

RSA Insurance Group Limited

Consolidated financial statements for the year ended 31 December 2022

an **[intact]** company



Our Purpose

To help people,
businesses and
society prosper in
good times and be
resilient in bad times.

We built our business with help in mind –
it's why we exist.

Our Values



Integrity

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



Respect

- Be kind
- See diversity as a strength
- Be inclusive and collaborate



Customer-driven

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



Excellence

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



Generosity

- Help others
- Protect the environment
- Make our communities more resilient

Our purpose and values are shared with our parent company, Intact Financial Corporation.

Contents

Strategic Report

Business review	2
Risk management	5
Section 172 statement	10
Environmental, social and governance	13
Environmental risk management	16

Directors' and Corporate Governance Report

Directors and officers	20
Corporate governance	21
Report of the directors	26

Financial Statements

Directors' responsibilities	29
Independent auditor's report	30
Primary statements	39
Basis of preparation and significant accounting policies	44
Risk and capital management	59
Significant transactions and events	69
Notes to the consolidated income statement, consolidated statement of comprehensive income and dividends	72
Notes to the consolidated statement of financial position	83
Notes to the consolidated statement of cash flows	117
Notes – Other commitments, contingent liabilities and events after the reporting period	119
Notes – Appendices	120
Jargon buster (unaudited)	128
Alternative performance measures reconciliations (unaudited)	131
Parent Company financial statements	133
Notes to the Parent Company financial statements	137

RSA Insurance Group Limited
Strategic report
for the year ended 31 December 2022

RSA UK & International

In accordance with the Companies Act 2006, the Directors present their Strategic Report for the year ended 31 December 2022.

RSA Insurance Group Limited is a subsidiary of Intact Financial Corporation (IFC). Its parent company up to 20 September 2022 was Regent Bidco Limited, and thereafter 2283485 Alberta Limited (a Canadian incorporated company), both wholly owned subsidiaries of IFC, the ultimate controlling party.

RSA Insurance Group Limited and its subsidiaries operate in the UK, Ireland and Continental Europe (known as the Group, RSA or UK&I). On 7 July 2022, the Group disposed of its operations in the Middle East.

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

Principal activity

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

In the UK, RSA holds a top 5 market share position in each of domestic commercial lines, personal property and pet insurance. Personal motor, property, and pet insurance is offered to our customers through MORE TH>N and affinity partners, which include major retailers and large banks. Commercial lines in the UK are offered through the RSA brand via brokers.

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

Business Model

a. Products that protect our customers:

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

b. Effective product distribution:

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

c. Understanding risk to price correctly:

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

d. Proactively managing claims:

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

Our strategy

Our ambition is to build on RSA's strengths to deliver a consistently outperforming underwriting result. We will achieve this by leveraging our strong UK domestic Commercial lines and Specialty businesses, growing our direct channels in Personal lines, and continuing to improve our productivity. We are therefore continuing to focus on simplifying our business and distribution channels, investing in our technical and digital capabilities, and building a customer-driven culture that values high performance and develops talent. In Personal lines, work is continuing to finalise the footprint, with scale being required to drive towards outperformance. This is more challenging for Motor than for other Personal lines of business.

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

Business review

The Group reports a profit before tax of **£65m** for the year ended 31 December 2022 (31 December 2021: £228m loss from continuing operations and £4,531m profit from discontinued operations).

Profit before tax of **£65m** consists of **£16m** underwriting profit (2021: £137m loss), investment result of **£140m** (2021: £110m), **£24m** central costs (2021: £11m) and **£67m** of other income and charges (2021: £190m).

Profit before tax includes a **£31m** gain on the disposal of the Group's operations in the Middle East. Refer to note 8 for further information.

The underwriting result is impacted by a **£30m** de-recognition of software assets (2021: £72m) (refer to note 23), and other charges include **£61m** of integration costs (2021: £40m) (refer to note 13). In personal lines, the results include losses related to prolonged sub-zero temperatures in December, which resulted in burst pipes in thousands of homes across the UK. In addition, there were a number of non-catastrophe large losses, and inflationary pressures continue to weigh on both Motor and Home.

Net written premiums are **£3,110m** (2021: £3,293m continuing operations and £1,181m discontinued operations).

Net assets of the Group are **£2,345m** (2021: £3,091m).

Key performance indicators (KPIs)

The Group uses both IFRS and non-IFRS financial measures (Alternative Performance Measures - APMs) to assess performance, including common insurance industry metrics.

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

- **Net written premiums for continuing operations £3,110m** (2021: £3,293m): premiums inception in the period, irrespective of whether they have been paid, less the amount shared with reinsurers. They represent how much premium the Group gets to keep for assuming risk. The Group targets growth that does not compromise underwriting performance.
- **Underwriting result for continuing operations £16m profit** (2021: £137m loss): net earned premium and other operating income less net claims and underwriting and policy acquisition costs. The Group aims to achieve an underwriting result that is as sustainably high as possible – that is without uncompetitive pricing or compromising reserves. The Group targets further improvements to its underwriting result.
- **Profit/loss before tax for continuing operations £65m** (2021: £228m loss): net profit/loss generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Group. The impact of tax can vary from company to company, therefore excluding this enhances comparability. The Group seeks to maximise its profit before tax.

Non-Financial KPIs

Customer: From a customer perspective, we have aligned our UK customer advocacy ambitions to the IFC strategic objectives to have three out of four customers as advocates and four out of five brokers who value our specialised expertise. We have developed a flightpath to the number over five years, as we improve the service we provide to our customers and brokers. We measure the amount of business that is renewed with us each year. Personal lines renewal was 80% on a premium retention rate basis. For Commercial and Specialty lines, policy retention was 86%.

Climate: Our ambition is to achieve Net zero by 2050 and halve operations by 2030. We are working on building plans towards this with IFC across all our geographies. Further information can be found in the Environmental, Social and Governance (ESG) section in the Director's Report on pages **13 to 15**.

Employees: We aim to be a best employer and have made good progress on 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 and gender parity by 2030.

Our principal risks below also form the non-financial information statement.

Our operations

The Group's operations remained resilient during the year. Where and when government guidelines permitted, we began a voluntary return to office working supported by hybrid arrangements (a mix of home and office working) and, following a successful trial period, this was adopted as our business as usual. Significant resource has been deployed to ensure our people have received the appropriate support regarding physical and mental well-being during remote working. Operationally, we have continued to make improvements to our IT architecture and successfully migrated to a new cloud based mainframe to support our UK systems and processes.

Principal risks and uncertainties

The principal risks and uncertainties of the Group are set out in note 6 Risk and capital management¹. Further detail on how the Group manages its principal risks and uncertainties is set out in the risk management report on pages **5 to 9**.

