2023**
	£m	£m	£m	£m	**£m**
Net unrealised losses/(gains) on investments	40	-	(21)	-	**19**
Tax losses and unused tax credits	6	8	8	-	**22**
Other deferred tax reliefs	95	(33)	-	-	**62**
Retirement benefit obligations	-	-	81	-	**81**
Capital allowances	82	(13)	-	-	**69**
Provisions and other temporary differences	4	-	-	(32)	**(28)**
Transitional relief on IFRS 9 assets	33	(5)	-	-	**28**
Net deferred tax asset at 31 December	260	(43)	68	(32)	**253**

Unrecognised tax assets

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

	2023		2022	
	Gross amount	**Tax effect**	Gross amount	Tax effect
	£m	**£m**	£m	£m
Trading tax losses	**1,645**	**411**	1,657	414
Capital tax losses	**1,225**	**306**	1,236	309
Deductible temporary differences	**323**	**81**	100	25
Unrecognised tax assets at 31 December	**3,193**	**798**	2,993	748

The Company's unrecognised trading losses represent losses which are not expected to be utilised within the forecast profit period. Unrecognised capital losses have not been recognised as it is not considered probable that they will be utilised in the future as most capital gains are exempt from tax.

Pillar Two

In October 2021, various countries and jurisdictions, including Canada, UK, Ireland and the European Union, agreed to implement the Organization for Economic Co-operation and Development's Pillar Two rules. The proposed rules are designed to ensure that large multinational enterprises pay a minimum effective corporate tax rate (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate.

In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules, which amended IAS 12 – Income taxes, for fiscal years beginning as of 31 December 2023. The amendments include a temporary exception from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work. The Company has applied this exception.

Pillar Two legislation has been enacted or substantively enacted in a number of jurisdictions in which the Company operates, including the UK. The legislation is effective from 1 January 2024. The Pillar 2 rules in the UK and other jurisdictions include a qualified domestic minimum top-up tax (QDMTT) which ensures that the jurisdiction retains primary taxation rights over any additional Pillar Two tax payable in respect of income arising in the territory rather than this falling to the Group parent entity. The Company is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes based on its most recent tax filings, country-by-country reporting, and financial statements. Based on this assessment, the Pillar Two effective tax rate in most of the jurisdictions in which the Company operates is above 15%. However, there are a limited number of jurisdictions in which the Company operates, including the United Arab Emirates where the statutory tax rate may mean that the Pillar Two effective tax rate is below 15%. The Company does not expect a material exposure to Pillar Two income taxes in those jurisdictions. The liability for any Pillar Two income taxes in these jurisdictions is expected to fall to the Group's parent Intact Financial Corporation once Canada enacts their Pillar Two legislation. However, this may change in the future as territories continue to enact their own Pillar Two legislation and QDMTT.

27. Share-based payments

The total amount included within staff costs in the Income statement in respect of all share scheme plans in 2023 is set out below.

27.1 Analysis of share scheme costs

Year ended 31 December	**2023 £m**	2022 £m
Long term incentive plan (LTIP) - IFC shares	**7**	9
Save as you earn (SAYE) - IFC shares	**3**	2
Total	**10**	11

27.2 Analysis of awards

	2023		2022	
	Awarded during the year	**Total value granted**	Awarded during the year	Total value granted
Year ended 31 December	**£m**	**£m**	£m	£m
LTIP - IFC shares	**7**	**21**	4	15
SAYE - IFC shares	**-**	**2**	-	2
Total	**7**	**23**	4	17

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

27.3 Long-term incentive plan IFC shares

Executive directors, other selected executives and senior managers are eligible to participate in the LTIP to enable them to own shares in the ultimate parent company, IFC. Participants are awarded notional share units referred to as Performance Stock Units (PSUs) and Restricted Stock Units (RSUs). The PSU payout is subject to the achievement of specific targets with regards to:

i. IFC's estimated ROE outperformance versus an industry benchmark, based on a three-year average; or

ii. the three-year average combined ratio of the UK & International operations compared to a specific target.

RSUs ordinarily vest three years from the year of the grant. Vesting for RSUs is not linked to the Company's performance.

If an employee resigns from the Company, then unvested PSUs and RSUs lapse at the date of leaving the Company.

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 Company has the obligation to settle the liabilities of LTIP awards, which grant rights to receive shares in the ultimate parent company, IFC, it is accounted for as a cash-settled plan. This means the cost of the awards is recognised as an expense over the vesting period and the liability is remeasured at each reporting period based on the number of awards that are expected to vest and the current share price, with any fluctuations in the liability also recorded as an expense until it is settled.

Outstanding units and weighted-average fair value at grant date by performance cycle

As at 31 December	2023			2022		
	Number of units	**Weighted average fair value at grant date**	**Total**	Number of units	Weighted average fair value at grant date	Total
Performance cycles		**£**	**£m**		£	£m
2021 - 2023	**41,013**	**94.17**	**4**	43,997	94.17	4
2022 - 2024	**52,574**	**102.66**	**5**	57,160	102.66	6
2022 - 2026	**12,723**	**102.66**	**1**	12,723	102.66	1
2023 - 2025	**51,377**	**118.40**	**6**	-	-	-
Special cycles	**17,067**	**110.58**	**2**	9,034	102.66	1
Integration cycles	**25,801**	**94.17**	**3**	26,669	94.17	3
	200,555	**104.54**	**21**	149,583	98.65	15

Movement in LTIP shares

	2023 (in units)	2022 (in units)
Outstanding, beginning of year	**152,484**	70,601
Awarded	**51,528**	79,774
Net change in estimate of units outstanding	**(10,704)**	2,109
Units settled	**(556)**	-
Outstanding, end of year	**192,752**	152,484

27.4 Save as you earn IFC shares

Employees are able to elect to make monthly savings for a period of three years. In exchange, employees are granted an option to buy ordinary shares in the IFC at the end of the savings period, with a pre-set option price – typically at a 20% discount.

As the Company 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

	2023 (in units)		2022 (in units)	
	Sharesave	**Sharebuild**	Sharesave	Sharebuild
Outstanding, beginning of year	**169,696**	**2,213**	132,622	216
Granted	**57,913**	**1,865**	48,688	2,099
Exercised	**(3,426)**	**(286)**	(286)	(14)
Cancelled	**(8,610)**	**-**	(5,186)	-
Forfeited	**(5,855)**	**(230)**	(6,042)	(88)
Expired	**(392)**	**-**	(100)	-
Outstanding, end of year	**209,326**	**3,562**	169,696	2,213

27.5 Assumptions used

The key assumptions used in the calculation of the fair value of share options on the date of grant using the Black-Scholes option pricing model were as follows:

	Values
Fair value at valuation date	
2021 - 2024	£43.96
2022 - 2025	£35.72
2023 - 2026	£36.61
Exercise price[1]	
2021 - 2024	£83.22
2022 - 2025	£93.67
2023 - 2026	£92.51
Share price at valuation date	£125.58
Expected life[2]	3 years
Risk-free interest rate	4.03%
Expected volatility[3]	16.11%
Dividend yield	2.33%

[1] The exercise price represents the weighted average trading price for the three-week period preceding the grant date.

[2] The maturity date of the options outstanding is between December 2024 and December 2026.

[3] The expected volatility was determined by using the Company's own historical volatility on a daily basis, calculated over a period corresponding to the expected life of the options.

28. Employee future benefits

28.1 Defined contribution pension plans

Costs of **£33m** (2022: £33m) were recognised in respect of defined contribution plans by the Company.

28.2 Defined benefit (DB) pension plans

Funded status

DB pension plans are recognised on the Statement of financial position as an asset when plans are in a surplus position, or as a liability, when plans are in a deficit position. This classification is determined on a plan-by-plan basis.

As at 31 December	**2023[1]** **£m**	2022 £m
Defined benefit obligation (funded)	**(5,451)**	(5,391)
Defined benefit obligation (unfunded)	**(4)**	(4)
Fair value of plan assets	**5,437**	5,705
	(18)	310
Other net surplus remeasurements	**(2)**	(110)
Net DB asset	**(20)**	200
Recognised in note 19. Other assets and liabilities		
Other assets - plans in a surplus position	**3**	204
Other liabilities - plans in a deficit position and unfunded plans	**(23)**	(4)
	(20)	200

[1] The two main UK plans completed the purchase of annuity buy-in insurance contracts (buy-ins) for its two major UK DB pension plans during 2023. Refer to Note 28.6 - *Purchase of annuity buy-in insurance contracts* for more details.

UK plans

The major defined benefit pension plans are located in the UK. UK defined benefit plans were closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017. UK plans in surplus have been reduced for the 35% tax cost of an authorised return of surplus, classified as 'Other net surplus remeasurements'. Our opinion is that the authorised refund tax charge is not an income tax within the meaning of IAS 12 and so the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

Accrued benefits are revalued up to retirement in accordance with government indices for inflation. A cap of 2.5% per annum applies to the revaluation of benefits accrued post March 2010 (a cap of 5% per annum applies for benefits which accrued prior to this date). After retirement, pensions in payment are increased each year based on the increases in the government indices for inflation. A cap of 2.5%

applies to benefits accrued post 31 December 2005 (a cap of 5% applies to benefits in excess of Guaranteed Minimum Pension prior to this date).

The UK plans are managed through trusts with independent trustees responsible for safeguarding the interests of all members. The plan funds are legally separated from the Company and controlled by the Trustees. The Trustees meet regularly with Company management to discuss the funding position and any proposed changes to the plans. The plans are regulated by The Pensions Regulator.

The Company is exposed to risks through its obligation to fund the plans. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Company and the Trustees of the plans work together to reduce these risks through agreement of investment policy. The two main UK plans completed the purchase of annuity buy-in insurance contracts (buy-ins) during 2023 which removed all significant risk exposures for these plans. Refer to Note 28.6 – Purchase of annuity buy-in insurance contracts for more details.

The profile of the members of the two main UK plans at 30 June 2022 (the latest date at which full information is available) is as follows:

Deferred members - members no longer accruing and not yet receiving benefits	20,950
Pensioners - members and dependents receiving benefits	19,340
Total members at 30 June 2022	**40,290**

Funding and Contributions

Each plan is subject to triennial valuations, which are used to determine the future funding of the plans by the Company 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 Company, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, following completion of the triennial funding valuations.