Our customers

We strive to provide tailored products to meet the evolving needs of our customers by analysing trends and keeping pace with digital 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 standards for the business to help ensure that we treat all customers fairly, that we check products and services continue to offer fair value and meet their needs, and that we monitor customer outcomes to understand performance and take action, where needed. Planning for the delivery of the FCA's Consumer Duty has been a key area of focus during the second half of 2022 and will continue to be a focus for 2023. Further information on how we support and engage with our customers is contained in the Section 172 statement on pages **10 to 12**.

We define customer retention as a measure of the amount of business that is renewed with us each year. Strong customer satisfaction translates to high retention levels and improved underwriting results. Our customer-driven value means we focus on our customers' needs and make sure we are there for them in both the good times and the bad. We target improving retention over time.

Related party transactions

On March 27 2022, the Group received a capital injection from Regent Bidco Limited of £294m to fund the repurchase of the Tier 1 notes. Refer to note 17 for further information on all related party transactions.

Future outlook

We evolve our products and services to ensure that we continue to meet customers' changing needs.

We continue to improve the performance and resilience of the business. An ongoing focus is to further simplify what we do and drive and further invest in areas of strength.

Markets remain competitive but the Group has the right foundation to target sustainable growth in certain product lines and customer types. The continuation of our programme of business simplification aligned to customer driven values will assist this growth further.

Events after the reporting period

Subsequent to the year-end, on 27 February 2023, the Trustees of the two major defined benefit pension schemes in the UK, the Royal Insurance Group Pension Scheme and the Sal Pension Scheme ("the Schemes"), entered into an agreement with Pension Insurance Corporation plc ("PIC") to purchase bulk annuity insurance policies that operate as investment assets. Such arrangements are commonly referred to as a "buy-in". The Schemes made up around 99% of total defined benefit assets and obligations on the balance sheet at 31 December 2022. The buy-in removes all remaining material pension exposure from the balance sheet, while maintaining the security of benefits to the Scheme members. The buy-in premium has initially been funded through the transfer of the majority of the Schemes' assets to PIC, as well as by an upfront contribution from the Company of approximately £480m. The Schemes have retained ownership of various assets, including some less liquid investments, which will be liquidated over the next 12-18 months in order to settle the remainder of the buy-in premium, and cash, some of which will be required to meet ongoing expenses. In addition, the annual pension deficit funding contribution of £75m was paid in January 2023.

The upfront contribution of the Company was part funded through a capital injection by IFC, via a subscription of one share in the Company at a premium of approximately £480m.

The Schemes already had coverage against longevity risk for around 30% of the existing pensioner population through an insurance policy entered into in 2009 with Rothesay Life. Together with the newly purchased PIC annuity assurance policies, the Schemes will now have protection against longevity risk and market risk for the material obligations of all deferred and pensioner members. As a result, the pension surplus on the balance sheet at 31 December 2022 of £200m net of tax is expected to be largely removed as the fair value of these insurance policies, held as assets of the Schemes, will be set equal to the value of the defined benefit obligations covered under IAS 19. An initial net loss of approximately £700m, based on recent market conditions, is expected to be recognised through OCI. The fair value of the insurance policies will then fluctuate going forward based on changes in the value of the defined benefit obligations covered. The transaction will temporarily increase the income tax expense as the deductibility of the upfront contribution will be spread out over three years. This results in deferred tax assets being reclassified to Other Comprehensive Income from income tax expense, with a neutral net impact on shareholder's equity.

1. Refer to Financial Statements

2. The underwriting result is an Alternative Performance Measure (APM). Refer to Further information – Jargon buster and Alternative Performance Measures.

Managing Risk

Managing risk to deliver for our customers and achieve our goals

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

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

Approach to managing risk and our appetite in 2022

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

Risks are managed within risk appetite, using a risk maturity view. For material financial risks, this was achieved throughout the year and three-year plans assume this will continue. From time to time, certain risks stray outside target and action is taken to manage them back to acceptable positions. This year saw continued progress in some key risk areas, including customer, underwriting discipline, IT and cyber.

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 quarterly culture health reviews and periodic workforce surveys.

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

Emerging risk – monitoring the future threats

Emerged risk

Cyber risk Cyber threats arise on a frequent basis; however, there is an increasing risk of hostile states and organised crime to engineer severe attacks.	Terrorism / Social unrest Attacks could impact a large number of our customers and colleagues. Growing concern that the cost-of-living crisis could drive increasing unrest.	Stagflation The current economic climate carries a risk of prolonged stagflation, where inflation levels are high but real economic growth is slow or negative. Potential impacts include higher claims and repair costs, increased liabilities, reduced consumer spending and social unrest or political instability.	Geopolitical tensions New political, economic, cyber, or political conflicts could occur, or stem from escalation to, or contagion from, the Ukraine conflict. Other factors to monitor include trade disputes, tensions or conflicts in other regions, relations with China, and EU stability, potentially influenced by impending elections.
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Near-term risk

Changing market conditions Current interest rate environment which has supported growth is fragile, competitive landscape could change leading to softening of the market.	Solar storms Solar flares could potentially impact on electronics and the electricity supply, with broad economic impact and a range of insurance claims.	Persistent or more extreme weather There is potential for further deterioration of more extreme weather patterns from a warming planet.	Climate change litigation There are a growing number of litigation cases globally relating to climate change against organisations and governments.
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Medium-term risk

Small particles and hazardous chemicals Risk associated with long-term health implications from a range of particles and substances that could cause harm when ingested, inhaled, or come into contact with skin. Impacts include potential for significant long-tail future liability claims.	Chemical, biological, radiological and nuclear (CBRN) threats Malicious actors including terrorists, hostile states or criminals remain interested in CBRN attack methods.	Animal pandemic / epidemic A new pathogen crosses species and spreads quickly across the household pet population, resulting in costly treatment. Outbreaks such as foot & mouth or bird flu create disruption in the food supply chain resulting in material economic loss for the food industry.	Climate change transition Economic effects are starting to materialise. There remains uncertainty about the scale of disruption to the economy or asset valuations as actions are taken to deliver on Net zero targets.	Technological advances Shift to autonomous vehicles and advancing automation are likely to change insurance needs and could affect both frequency and severity of losses.
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Long-term risk