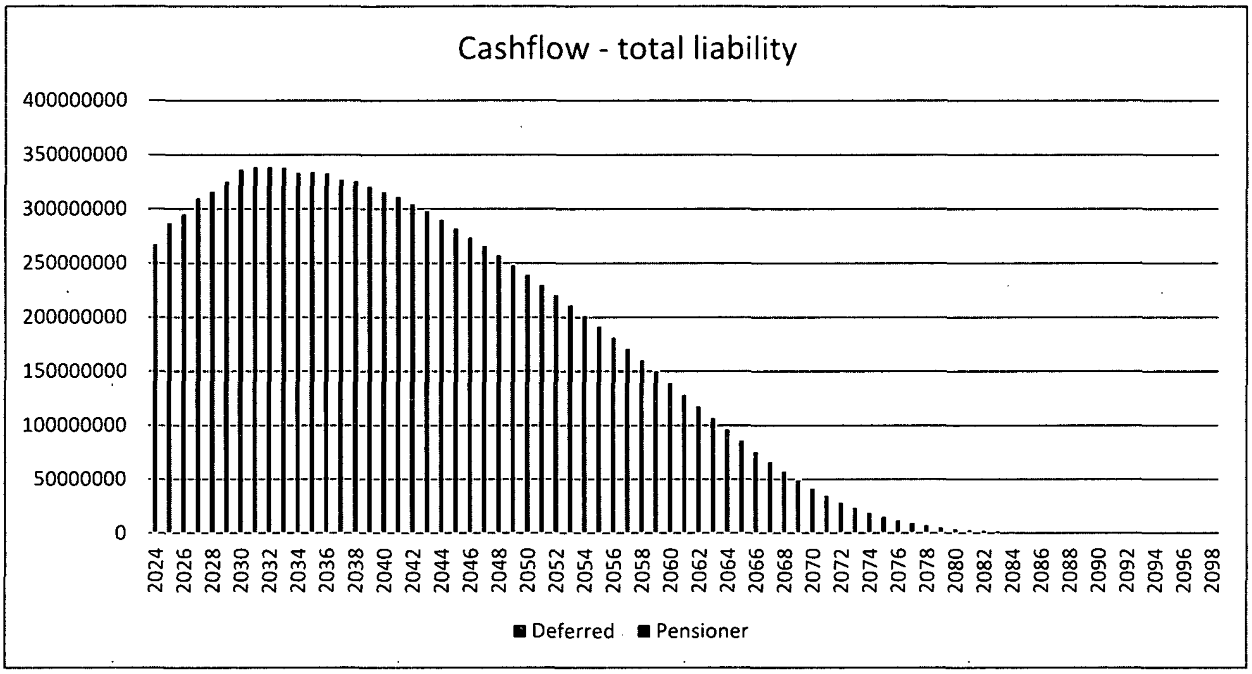
The effective date of the most recent valuations of the main UK plans was 31 March 2021. At that date, the main UK plans had an aggregate funding deficit of £138 million, equivalent to a funding level of 98%. The Company and the Trustees agreed on funding plans to eliminate the funding deficits by 2025.

For the two main UK plans, the level of contributions in 2023 was **£611m** (2022: £84m), including contributions required to reduce funding deficits and additional contributions required to meet premium payments for the buy-ins.

Total contributions paid over 2023 were above those required to clear the funding deficits, and so as agreed with the Trustees of the UK plans following the buy-ins, the Company will not be required to make any additional deficit funding contributions, but will continue to meet ongoing expenses of the plans, as well as fund any shortfalls in the outstanding deferred annuity premium obligation (see Note 28.6 - *Purchase of annuity buy-in insurance contracts for more details*).

Expected contributions to the main UK plans for the year ending 31 December 2024 are approximately £45m, covering the remaining contributions required to meet outstanding deferred annuity premium obligations, as well as ongoing expenses and regulatory levies.

The maturity profile of the undiscounted cash flows of the two main UK plans is shown below:



The weighted average duration of the defined benefit obligation of the two main UK plans at the end of the reporting period is **13 years** (2022: 13.5 years).

All plans

The estimated discounted present values of the accumulated obligations are calculated in accordance with the advice of independent, qualified actuaries.

28.3 Movement during the year

	2023			
	Present value of obligations	**Fair value of plan assets**	**Other net surplus remeasurements**	**Net surplus (deficit)**
	£m	**£m**	**£m**	**£m**
As at 1 January	**(5,395)**	**5,705**	**(110)**	**200**
Interest income (expense)	**(255)**	**294**	**-**	**39**
Administration costs	**-**	**(10)**	**-**	**(10)**
Total income (expenses) recognised in Income statement	**(255)**	**284**	**-**	**29**
Return on plan assets less amounts in interest income	**-**	**(14)**	**-**	**(14)**
Annuity buy-in insurance contracts[1]	**-**	**(854)**	**-**	**(854)**
Effect of changes in financial assumptions	**(178)**	**-**	**-**	**(178)**
Effect of changes in demographic assumptions	**103**	**-**	**-**	**103**
Experience losses	**(16)**	**-**	**-**	**(16)**
Investment expenses	**-**	**(9)**	**-**	**(9)**
Other net surplus remeasurements[1]	**-**	**-**	**108**	**108**
Remeasurements recognised in Other comprehensive income	**(91)**	**(877)**	**108**	**(860)**
Employer contribution	**-**	**611**	**-**	**611**
Benefit payments	**286**	**(286)**	**-**	**-**
As at 31 December	**(5,455)**	**5,437**	**(2)**	**(20)**
Deferred tax	**-**	**-**	**-**	**-**
IAS 19 net surplus net of deferred tax	**(5,455)**	**5,437**	**(2)**	**(20)**

[1] The buy-ins completed on 27 February 2023 resulted in a net impact of £727 million, composed of a remeasurement loss on plan assets of £854 million included in annuity buy-in insurance contracts and the derecognition of a tax expense on surplus of £127 million included in other net surplus remeasurements. Refer to note 28.6 - Purchase of annuity buy-in insurance contracts for more details.

	2022			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus (deficit)
	£m	£m	£m	£m
As at 1 January	(8,576)	9,297	(254)	467
Interest income (expense)	(155)	170	-	15
Administration costs	-	(8)	-	(8)
Total income (expenses) recognised in Income statement	(155)	162	-	7
Return on plan assets less amounts in interest income	-	(3,516)	-	(3,516)
Effect of changes in financial assumptions	3,201	-	-	3,201
Effect of changes in demographic assumptions	16	-	-	16
Experience losses	(188)	-	-	(188)
Investment expenses	-	(15)	-	(15)
Other net surplus remeasurements	-	-	144	144
Remeasurements recognised in Other comprehensive income	3,029	(3,531)	144	(358)
Employer contribution	-	84	-	84
Benefit payments	307	(307)	-	-
As at 31 December	(5,395)	5,705	(110)	200
Deferred tax	-	-	-	1
IAS 19 net surplus net of deferred tax	(5,395)	5,705	(110)	201

28.4 Composition of pension plan assets

The pension plan assets were mainly composed of annuity buy-in insurance contracts as at 31 December 2023 and of securities from the government and financial sectors as at 31 December 2022. The change in composition in pension plans was due to the buy-in transaction completed during 2023. Refer to Note 28.6 - Purchase of annuity buy-in insurance contracts for more details.

The composition of the fair value of pension plan assets by category and quoted and unquoted is shown below.

As at 31 December	**2023**			2022		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Cash and cash equivalents	**26**	**-**	**26**	1,255	-	1,255
Debt securities:						
Government	**11**	**-**	**11**	4,010	-	4,010
Non-government	**1**	**-**	**1**	991	785	1,776
Debt securities	**12**	**-**	**12**	5,001	785	5,786
Equity securities	**3**	**-**	**3**	3	3	6
Annuity buy in-insurance contracts	**-**	**5,440**	**5,440**	-	19	19
Derivative financial instruments	**-**	**(4)**	**(4)**	-	(13)	(13)
Investment property	**-**	**-**	**-**	-	420	420
Other	**-**	**67**	**67**	-	276	276
Total investments	**41**	**5,503**	**5,544**	6,259	1,490	7,749
Value of asset and longevity swaps	**-**	**-**	**-**	-	(2,044)	(2,044)
Deferred premium payable to PIC	**-**	**(107)**	**(107)**	-	-	-
Total net plan assets	**41**	**5,396**	**5,437**	6,259	(554)	5,705

28.5 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 assets following the buy-ins (refer to note 28.6 - Purchase of annuity buy-in insurance contracts for further details).

The weighted average principal actuarial assumptions used are:	**UK**	
	2023	2022
	%	%
Assumptions used in calculation of retirement benefit obligations:		
Discount rate	**4.54**	4.86
Annual rate of inflation (RPI)	**3.05**	3.11
Annual rate of inflation (CPI)	**2.45**	2.46
Annual rate of increase in pensions[1]	**2.91**	2.96
Assumptions used in calculation of pension net interest costs for the year:		
Discount rate	**4.86**	1.84

[1] For the UK the annual rate of increase in pensions shown is the rate that applies to pensions that increase at RPI subject to a cap of 5%.

Mortality rate

The mortality assumptions are set following investigations of the main plans' recent experience carried out by independent actuaries as part of the most recent funding valuations. The core mortality rates assumed for the main UK plans follow industry-standard tables with percentage adjustments to reflect the plans' recent experience compared with that expected under these tables

Reductions in future mortality rates are allowed for by using the CMI 2022 tables (2022: CMI 2021 tables) with a long term improvement rate of **1.25%** (2022: 1.25%). The weighted average assumptions imply the following expected future lifetimes:

	2023	2022
Life expectancy for pensioners at the age of 60:		
Male	**26.7**	26.9
Female	**28.5**	28.7

	2023	2022
Life expectancy for future pensioners in 15 years' time at the age of 60:		
Male	**27.6**	27.8
Female	**29.6**	29.7

Sensitivity analysis

Sensitivities for the defined benefit obligations of the two main UK plans are shown below. Following the buy-ins changes in the value of the defined benefit obligations are largely matched by equal and offsetting changes in the Fair Value of plan assets, and therefore the impact on the overall balance sheet of changes in the key assumptions below are expected to be immaterial.

	Changes in assumption	**2023 £m**	2022 £m
Discount rate	Increase by 0.25%	**(167)**	(168)
	Decrease by 0.25%	**176**	178
	Increase by 1.00%	**(619)**	(624)
	Decrease by 1.00%	**762**	772
RPI/CPI[1]	Increase by 0.25%	**114**	112
	Decrease by 0.25%	**(112)**	(110)
Core mortality rates[2]	Decrease by 13%	**198**	191
	Increase by 13%	**(198)**	(172)
Long-term future improvements to mortality rates	Increase by 0.25%	**31**	29
	Decrease by 0.25%	**(31)**	(29)

[1] The impact shown is for the appropriate increase in the revaluation of deferred pensions and the increases to pensions in payment resulting from the specified increase in RPI and CPI.

[2] Reducing the core mortality rates by 13% is the equivalent of increasing the life expectancy of a male aged 60 years by 1 year at 31 December 2023.

28.6 Purchase of annuity buy-in insurance contracts

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

At the transaction date, the UK plans transferred the majority of their plan assets and an upfront contribution of £481m to PIC. Of the total buy-in premium of £6,307m, an amount of £550m was deferred and has now been largely re-paid through the sale of certain less liquid assets that were initially retained by the UK plans but were liquidated by the end of 2023. During 2023, the UK plans paid £457m of the deferred annuity premium. The Company has committed to the UK plans to fund any shortfall in the deferred annuity premium obligation resulting from the liquidation of the assets. In addition, the UK plans retained longevity swaps that were already in place. Refer to *Asset and longevity swaps* below for more details.