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

Risk management system

The Board sets business strategy The Board sets the business strategy which is incorporated in the three-year operational plan. Risk strategy, combined with the Risk function challenge of the operational plan, provides robust challenge of validity and achievability of plan.	Board sets risk appetite The Board sets risk appetite, limits and indicators which aligns to our business strategy.	Policies set a framework for operating within appetite Our extensive policy suite sets out the required business processes and controls to deliver the operational plan within appetite. Robust control testing and monitoring is used to identify risks out of appetite.	Monitor appetite and action tracking Business leaders manage their own risks and define actions, where out of appetite, with oversight provided by Risk and Control Committees and escalation to the Board via the Risk Committee.
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Own Risk and Solvency Assessment (ORSA) reported to Board Forward looking assessment of risks and capital requirements are combined to inform decision making on the strategy, planning and risk appetite for the next cycle.	Model outputs used in ORSA The internal model is run regularly throughout the year in order to assess the risks impacting the RSA Group and determines how much capital the RSA Group needs to hold to remain solvent, even after a major stress event(s). This forms part of the ORSA process.	Model outputs inform business decision making Validated model outputs are used to assess and inform business decision making, including capital planning, reinsurance analysis and risk-weighted returns for pricing.	Risk assessment and update internal model Significant changes in risk assessments are considered by the Internal Model Governance Committee and, where appropriate, the Group's internal model is updated. The model is validated by the Risk function, informed by stress and scenario testing.
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Key risks and mitigants	
Key risks and exposures	Key mitigants and controls
<p>Catastrophe risk</p> <p>Arises from the risk of large natural disasters, with our main exposure being to European windstorms and UK flood.</p>	<ul style="list-style-type: none"> Our reinsurance programme significantly reduces our exposure to catastrophe risks, with modelled extreme losses and historic experience being well covered by our programme. The programme is designed to cover at least 1-in-200-year events and is stress-tested for extreme weather events.
<p>Reserving risk</p> <p>This is the risk that the Group's estimate of future claims is insufficient, such that gross losses could be higher than projected or reinsurance does not respond as anticipated. The size of future claims payments is uncertain, with the main sources being increasing claims inflation trends, post-pandemic disruption such as supply chain constraints, economic uncertainty, long-tail lines of business, and Covid-19 business interruption claims (due to interpretation of policy wordings still being debated in high profile legal cases.) The timing of future claims payments is another key uncertainty especially for our long-tail liabilities arising from motor injury, liability and professional indemnity.</p>	<ul style="list-style-type: none"> Reserves are reviewed and challenged at the Reserving Committee meeting, which is attended by the Chief Actuary, Chief Risk Officer, Chief Underwriting Officer, Chief Operating Officer, Chief Financial Officer and Chief Executive Officer. Reserves are also reviewed and challenged by the Audit Committee. During 2022, we continued to carry out detailed monitoring of claims, regulatory developments, settlement delay, supply chain, legal and reinsurance developments, both within RSA and the industry, to help form assessments and make appropriate allowance for the impact on our experience of potential operational, economic or other disruptions arising from Covid-19, inflation increases and war in Ukraine. The Adverse Development Cover mitigates the risk of adverse development in 2020 and prior years ultimate claims cost estimates. IFC Group's reserve assurance programme and independent external reserve reviews have independently verified material segments of the net Actuarial Indication during the past three years. Claims case reserves are set based on best estimate and reviewed at quarterly Case Reserving Committee meetings. Management consider and seek legal advice on the implications of all open legal cases and judgements across the industry relating to interpretation of policy wordings in Covid-19 claims. It is expected that any significant adverse change beyond our existing assumptions would be protected by reinsurance cover.
<p>Underwriting and claims risk</p> <p>This is the risk that underwritten business is not in line with appetite or is less profitable than planned due to insufficient pricing and setting of claims case reserves. Key exposures arise from large portfolios where claims trends are slow to emerge, such as UK Commercial and Marine.</p>	<ul style="list-style-type: none"> Controlled through well-defined risk appetite statements (including climate change factors) which are rigorously monitored quarterly. Risks to inflation and the economic environment are actively monitored with appropriate response taken. Regular control validation and assurance activities are performed over underwriting pricing and claims.
<p>Market and credit</p> <p>This is the risk to our insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and, to a lesser extent, currency fluctuations.</p>	<ul style="list-style-type: none"> RSA adopts a prudential investment strategy favouring high-quality fixed income bonds, a modest allocation to equities and selected less liquid assets subject to strong internal and external governance. RSA ensures assets are closely duration and currency matched with insurance liabilities to hedge volatility. Investment positions are regularly monitored to ensure limits remain within quantitative and qualitative appetite (including ESG factors). Asset Managers position assets to align to the Low Carbon Position Statement.
<p>Pension risk</p> <p>Our defined benefit pension schemes are exposed to longevity and market risks. Some of these, for example credit spread movements, are partly hedged through offsetting exposures in the Insurance Investment Fund.</p>	<ul style="list-style-type: none"> Funding assets are well matched to liabilities in the pension schemes, including the use of swap arrangements. A long-term funding plan is in place to further de-risk the schemes. Possible market impacts are examined and well understood with a specific focus on Pension risk. On 27 February 2023 a buy-in removed all remaining material pension exposure from the balance sheet. Further information is contained in Events after the reporting period on page 4.
<p>Operational risk</p> <p>This risk relates to the risks arising from human factors, external events, regulatory matters and inadequate or failed internal processes and systems, including cyber risks. Operational risks are inherent in the Group's operations and are typical of any large enterprise and have the potential to impact on our customers.</p>	<ul style="list-style-type: none"> Operational risk and resilience processes and procedures are in place, including incident management. Continued improvement to our Operational Resilience capabilities are being delivered through a dedicated programme, supported by simulation exercises which test the adequacy of our approach. Control effectiveness is monitored through formal Validation and Assurance. IT and data risks remain a key focus, especially cyber threat, and we have

	made some significant progress over the year, while remediating some of the legacy IT estate.
<p>Customer risk</p> <p>The risk that customers do not receive good outcomes and suffer harm as a result of products & services that are not fit-for purpose, offer poor value, are poorly explained or inadequately supported.</p>	<ul style="list-style-type: none"> • The UK Executive Customer Committee oversees key matters and decisions relating to good customer outcomes, supported by our Customer Outcomes Monitoring. • Successful implementation of Product Governance requirements in line with regulatory deadline. • RSA's business strategy has been assessed and aligned to Consumer Duty requirements. Delivery of Consumer Duty is in progress and a focus for 2023.

Section 172(1) Companies Act 2006 statement

The Board has balanced the views and interests of our stakeholders, alongside the need to promote the long-term success of the Group.

The Board has acted in a way that it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. This section sets out how the Board, in doing so, has had regard to the matters set out in Section 172 of the Companies Act 2006.

A balanced and collaborative approach to stakeholder engagement

The Board recognises the importance of positive relationships between RSA and its stakeholders and is committed to fostering strong engagement with them. Open and collaborative dialogue and interaction is in the best interests of RSA and helps us to make a positive contribution to society.

Throughout 2022, the Directors and senior management engaged with key stakeholder groups across the business, including IFC as the business further integrated with the wider Group. The Board is committed to maintaining a range of direct and indirect engagement with its stakeholders and has approved the stakeholder engagement plan for 2023.

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

Customers

Why the Board engages

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

How the Board engages

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. During the year, the Board appointed a Non-Executive Director as a "Customer Champion" to support 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 was kept well informed on how management was responding to Business Interruption Claims following the Covid-19 pandemic and taking steps to support customers during the cost of living crisis.

During the year, the Board received deep-dive updates on customer and market insight and how the business is responding to customer expectations around customer service and digital offerings. The Board has closely monitored RSA's implementation of the FCA's rules on Pricing Practices and Product Governance and preparations for the new Consumer Duty rules, which will further heighten industry focus on customer outcomes. These business reviews have been a forum for the Board and management to discuss long-term strategic goals on customer matters.

Long-term implications

Customer satisfaction and retention are critical to the long-term sustainable prospects of RSA. The Board has engaged with and responded to the needs of customers with this in mind. During the second half of 2022, Board members have reviewed and approved management's plan to implement the FCA's Consumer Duty rules as part of the strategic focus of the Group.

Workforce

Why the Board engages

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.

How the Board engages

The Board has supported management's communication approach to ensure the workforce is informed of, and engaged in, business strategy and performance. This has included regular intranet articles and 'vlogs', email and online messaging, and team meetings. Employees are encouraged to engage in our financial performance through various means described in Principle 6 of our Corporate Governance section.

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 under the governance of our Risk Management Framework. During the year, the Board received and supported a number of updates on people priorities including: activities to further embed our Purpose and Values in day-to-day practice, strengthened succession and development planning, trials of hybrid working patterns, trends from our speaking-up channel, and progress against inclusion ambitions; for example, our UK Gender Pay Gap and Women in Finance representation targets.

The Board also received insights from employee feedback gained through frequent leadership meetings, employee surveys and focus groups, and formal and informal 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.

Long-term implications

The Board understands that enabling our people and creating an open and transparent culture is key to our long-term success. The Board reflected on the workforce's views on ways of working and engaged in key decisions to adopt hybrid patterns that support both personal wellbeing and excellent service for our customers. The Board also responded to workforce concerns about cost-of-living pressures through pay enhancements for colleagues at greatest risk of impact.

Regulators and rating agencies

Why the Board engages

RSA is regulated by the PRA and the FCA and 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 Group's financial soundness, strategic and operational priorities, governance and culture, and that we understand the issues of interest to them.

The Board regularly engages with RSA's regulators across all the regions that it operates. The PRA and the FCA attended Board meetings in 2022 to discuss regulatory priorities.

Senior management interacts regularly with key rating agencies. Board members are kept informed of the current views of the rating agencies through regular commentary and financial metric reporting at Board meetings.

How the Board responds

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

Long-term implications

The Board is committed to engagement with the Group's regulators in order to ensure that we maintain positive relationships and take account of their views and interests.

Environmental, Social and Governance issues (ESG)

Why the Board engages

The Board is committed to high standards in ESG matters. 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.

How the Board responds

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 carbon economy. Further information on the Board's oversight and engagement on ESG matters and its oversight of non-financial KPIs is set out in the ESG Report and Environmental Risk Management Report on pages 13 to 19.

Long-term implications

The Board recognises that stakeholders have an interest in understanding how our business is responding to issues that concern wider society. The Board has been particularly engaged in understanding both the near and long-term risks associated with climate change and in preparing our business to respond to the associated physical, regulatory, social and economic impacts.

Shareholder

The Group's ultimate owner is IFC, a public company listed on the Toronto Stock Exchange. During 2022, RSA adopted the Purpose and Values of IFC and is aligned with IFC's strategic objectives to deliver outperformance and value for its shareholders.

The Group's Board has an equal balance of independent and non-independent Directors. There are three shareholder-nominated Directors on the Board; this supports the Board's understanding and integration with IFC.

Further detail on the composition of the Board is included in the Governance Report on pages 24 and 25.

Suppliers

Our suppliers are critical to our business and the long-term success of RSA. We are committed to the principles of the Prompt Payment code and aim to treat suppliers fairly and consistently – for example, by offering equivalent payment terms between suppliers, in order to build strong and lasting relationships. We have structured supplier management practices in place across all regions and are investing in further tools and processes to manage risk in the supply chain and ensure that our supplier relationships are managed in a cooperative and proportionate manner.

Pension schemes

The Board continues to view the pension trustees as a key stakeholder group. In 2022, the UK pension trustees were provided with quarterly updates on RSA performance and offered meetings with RSA and IFC senior executives. RSA also continued to engage with and support the development of investment strategy in the pension schemes (noting that this is ultimately controlled by the trustees).

Environmental, social and governance

Building resilient communities

Helping society is core to our strategy. We believe that financial performance and helping society are equally important and therefore, we have integrated both into our strategic objectives.

We believe that strengthening relationships with colleagues, customers, suppliers and communities through addressing issues of mutual concern helps to create value that is sustainable and ultimately benefits both RSA and the society in which we operate. This work is encapsulated in RSA's approach to Social Impact and ESG.

Environment

The business, government and community level approach to climate change is rapidly evolving in response to more frequent and severe weather events and the transition to a low carbon economy. RSA is an active participant in business and industry groups such as ClimateWise, the Association of British Insurers and the Climate Financial Risk Forum, sharing best practice on climate risk and strategies that will help to mobilise finance towards low carbon industries, technologies and services.

In 2022, we launched our global climate change strategy. Workstreams have been mobilised across our business, including in operations, supply chain, underwriting, investments and social impact to establish the foundations and milestones necessary to achieve our goals, which comprise:

- a commitment to achieve Net zero by 2050 in line with the Paris Agreement and an interim goal to halve emissions from our operations by 2030 using 2019 data as a baseline;
- doubling down on helping people adapt to the extreme weather impacts of climate change in Canada, the US and the UK;
- shaping climate-friendly behaviour among customers by incentivising green behaviour, creating and scaling green products, and providing information and education;
- enabling the transformation of businesses and industries key to the transition and supporting new industries that will be created to build a sustainable future; and
- collaborating with governments and industry to accelerate climate action.

This year we have made a further commitment to achieving our climate change strategy by enhancing our Climate Change and Low Carbon Policy position. First implemented in 2020 our Low Carbon Policy is key to helping us demonstrate our commitment to responsible investment and underwriting. The policy is a framework for assessing the carbon intensity of our Scope 3 emissions and a baseline for long-term ambitions towards our goal of achieving Net-zero by 2050. In 2022, our Board approved a refreshed policy with an enhanced commitment to target an underwriting portfolio for energy production that is over 75% low carbon by 2030.

Greenhouse Gas (GHG) emissions from RSA's corporate real estate have reduced this year by 18%. This has been achieved by a continuing reduction in the floor area of UK offices in 2022 to nearly 40% less compared to 2019, together with energy efficiency featuring as a design choice in the fit out or move to new office locations. Our office footprint in Ireland has also reduced by 22% since 2019. In addition, of the electricity we purchase directly in the UK, 100% is now procured from renewable sources. We observed an overall increase in emissions of 3.7% in 2022 on the previous year. This is primarily due to the increase in business travel following the easing of Covid-19 restrictions. However, the impact of business travel is still significantly below pre-pandemic levels and our overall GHG emissions have reduced by 53% since 2018. More details are available on pages 26 and 27 in the Streamlined Energy and Carbon Reporting (SECR) section.