The buy-ins comprised various contracts which were considered in aggregate as one single contract because they form a structure designed to collectively match the exact amount and timing of all the benefits payable by the UK plans. The Company was not legally relieved of the primary responsibility for the obligation, and the benefit payments continue to be payable by the UK plans. The contracts provide the option to convert the buy-ins into individual policies which would transfer the UK plan assets and obligation to PIC (known as a buy-out). While this course of action may be considered in the future, a separate decision would be required, and certain significant conditions would need to be met before any buy-out could be executed. Consequently, the transaction was considered a buy-in as opposed to a buy-out under IAS 19. As a result, an initial actuarial loss of £727m net of tax was recognised in OCI during 2023. The fair value of annuity buy-in insurance contracts subsequently fluctuates based on changes in the value of the associated DB obligation.

The buy-ins were funded through a capital injection of £480m by the Company's ultimate parent, IFC, passed down the RSA Group structure and injected into the Company by its immediate parent, Royal Insurance Holdings Limited, in the form of an issue of 25p shares (note 30 - Related party transactions).

Assets and longevity swaps

In 2009, the UK plans had entered into an arrangement that provided coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment of the UK plans at that time. The arrangement provided for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio made up of quoted government debt which was offset by asset swaps and longevity swaps held by the pension funds.

At 31 December 2022, this arrangement was accounted for as a swap. The total value of the arrangement, including government debt measured at prices quoted in an active market, at 31 December 2022 was £1,073m.

On the buy-in transaction date, the portfolio and asset swaps were novated to PIC and the longevity swaps remained in place with another counterparty, as plan assets of the UK plans. In combination with the other buy-in insurance policies purchased from PIC, these longevity swaps were accounted for as qualifying insurance policies at the buy-in transaction date, and hence at 31 December 2023, based on the value of the associated DB obligation under IAS 19. PIC are providing the plans with the funding required to support the longevity swaps. These swaps are fully collateralised. As at 31 December 2023, £127m of collateral was being posted by the plans to the longevity swap counterparty.

Other net surplus remeasurement

Prior to the UK buy-ins, the net DB asset (liability) of the UK plans was presented net of a 35% tax expense of an authorised return of surplus, which was classified with Other net surplus remeasurements. Since the surplus of the UK plans was derecognised through the UK buy-ins, the 35% tax provision totalling £127m has also been derecognised through OCI during 2023.

29. Additional information on the statement of cash flows

For the year ended 31 December	**2023 £m**	2022 £m
Adjustments for non-cash items		
Net (gains) losses on investment portfolio	(77)	193
Depreciation and impairment of property and equipment	15	17
Amortisation and impairment of intangible assets	53	32
Amortisation of investments	6	25
Pension net interest and admin costs (Note 28)	(29)	(7)
Derecognition and disposal of intangibles	48	30
Foreign exchange gains	(4)	(48)
Impairment of group undertakings	376	4,571
	388	**4,813**
Changes in other operating assets/liabilities		
Contributions to the defined benefit pension plans	(611)	(84)
Changes in insurance and reinsurance contracts	136	136
Other operating assets	228	944
Other operating liabilities	(476)	(4,932)
	(723)	**(3,936)**

30. Related party transactions

30.1 Transactions with parent company

The Company's immediate parent company is Royal Insurance Holdings Limited and its intermediate parent company is RSAIG. RSAIG's parent company is 2283485 Alberta Limited (2022: Regent Limited), a wholly owned subsidiary of IFC, the ultimate controlling party.

During the year to 31 December 2023, the following related party transactions have taken place with 2283485 Alberta Limited (passed down the RSA Group structure and injected into the Company by its immediate parent, Royal Insurance Holdings Limited):

i. on 3 March, the Company received a capital injection from 2283485 Alberta Limited 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 from 2283485 Alberta Limited of £36m to fund contributions to the Company's two UK defined benefit pension plans;

iii. on 26 October, the Company received a capital injection from 2283485 Alberta Limited of £565m to fund the acquisition and integration of the brokered Commercial lines operations of DLG.

During the year to 31 December 2022, the following related party transactions took place with Regent Limited:

i. on 28 March 2022, the Company received a capital injection from Regent Limited of £294m to fund the repurchase of Tier 1 notes.

30.2 Other related party transactions

The Company has a reinsurance arrangement with Unifund Assurance Company (Unifund), a member of the IFC Group. Under the terms of the arrangement the proportion of Unifund's business covered by the quota share agreement is transferred to the Company. The Company pays a reinsurance commission in relation to the quota share agreement and the agreement covers 60% Unifund's existing insurance liabilities and new written premium for all lines of business. Collateral assets, comprising assets held in trust and a letter of credit, have been received by the Company as security against the outstanding balances.

The Company has a number of reinsurance arrangements with entities that are part of the RSA Group. These include proportional whole account contracts with varying ceding percentages and retentions depending upon the counterparty, as well as non-proportional contracts and fronting transactions. Under these arrangements, risk is transferred to or from the Company on an arms-length basis.

The Company holds ordinary shares in a listed company in which a director of the Company who held office during 2022 was also a director, and in addition the Company holds ordinary shares in a listed company in which a director of the Company is also a *non-executive director. The shares were purchased from a third party in the open market as part of the Company's routine* investment strategy.

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

For the year ended 31 December	**2023 £m**	2022 £m
Income/(expenses) recognised in:		
Insurance revenue	**832**	907
Insurance service expenses	**(254)**	(263)
Net investment income	**(1)**	(1)

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

As at 31 December	**2023 £m**	2022 £m
Assets and liabilities recognised in:		
Other assets	**140**	361
Accrued interest receivable	**-**	2
Reinsurance contract assets	**238**	274
Debt and fixed income securities	**878**	861
Equity securities	**1**	-
Other liabilities	**(179)**	(682)
Accrued interest payable	**(325)**	(328)
Insurance contract liabilities	**(1,424)**	(1,285)

Compensation of key management personnel

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

For the year ended 31 December	**2023 £m**	2022 £m
Short term employee benefits (salaries, bonuses, allowances or other benefits)	**9**	9
Share-based awards	**3**	4
	12	13

Key management personnel transactions

A number of the directors, other key managers, and their close families have general insurance policies with the company. Such policies are available at discounted rates to all employees including executive directors.