To support our employees to make sustainable choices we have introduced a new Essential Car User scheme, where employees on the scheme can only choose between a plug-in hybrid electric vehicle (PHEV) or an electric vehicle (EV). This is one component of our strategy to achieve a 70% reduction in the emissions from our global fleet by 2030. At year end, total orders of vehicles in the UK number 137 (74% EV, 26% PHEV). EV charging facilities are now available at our Peterborough, Chelmsford, Horsham and Bristol sites.

Communities

Our community programme continues to harness the generosity and enthusiasm of employees to support some of the most vulnerable in society. Food distribution, education and learning, mental health services and projects to combat loneliness are among those having received more than £1.25m million in cash, the value of volunteering time and in-kind support. £0.92m of this total community charitable contribution was in the form of cash donations from RSA, an increase of 6.5% on the previous year.

Volunteering hours totalled 3,370 hours in 2022, an increase of 188% compared to 2021 following the successful relaunch of the programme in May 2022. Beneficiaries include families, children and young people, older people, asylum seekers and refugees through volunteering at schools, charities tackling poverty, and support for food banks. We will be looking to build on this encouraging platform of impact as we look to engage even more employees in 2023.

Employees raised a total of £0.24m for charitable causes, an increase of 22% on the previous year. 284 employees are signed up to our Give As You Earn benefit, which allows our people to give to charity in a tax efficient way and where RSA also provides matched donations of up to £10/month, with participants making an average donation of £30/month. RSA donated £36,319 in match funding to support this team.

In 2022 we funded new research into workplace slips, trips and falls (STF) with our partner The Royal Society for the Prevention of Accidents (RoSPA), which found that these incidents represent a significant risk to businesses and employees. The research, which canvassed the opinions of nearly 3,000 people, found that 60% of decision makers do not have a dedicated STF prevention programme in place. A number of businesses reported losing in excess of 100,000 hours (4,167 days) working time per year due to STF and data from RSA indicates that the average claim for a slip, trip or fall is £25,000.

RSA also donated £25,000 to suicide prevention charity R:pple to support our people, their families and our communities with mental health and wellbeing challenges. R:pple is an online interceptive tool designed to ensure more help is provided to individuals who are conducting searches relating to self-harm or suicide. The donation from RSA supported the development of a smartphone and tablet version of the tool.

People

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. RSA actively promotes inclusivity, including ensuring there is no less favourable treatment on the grounds of sex, sexual orientation, gender re-assignment, marital or civil partnership status, race (including colour, nationality, ethnic or national origin), disability, religion or belief, age, and pregnancy and maternity, and that reasonable adjustments are provided for people with disabilities who are applying to or already working with us.

An executive-led Diversity, Equity & Inclusion (DEI) Council oversees our diversity strategy which aligns to our commitments as signatories to the Women in Finance Charter, Race at Work Charter, and the Valuable 500. In June 2022 RSA welcomed 23 interns over 6-weeks and retained four candidates in permanent positions after participating in the 10,000 Black Interns scheme, which aims to transform the horizons of young Black talent and improve workplace diversity. Our network of Employee Resource Groups, mental health first-aiders and memberships of both the UK Business Disability Forum and Employers Initiative on Domestic Abuse all contribute to how we can best support colleagues. Our volunteer led Employee Resource Groups are a key enabler of our DEI strategy and champion awareness and proposition enhancement aligned to our key priority areas.

This year we were proud to expand our suite of support for employees which included the extension of our maternity, adoption and paternity leave provisions and enhanced guidance and support for those transitioning. We also introduced a new policy to support employees who are impacted by domestic abuse and achieved Menopause Friendly Accreditation – a mark of excellence for menopause support in the workplace. This year we were proud to achieve our target of 34% female representation in our management group a year ahead of plan and have since agreed a new target to achieve 40% by 2025.

We recognise the value of hybrid working in supporting inclusivity and trust our people to deliver good outcomes for our customers and our business, regardless of where they work; we can collaborate and solve problems wherever we are. As always, protecting the health, safety and well-being of colleagues is a priority and this will continue to be at the top of our agenda by listening to our people, understanding what they need to be effective at work and providing resources for practical and emotional support.

Suppliers

Our suppliers are critical to the service we provide to our customers and make an important contribution to our business. In 2022, 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.

Human rights

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

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

All relevant policies are reviewed on an annual basis, including our Modern Slavery and Human Trafficking Statement, which was published in April 2022 and is linked to a number of policies that provide confidence we are helping to raise awareness of modern slavery with our people and suppliers.

This includes policy standards outlining how we recruit, manage and support our people in a working environment that promotes diversity, respect, integrity, safety and wellbeing; our Third Party Contracts & Outsourcing Policy which exists to ensure that appropriate assessments of risks associated with services are undertaken to meet our human rights commitments; and our Speaking-up & Whistleblowing Policy, which encourages our people to raise concerns, without fear of retaliation, about how we do business or operate as an employer.

Our due diligence programme monitors the approach of our supply chain to human rights and engages with suppliers to improve transparency where necessary. We are subscribers to the Financial Services Qualification System (FSQS) operated by Hellios, a community of over 50 financial institutions collaborating to agree a single standard for managing supplier compliance, including ESG policy areas such as modern slavery and environmental impact. Supplier Relationship Managers can also complete our e-learning module, which addresses the potential risks of modern slavery and human trafficking in the supply chain, raises awareness of this issue with our people and the circumstances under which they should seek specialist advice.

Anti-bribery and corruption

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

The policies establish detailed guidance on facilitation payments, gifts, hospitality and relationships with third parties, as well as the systems and controls to ensure effective implementation. All employees, contractors, business partners and suppliers are expected to comply with applicable laws of the UK and countries in which we conduct business, as well as with our Broker Remuneration Policy and Third-Party Contracts & Outsourcing Policy, which set out requirements for payments to brokers and procurement activity.

All colleagues complete a mandatory e-learning training module covering anti-bribery and corruption. The training is an annual assignment to all staff and is translated into a number of different languages for our colleagues in different parts of the world. Employees are encouraged to identify and escalate concerns to management or through our confidential third-party whistleblowing hotline in line with our Speaking-up & Whistleblowing Policy. Operating countries complete risk assessments that are reviewed and updated annually, supported by a central team to enable continuous improvement to controls. Together with regular reports from the Compliance team to the Risk Committee and Audit Committee throughout the year, the Audit Committee periodically reviews Internal Audit findings in relation to our Anti-Bribery and Corruption Policy.

Environmental risk management

Task force on climate-related financial disclosures (TCFD)

RSA is committed to contributing to efforts that reduce greenhouse gas (GHG) emissions and accelerate the transition to a low carbon future, helping to limit the global temperature rise this century to well below 2°C above pre-industrial levels, as outlined in the Paris Agreement. As noted above, we have set a target to achieve Net-zero by 2050 in line with the Paris Agreement and an interim goal to halve emissions from our operations by 2030 using 2019 data as a baseline.

We also believe that addressing climate change presents an opportunity to both help society manage the impacts, and for RSA and IFC to win in the marketplace with innovative products and services.

Governance

Board of directors oversight

RSA is committed to delivering the strategic direction and initiatives of our parent company, IFC, including our global Climate Strategy. Our Board is responsible for overseeing the strategic direction and initiatives of the Group with regards to climate change. Climate change is an integral accountability of the Board's Committees. These Committees oversee the assessment of the risks related to climate change. Our Board is engaged in shaping the approach to Enterprise Risk Management, including the Group's risk appetite, governance structures and policies.

Our board considers the potential impact of insured losses resulting from damage to property and assets arising from climate related natural catastrophe events and the development of strategies to manage the business sensitivity to these risks. The Board provides oversight of climate change risks and opportunities, through the RSA management level Catastrophe Modelling, and the Board Risk Committee, and the Governance, Conduct and Remuneration Committees.

Management oversight

Climate risk is incorporated into Enterprise Risk Management, which is integrated into all business activities and strategic planning, including subsidiaries and operations. This framework includes the identification, assessment, response, monitoring and reporting of risks. Climate risks are regularly discussed with the leadership of commercial, personal and specialty lines of business to ensure proper risk assessment and mitigation plans are in place.

Our CEO and Executive Committee oversee RSA's management of climate change risks and opportunities, including delivery of the Climate Strategy in the UK. Further, responsibility for climate change action is integrated into the roles, responsibilities and compensation of senior managers including the Chief Financial Officer, the Chief Underwriting Officer and the Chief Risk Officer. There are also a number of senior management committees and operational teams that have climate risk management accountability.

Climate change oversight

Governance and oversight of climate risk at RSA is aligned with the Board and Committee governance at IFC level. Physical and transition risks related to climate change influence standard risk categories and its treatment is fully integrated into the wider RSA system of governance:

- Relevant committees include climate change in their responsibilities.
- Senior Manager Certification Regime (SMCR) responsibilities have been allocated to the Chief Financial Officer, Chief Risk Officer and Chief Underwriting Officer.
- The Risk Strategy and Risk Appetite includes climate change related limits for financial risk and insurance risk types.
- The policy framework includes reference to management of climate change risks – within the Risk Management and Internal Controls Policy and referenced within other relevant policies.
- Climate change is considered within risk and capital processes including for emerging risks and the ORSA.

Board risk committee:

Advises the Board on risk management issues, recommends the framework of risk limits and risk appetite to the Board for approval, and oversees the risk management arrangements of RSA, including in relation to climate change. This includes:

Monitoring the emerging and principal material risks facing RSA, ensuring appropriate arrangements are in place to identify, manage and mitigate risks effectively, and that appropriate levels of capital are held in relation to these risks.

Recommending RSA's risk strategy and risk appetite.

Reviewing the outputs of the ORSA, the internal model and the conclusions of model validation, making recommendations to the Board on capital adequacy and the ORSA Report.

Governance, conduct and remuneration committee:

Oversees the compliance function and the Group's governance.

The GCR provides oversight of the global ESG framework, associated performance and disclosure as it relates to the RSA business, including:

- ESG emphasis and priorities for the RSA region, drawing on IFC global priorities.
- Oversight of delivery of ESG communications and disclosure strategy in the RSA region.
- RSA ESG stakeholder engagement.
- Delivery of Social Impact Strategy and Performance Scorecard in RSA.
- ESG topics not covered by other Committees.

Strategy

The IFC Climate Change Strategy, released in 2022, is owned by IFC's Chief People, Strategy and Climate Officer, and operationalised at the IFC group-level. RSA executives and teams actively deliver the Global strategy across the business.

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

Our Climate Strategy is guided by the following principles:

- We will help people, businesses, and society de-risk the transition to a sustainable future, by leveraging our strengths.
- We will take an inclusionary approach to supporting our stakeholders, not an exclusionary one.
- We will focus our actions on areas that maximise the overlap between helping and winning.

Our Climate Strategy comprises five big intentions:

- Commit: Commit to Net zero by 2050, including an accelerated goal to halve corporate emissions by 2030 from a 2019 baseline.
- Adapt: Double down on helping people and society Adapt to climate change.
- Shape: Leverage our platform to Shape behaviour
- Enable: Enable the transformation of industries key to the transition
- Collaborate: Collaborate with governments and industry to help accelerate climate action

RSA plays an important role in enabling the energy transition through the provision of products and services supporting Net-zero energy generation, supporting clients on their Net-zero transition pathways, and in aligning our underwriting activities with our Low Carbon Policy. Additionally, we have an opportunity to influence our customers and suppliers to improve their resilience to climate change through engagement and education, and to place increased focus on adaptation in the geographies and communities in which we operate.

We work to align our business activities with our commitment to support the development of renewable energy and other clean energy technologies through our products and services while limiting capacity available to and investments in fossil fuels.

Risk management

Climate change is a challenge that has been faced by the personal and commercial insurance industry for decades. The risk is constantly evolving and has increased in importance as many global industries and societies address the energy transition shift, and the frequency and severity of extreme weather events increase.

We have a proven ability to manage climate risks in our operations. Beyond the short-term nature of insurance contracts, which enables us to respond to a dynamic weather environment and changing climate, we take a number of actions to protect our business and our customers.

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

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

- Annual insurance policies mean we can respond to changing weather patterns.
- Reinsurance provides protection against losses from severe weather events.
- We work with our customers to promote measures that improve resilience to extreme weather.
- We use weather peril models and geolocation tools to support risk assessments and underwriting of residential and commercial properties.

Reinsurance and operational planning processes are our primary means of reducing the financial impacts of climate-related losses associated with the physical risks of changing weather patterns.

- Our catastrophe reinsurance covers flood, windstorms, hurricanes, wildfires and other severe weather events, with special provisions providing additional protection for prolonged or greater frequency events.
- Our operational planning processes also consider changing weather patterns. Using up-to-date catastrophe models and building identifiable trends into our weather planning, technical pricing and exposure management are key parts of our underwriting guidance.

Policies are reviewed to ensure that climate change is integrated through relevant requirements and controls. We have also integrated climate change into our Risk Appetite Statement and ORSA.

From a transition risk perspective, in 2022 we reviewed and revised our Low Carbon Policy underwriting guidelines to align more closely with IFC's Climate Strategy. This policy formalises our position on investments and underwriting of GHG-intensive sectors. We target an underwriting portfolio for energy production that is over 75% low GHG by 2030. We have a dynamic underwriting strategy to support this 75% ambition, that will reflect the needs of the communities in which we operate.

Stress testing

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

Global catastrophe risk is a material part of RSA's risk profile, and extensive reinsurance arrangements are in place to manage and mitigate this risk. The results of previous stress testing highlighted the importance of reinsurance protection to mitigate extreme weather events that occur over an extended period of time. The outcome of any stress testing is considered as part of RSA's reinsurance strategy. Increased severity of weather events is likely to be well covered by our existing catastrophe reinsurance cover.