31. Capital commitments

The Company's significant capital commitments are in respect of intangible assets (£20m at 31 December 2023), property and equipment (£7m at 31 December 2023) and investment property (£1m at 31 December 2023). Capital commitments at 31 December 2022 were £16m, £8m and £5m respectively. The remaining life of these commitments is less than one year.

The future commitments to structured entities are disclosed in Note 33 - Interests in structured entities. In addition, the Company has committed to invest £121m (2022: £149m) in other classes of investment.

Refer to Note 12.2 Market risk - Financial liabilities by contractual maturity and Note 19.2 - Other liabilities for details on lease liabilities.

31.1 Other contingent liabilities

The Company receives liability claims and becomes involved in actual or threatened litigation during the ordinary course of its business operations. The Company reviews and, in the opinion of the directors, maintains sufficient provisions, capital and reserves in respect of such claims.

In addition, the Company has given guarantees, indemnities and warranties in relation to the disposals of its businesses and business interests to external parties. These are kept under review and, in the opinion of the directors, no material loss will arise in respect of these guarantees, indemnities and warranties.

Subsequent to the year end, on 16 January 2024, a judgment in a Covid-19 business interruption case was handed down in the UK following an appeal hearing. The findings were consistent with assumptions previously made and, as a result, no adjustments to the financial statements were necessary related to the judgment.

32. Leases

32.1 Leases as a lessee

The Company leases land and buildings and other assets such as vehicles, IT equipment, servers and mainframes (reported as other) to operate its business in each of its core regions. The remaining lease terms for the main office premises range from 1 to 16 years.

The Company 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 Company has elected to apply recognition exemptions as permitted by IFRS 16 for these leases (see note 4 - Summary of material accounting policies).

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Land and buildings
	£m
Balance at 1 January 2022	14
Depreciation charge for the year	(6)
Additions to right-of-use assets	25
Remeasurements	4
Impairments	(2)
Balance at 31 December 2022	**35**
Depreciation charge for the year	**(6)**
Additions to right-of-use assets	**2**
Acquisition of subs	**1**
Balance at 31 December 2023	**32**

Impairment assessment

When testing for indicators of impairment, the key judgements and assumptions were considered:

i. office space was distinguished between:
   - office space that is temporarily underutilised and has not been impaired on the basis that the space will be utilised again in the future when office working resumes;
   - office space that will remain vacant and no longer be utilised.
ii. the likelihood of activating future break clauses on remaining leases where office space is still utilised have been assessed and assets re-measured (together with associated lease liabilities) where it is likely that clauses will be invoked;
iii. the recoverable amount of the right-of-use assets relating to permanently vacant office space was based on their value in use and include several key assumptions. These include:
   - the ability to sublet and the timing of agreements, if considered possible;
   - the level of rent charged;
   - the discount rate which is assumed to be the Company weighted average cost of capital (WACC);

- identification of other relevant cash flows to include such as future service charges and insurance.

There were no impairments identified in 2023. The key judgements and assumptions used in measuring the recoverable amounts of the impaired right of use assets are not deemed materially sensitive.

Lease liabilities

Lease liabilities of **£40m** (2022: £43m) are included within other liabilities in the Statement of financial position (see note 19 – Other assets and liabilities). The maturity analysis of this balance can be found in note 12 – Financial risk.

A reconciliation of lease liabilities is presented below.

	2023	2022
	£m	£m
Balance at 1 January	**43**	24
Lease payments	**(8)**	(10)
Additions to lease liabilities	**2**	24
Acquisition of subsidiaries	**1**	-
Remeasurements	**-**	4
Interest on lease liabilities	**2**	1
Balance at 31 December	**40**	43

Other amounts recognised in the Income statement for the year ended 31 December

	2023	2022
Leases under IFRS 16	**£m**	£m
Interest on lease liabilities	**2**	1
Expenses relating to variable lease payments	**11**	18

Amounts recognised in the Statement of cash flows for the year ended 31 December

	2023	2022
	£m	£m
Total cash outflow for leases	**19**	33

Total cash outflow for leases primarily relates to lease payments, with the principal and interest portion recognised separately within financing activities in the statement of cash flows. It also includes payments for leases of low value assets and variable lease payments which are reported within operating activities.

32.2 Leases as a lessor

The Company leases out its investment property consisting of freehold and leasehold land and buildings, as disclosed in note 18 – Investment property. All leases are classified as operating leases from a lessor perspective with the exception of sub-leases, which the Company has classified as finance sub-leases. Finance sub-leases are not material to the Company.

Operating leases

The Company leases out its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

During 2023, the Company recognised **£14m** of rental income within its net investment return (2022: £14m).

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

	Land and buildings	
	2023	2022
As at 31 December	**£m**	£m
Less than one year	**16**	15
One to two years	**16**	14
Two to three years	**14**	14
Three to four years	**13**	12
Four to five years	**10**	12
More than five years	**46**	65
Total	**115**	132

33. 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 Company 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 Company therefore considers that it does not act as a sponsor for any structured entity.

However, the Company 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 Company to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Company 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 Company has commitments for future undrawn subscriptions limited to the amounts set out in the subscription agreements. The Company has no obligations to provide any other additional funding or other financial support to these entities. The Company has determined that its maximum exposure to structured entities is the sum of the carrying value and the undrawn commitments. These exposures at 31 December are summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Carrying value 2023 £m	Undrawn commitments 2023 £m	Exposure 2023 £m	Carrying value 2022 £m	Undrawn commitments 2022 £m	Exposure 2022 £m
Mortgage backed securities	Mainly consists of domestic mortgage backed securities	3	-	3	3	-	3
Collateralised debt obligations	Structured debt security backed by bonds	235	-	235	234	16	250
Cash money market funds	Mainly short term cash deposits	72	-	72	78	-	78
Collective investment undertakings	Mainly consists of property funds	48	-	48	64		64
Other	Mainly consists of property funds	8	-	8	9	-	9
		366	-	366	388	16	404

Structured entities are disclosed as follows in the Statement of financial position:

As at 31 December	2023 £m	2022 £m
Investments - financial assets - equity securities	48	64
Investments - financial assets - debt securities	246	246
Cash and cash equivalents	72	78
	366	388

34. Employee expenses

Staff costs for all employees comprise:

For the year ended 31 December	2023 £m	2022 £m
Wages and salaries	221	222
Redundancy costs	8	8
Social security costs	25	28
Pension costs	4	26
Share-based payments to directors and employees (note 27)	10	11
Total staff costs	268	295

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

For the year ended 31 December	2023	2022
UK	**4,882**	4,847
Other	**15**	15
Total average number of employees during the year	**4,897**	4,862

Further information on pension obligations of the Company can be found in note 28 – Employee future benefits. Further information on employee share schemes can be found in note 27 – Share based payments.

35. Directors' emoluments

The aggregate emoluments of the Company's directors were as follows:

For the year ended 31 December	2023 £000	2022 £000
Short term benefits (salaries, bonuses, allowances and other benefits)	**2,982**	4,597
Compensation for loss of office	**-**	2
Total	**2,982**	4,599

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

At the end of 2023 one director had accrued retirement benefits under a defined benefit pension scheme of £89,331 (2022: £71,381), and no contributions were made to defined contribution pension schemes (2022: £nil).

During 2023, no directors (2022: no directors) exercised share options, no directors (2022: no directors) had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company, one director (2022: one director) and one non-executive director (2022: two non-executive directors) had Performance Share Units (PSUs) and Restricted Share Units (RSUs) vesting in the Company's ultimate parent company, IFC, as part of their remuneration for service as executives of IFC, and two non-executive directors (2022: two non-executive directors) had Deferred Share Units (DSUs) vesting in IFC, as part of their fee for their role on the IFC Board of Directors. The DSUs are redeemed upon director retirement or termination and are settled for cash afterwards.

The emoluments of the highest paid director were:

For the year ended 31 December	2023 £000	2022 £000
Short term benefits	**1,313**	1,700

During 2023, no retirement benefits were accrued under defined benefit pension schemes (2022: £nil) and no contributions were made to defined contribution schemes (2022: £nil) for the highest paid director.

During 2023 the highest paid director had no share awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company, IFC (2022: the highest paid director had no share awards vesting under long term incentive schemes).

36. Auditor's remuneration

For the year ended 31 December	2023 £m	2022 £m
Fees payable to the auditor for audit of the Company's annual accounts	**4.1**	4.2
Fees payable to the auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**2.1**	1.7
Non-audit services:		
Audit related assurance services[1]	**0.3**	0.3
Total auditor's remuneration	**6.5**	6.2

[1] Included in the Audit related assurance services for 2023 is **£0.2m** (2022: £0.2m) of assurance work in respect of Solvency II reporting.

37. Distributions paid and declared

For the year ended 31 December	2023 £m	2022 £m
Ordinary dividend	**-**	137

38. Alternative Performance Measures

IFRS reconciliation to management P&L

For the year ended 31 December 2023

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Profit before tax
Insurance revenue	3,552	3,552			3,552		3,552
Insurance service expense	(3,207)	(3,207)			(3,207)		(3,207)
Insurance service result from insurance contracts	**345**						
Expenses from reinsurance contracts	(687)	(687)			(687)		(687)
Income from reinsurance contracts	434	434			434		434
Net expense from reinsurance contracts	**(253)**						
Insurance service result	**92**						
Net investment income	458		164		164	294	458
Net losses on investment portfolio	(355)					(355)	(355)
Net investment return	**103**						
Insurance finance expense	(163)					(163)	(163)
Reinsurance finance income	57					57	57
Net insurance financial result	**(106)**						
Net investment return and net insurance financial result	**-3**						
Other net losses	(8)					(8)	(8)
Other income	29					29	29
Other expense	(53)	(49)		(2)	(51)	(2)	(53)
Integration and restructuring costs	(151)					(151)	(151)
Loss before tax	**(94)**	**43**	**164**	**(2)**	**205**	**(299)**	**(94)**
Income tax expense	(73)						
Loss for the year	**(167)**						
Attributable to:							
Shareholders	(167)						

Reconciliation of Insurance revenue to Net written premiums

For the year ended 31 December 2023	£m
Insurance revenue	**3,552**
Movement in gross earned premium	(283)
Other income	(76)
Reinsurance written premiums	(143)
Revenue for internal contracts	260
Revenue measured under GMM	(164)
Net written premiums	**3,146**