During 2021, we were one of only 18 firms to participate in the Bank of England's Climate Biennial Exploratory Scenario (CBES) exercise, which explored the financial risks posed by climate change and tested the resilience of the financial services sector. Subsequent management actions to mitigate the risks associated with CBES climate pathways are in line with our Climate Strategy. These include supporting the drive for internal catastrophe modelling of flood risk in the UK, to facilitate better understanding of the developing risk.

Climate risks

We have identified climate-related risks and opportunities to our business. Risks and opportunities are presented in the tables below. Included in the information presented are the ways in which we manage those risks, and how we take advantage of potential opportunities.

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

Risk Type	Time Horizon	Risk Description	Risk Management
Physical	Short-term	Increased operating costs from short-term changing weather patterns and increased severity of extreme events	Managed through underwriting actions and reinsurance
	Long-term	Increased operating costs from damage caused by increased severity and/or duration of extreme weather events such as cyclone, floods, wildfire and/or cumulative gradual climatic changes – for example, in precipitation or sea level	Managed through underwriting actions and reinsurance
	Long-term	Reduction in demand (and associated revenues) for insurance products/services due to increasing costs of premiums, reducing affordability	Managed through product offering, innovation and portfolio management
Transition	Medium-term	Changes in the operational cost base or claims profile due to new or unproven technologies associated with the switch to electric vehicles, larger turbine size, battery storage etc.	Managed through underwriting actions and reinsurance
	Long-term	Reduction in investment returns due to early retirement of assets, reduced demand for products or increased costs of business for GHG-intensive industries	Managed through diversified investment portfolio and risk appetite on GHG-intensive sectors
Liability Risk	Short/Medium-term	Compensation could be sought for losses resulting from the physical or transition risks outlined above.	Managed with annual policies, underwriting actions and reinsurance
	Short/Medium-term	Although in its very early stages globally, climate-related litigation could increase with implications for certain liability coverages, as well as litigation against companies perceived to be using "greenwashing" techniques to improve reputation.	Managed through the application of our financial disclosure practices to our Net zero commitment, disclosing our progress in a timely manner. We will be transparent with any changes to our strategy or ambition with our targets.
	Long-term	Net zero commitments are contingent on many variables, including the role of governments and their ability to meet climate commitments. There is a risk that companies have overstated their ability to meet their target or miss their interim Net zero targets.	Managed through the application of our financial disclosure practices to our Net zero commitment, disclosing our progress in a timely manner. We will be transparent with any changes to our strategy or ambition with our targets.

Climate opportunities

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

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

Targets and metrics

We recognise the importance of understanding, measuring and managing the impact of our own operations. Our Climate Strategy outlines our commitment to achieve Net-zero emissions by 2050 and halve operational emissions by 2030.

We are committed to optimising the efficiency of our corporate real estate and observed a reduction in emissions associated with our office footprint of 18% in 2022. Overall emissions have increased by 3.7% (using the Location-Based methodology), which is primarily due to an increase in business travel following the easing of the Covid-19 travel restrictions. More information on how we measure the environmental impact of our own operations, including a breakdown of Scope 1, 2 and 3 emissions, can be found in the Streamlined Energy and Carbon Reporting section on pages **26 to 27**.

Metrics	2022	2021	2020	2019
Weather and subsidence related losses (£m)	174	112	83	60
Weather and subsidence loss ratio	6.8%	4.5%	3.3%	2.4%
Energy portfolio GWP in renewable energy	59%	61%	37%	58%
Total GHG emissions (Scopes 1, 2 and 3)	4,710 tonnes CO ₂ e	4,543 tonnes CO ₂ e	5,461 tonnes CO ₂ e	9,670 tonnes CO ₂ e

Notes:

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

Weather-related losses and weather-loss ratio figures represent ongoing continued business, excluding those areas which have been exited.

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

Energy portfolio GWP in renewable energy demonstrates performance up to the end of 2022 against the previous Climate Change and Low Carbon Policy. This policy set a target for an underwriting portfolio that is over 50% low carbon energy production, well ahead of the IEA's Sustainable Development Scenario targeted energy mix for 2040.



Ken Anderson

Chief Financial Officer

02 March 2023

RSA Insurance Group Limited
Governance
for the year ended 31 December 2022

Directors and Executive Officers¹

Directors

Mark Hodges (Chair)
Ken Anderson (appointed 1 April 2022)
Alastair Barbour
Sally Bridgeland
Claude Dussault
Robert Leary
Louis Marcotte (appointed 30 June 2022)
Susan McInnes (appointed 1 April 2022)
Ken Norgrove (appointed 10 January 2022)
Andy Parsons

General Counsel & Company Secretary

Jonathan Cope

Executive Team

Ken Norgrove – Chief Executive Officer
Ken Anderson – Chief Finance Officer
Jonathan Cope – General Counsel & Company Secretary
John Crooks – Chief Actuary
Paul Dilley – Director of Underwriting
Yasemin Dogu – Chief Internal Auditor
Nathalie Dufresne – Chief Underwriting Officer
Georgina Farrell – Chief People Officer
Karl Helgesen – Chief Operating Officer
Ollie Holden – Chief Information Officer
Dave Howell – Chief Risk Officer
Louisa Leonard – Managing Director, Personal Lines
Lee Mooney – Managing Director, Commercial Lines
Lynn O'Leary – CEO RSA Luxembourg
Kevin Thompson – CEO RSA Ireland
Steve Watson – Managing Director, UK Speciality

Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office²

Floor 8
22 Bishopsgate
London
United Kingdom
EC2N 4BQ

Company Registration Number

02339826

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

²The Company's registered office was 20 Fenchurch Street, London, EC3M 3AU until 11th October 2022.

Corporate Governance

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

Principle 1: Purpose and leadership

The values of RSA and IFC are strongly aligned.

Purpose

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

Values and culture

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

Principle 2: Board composition

Chair and Chief Executive Officer

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

Size and structure

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

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

Balance and diversity

Ensuring an appropriate balance of skills and experience has been a key focus of the Board. A thorough and detailed recruitment process was undertaken to appoint two new non-executive Directors as well as a new CEO and a new CFO during 2022. This process required careful consideration of the Group's strategy and the interests of its key stakeholders.

The Board has approved a Board Diversity Policy which is available to view on the RSA website www.rsainsurance.co.uk and sets the objective of at least 40% female representation and at least 40% male representation on the Board and at least one Black, Asian or other ethnic minority Board member. The Board currently has two female Directors representing 20% of the Board. At the Executive level there are five women, representing 33% of the Executive Committee.

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

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

Effectiveness

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

On joining the Board, Directors are provided with a tailored induction programme. With the high volume of change to the composition of the Board and within the Executive leadership team, detailed handovers were provided by the Chair, the Committee Chairs and from the exiting Executive Directors to ensure effective handovers and continuity.

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

The Board conducts an annual review of its effectiveness, including engagement of an external provider to carry out a review every three years. An externally-facilitated review was completed in the second half of 2022. The results of the review were shared with the Board and the Board 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. The Board considers that the foundation of an effective risk management framework is the cultivation of a risk culture that promotes accountability and openness.