For the year ended 31 December 2022

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Profit before tax
Insurance revenue	3,710	3,710			3,710		3,710
Insurance service expenses	(3,469)	(3,469)			(3,469)		(3,469)
Insurance service result from insurance contracts	**241**						
Expenses from reinsurance contracts	(809)	(809)			(809)		(809)
Income from reinsurance contracts	650	650			650		650
Net expense from reinsurance contracts	**(159)**						
Insurance service result	**82**						
Net investment income	4,508		117		117	4,391	4,508
Net losses on investment portfolio	(4,634)					(4,634)	(4,634)
Net investment return	**(126)**						
Insurance finance income	16					16	16
Reinsurance finance expense	(23)					(23)	(23)
Net insurance financial result	**(7)**						
Net investment return and net insurance financial result	**(133)**						
Other net gains	16					16	16
Other income	6					6	6
Other expense	(27)	(24)		(2)	(26)	(1)	(27)
Integration and restructuring costs	(91)					(91)	(91)
Finance costs	(1)					(1)	(1)
Loss before tax	**(148)**	58	117	(2)	173	(321)	(148)
Income tax credit	39						
Loss for the year	**(109)**						
Attributable to:							
Shareholders	(109)						

Reconciliation of Insurance revenue to Net written premiums

For the year ended 31 December 2022	£m
Insurance revenue	**3,710**
Movement in gross earned premium	136
Other income	(52)
Reinsurance written premiums	(914)
Revenue for internal contracts	270
Revenue measured under GMM	(300)
Net written premiums	**2,850**

39. Events after the reporting period

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

40. Accounting standards issued but not yet effective

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. The Company has evaluated these changes and none are expected to have a significant impact on the 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 Company.

The proportion of voting power held equals the proportion ownership interest unless indicated.

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding (%)
Brazil			
Royal & Sun Alliance Insurance Limited - Escritório de Representação no Brasil Ltda.	Avenida Doutor Chucri Zaidan, 296, 23° andar, parte, City of São Paulo, State of São Paulo, 04583-110, Brazil		
Guernsey			
Insurance Corporation of the Channel Islands Limited	No 1 The Plaza, Admiral Park, St Peter Port, GY1 2HU, Guernsey		
Insurance Corporation Service Company Limited	No 1 The Plaza, Admiral Park, St Peter Port, GY1 2HU, Guernsey		
India			
RSA Actuarial Services (India) Private Limited[7]	First Floor, Building 10 C, Cyber City Complex, DLF Phase II, Gurgaon, Haryana, 122002, India		
Ireland			
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B1 Ordinary	
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B2 Ordinary	
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B3 Ordinary	
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B4 Ordinary	
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	B5 Ordinary	
123 Money Limited[4]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	C Ordinary	
123 Money Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
Benchmark Underwriting Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
EGI Holdings Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Insurance Ireland DAC	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No 1) Unlimited Company	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Overseas Holdings (No. 2) Unlimited Company[7]	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
RSA Broker Motor Insurance Ireland Limited (previously Sertus Underwriting Limited)	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland		
Isle of Man			
RSA Isle of Man No.1 Limited	33-37 Athol Street, Douglas, IM1 1LB, Isle of Man		
Tower Insurance Company Limited	Jubilee Buildings, 1 Victoria Street, Douglas, IM99 1BF, Isle of Man		
Luxembourg			
RSA Luxembourg S.A.	40 rue du Cure, L-1368 Luxembourg		
United Kingdom			
Centrium Management Company Limited[3]	55 Wells Street, London, England, W1T 3PT		31.45
Punchbowl Park Management Limited[3, 5]	10 Buckingham Gate, London, SW1E 6LA, United Kingdom		65.09
Polaris U.K. Limited[3]	New London House, 6 London Street, London, EC3R 7LP, United Kingdom		25.38
RSA Northern Ireland Insurance Limited	Artola House, 91-97Victoria Street, Belfast, BT1 4PB, Northern Ireland		

Emersons Green Management Company	The Old Council Chambers, Halford Street, Tamworth, England		33.00
Aztec West Management Limited	Minton Place, Station Road, Swindon, SN1 1DA		3.00
Tournament Fields (Warwick) Management Company Limited[3]	Ednaston Park Painters Lane, Ednaston. Ashbourne, Derbyshire, England, DE6 3FA		5.49
Hempton Court Manco Limited[3, 5]	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AG		62.50
Alliance Assurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Regent Subco Limited [7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Non-Destructive Testers Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
R&SA Marketing Services Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Insurance Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Class A Ordinary	
Royal & Sun Alliance Insurance Limited[4,6]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	Class B Ordinary	
Royal & Sun Alliance Pension Trustee Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Property Services Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Reinsurance Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance Holdings Limited[1, 7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal Insurance (U.K.) Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal International Insurance Holdings Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	£1.00 Ordinary	
Royal International Insurance Holdings Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	US$1.00 Ordinary	
Roysun Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Accident Repairs Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Finance[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
RSA Law Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		90.00
RSA Pension Funding GP Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ		
Sal Pension Fund Limited[1]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		99.99
Sun Alliance and London Insurance Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Insurance Overseas Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Alliance Mortgage Company Limited[1, 7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Insurance Office Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The London Assurance	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The Globe Insurance Company Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The Marine Insurance Company Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
UK Investment Management Limited	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Westgate Properties Limited[7]	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		

[1] Directly owned by the Parent Company RSA Insurance Group Limited.

[2] No subsidiary holds a disclosable interest in the shares of RSA Insurance Group Limited.

[3] Indicates that the holding represents an Investment or is an Associate of the Company.

[4] Indicates ownership of non-voting shares.

[5] There is no subsidiary where the Company holds less than 50% of the voting rights. There are no entities where the Company holds more than 50% of the voting rights which are not subsidiaries other than Punchbowl and Hempton Court Manco.

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

[7] Denotes the UK subsidiaries that will take advantage of the audit exemption by virtue of section 479A of the Companies Act 2006 for the year ended 31 December 2023.