The Board periodically reviews and approves the Group's governance documents including the System of Governance, UK Corporate Governance Framework, Delegated Authority Framework, and a suite of governance policies. The Board has also reviewed and adopted its own constitutional documents including the Matters Reserved for the Board and Conflicts of Interest policy. These documents set out the policies and practices that govern the internal affairs of the Group.

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

Board committees

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

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

Integrity of information

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

Principle 4: Opportunity and risk

Opportunity

The Group strategy is aligned with IFC's purpose and strategy. RSA's strategic opportunities were carefully assessed and analysed during 2022 and those aspects decided upon have been incorporated into the 3-year operational plan. Any proposed changes in strategic focus are reviewed and approved by the Board.

Risk

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

Further details on risk management are included in the Risk Management section on pages 5 to 9.

Responsibilities

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

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

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

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

The Risk function, alongside the business functions and Conduct Risk function, facilitate the determination of the principal risks facing the business, through application of the Risk Management Framework and the Conduct Risk Framework. These frameworks are subject to debate and challenge by various management committees and the Risk Committee, which also oversee plans to mitigate and manage high and medium rated risks. There are clear internal communication channels on the identification of risk factors. Externally, the Group's risk profile is outlined in the Annual Report and the Solvency and Financial Condition Reports of its regulated insurance subsidiaries.

Principle 5: Remuneration decisions

The GCR Committee is responsible for the oversight of remuneration principles, policy and practices, as well as determining policy and setting remuneration in respect of the Chair of the Board, Executive Directors and other executives within its scope. Membership of the GCR Committee is set out on page **25** and includes independent non-executive Directors. The GCR Committee discharges its responsibilities in line with the Wates Principles.

Policies

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

Setting remuneration

The remuneration principles that the Committee follows are:

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

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

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

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

Principle 6: Stakeholder relationships and engagement

External impacts

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

Further information on the Group's approach to ESG matters can be found on pages **13** to **15**.

Stakeholders

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

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

The Board and its committees

An overview of the responsibilities of the Board and its committees for the year ended 31 December 2022 is set out on pages **24** and **25**.

The Board and its committees

The Board

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

Committees

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

Audit Committee

Members: Andy Parsons (Chair), Alastair Barbour, Robert Leary

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

The Audit Committee is responsible for:

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

Auditor tenure

The Committee is responsible for overseeing relations with the external auditor, including the proposed external audit plan and the approval of fees. The Committee assesses the independence and effectiveness of the external auditor each year and makes a recommendation to the Board on their appointment or re-appointment. KPMG was appointed as the Group's external auditor in 2013 and has been re-appointed each subsequent year. During 2021, the Committee had considered its position on the external audit services contract and following engagement with the Group's regulator received dispensation from the need to conduct a tender in 2022 due to the context of the Acquisition by IFC and timing of IFRS 17 implementation. The audit tender process will take place in 2023.

The Group has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Uses of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2022.

Risk Committee

Members: Robert Leary (Chair), Sally Bridgeland, Susan McInnes & Andy Parsons

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

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

The Risk Committee is responsible for:

- Advising the Board on risk management matters, including solvency needs.
- Overseeing the risk management arrangements of the Group.
- Monitoring the emerging and principal material risks facing the Group, ensuring appropriate arrangements are in place to identify, manage and mitigate risks effectively, and that appropriate levels of capital are held in relation to these risks.
- Recommending the Group's risk strategy and risk appetite for approval by the Board.
- Approval of the Risk Management Plan.
- Reviewing the outputs of the ORSA process, the internal model and the conclusions of model validation, making recommendations to the Board on capital adequacy and the ORSA.
- Reviewing the Group's investment strategy framework and investment portfolio disposition and performance to ensure these remain within risk appetite and consistent with the Group's investment strategy.

- Oversight of the Risk function.

Governance, Conduct & Remuneration Committee

Members: Alastair Barbour (Chair), Claude Dussault, Sally Bridgeland & Susan McInnes

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

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

The Committee also has oversight of customer and conduct risks.

Executive Committee

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

The Executive Committee is collectively responsible for implementing strategy and delivering performance. The members have a broad range of skills and expertise that are updated through training and development. Membership of the Executive Committee is set out on page **20** and comprises Ken Norgrove and Ken Anderson, as well as the Chief Executive Officers of the European and Ireland businesses and key functional and business leaders.

Report of the Directors

Directors

Mark Hodges (Chair)
Ken Anderson (appointed 1 April 2022)
Alastair Barbour
Clare Bousfield (resigned 31 March 2022)
Sally Bridgeland
Charles Brindamour (resigned 30 June 2022)
Claude Dussault
Charlotte Jones (resigned 1 April 2022)
Rob Leary
Louis Marcotte (appointed 30 June 2022)
Susan McInnes (appointed 1 April 2022)
Ken Norgrove (appointed 10 January 2022)
Andy Parsons

Corporate Governance Statement

An overview of the corporate governance code applied by the RSA Insurance Group Limited (the Company) is set out in the Corporate Governance Report on pages **21** to **23**.

Dividend

No interim dividend was paid during the year ended 31 December 2022. The Company paid a dividend to its preference shareholders during the period. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

Going concern

The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for the next twelve months and beyond. The Board's assessment included review of the Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with IFC. Current economic uncertainty has been considered, including the war in Ukraine, rising inflation, post Covid-19 impacts and transition to a post Brexit environment. These assessments include stress and scenario testing and consider significant areas of risk and uncertainty for the Group in the current challenging economic environment. Scenarios considered include a market risk shock involving several component stresses, plus deterioration of the underwriting result and a subsequent catastrophe loss. In making their assessment, the Board have reviewed the latest position on business interruption losses and availability of reinsurance to recover incurred claims and there has been no significant change in the estimated ultimate position based on these updates. The Board have considered the impact of events after the balance sheet date with none identified which could impact the Group's ability to continue as a going concern. Based on this review no material uncertainties require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date and the approval of the consolidated financial statements.

Share capital

More information on the Company's share capital can be found in note 34 on page **99**.

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

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

Streamlined Energy and Carbon Reporting

We have reported on all sources of greenhouse gas (GHG) emissions as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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

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

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

The 2022 data covers the period 1 January to 31 December. Data from 2022 and previous years has been restated to account for the sale of RSA's Scandinavian and Middle East businesses. Emissions from RSA's legacy Canadian business are reflected in IFC's global reporting of its GHG emissions. IFC has committed to Net-zero emissions by 2050 and halving operations emissions by 2030. We are now integrating carbon emissions data and reporting systems with IFC as part of the global climate change strategy.

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

Emissions from our corporate real estate have decreased 18% year on year. Indirect energy efficiency measures have been achieved through a continuing reduction in the floor area of UK offices in 2022 to nearly 40% less than 2019, together with featuring as a design choice in the fit out or move to new office locations. Whilst overall emissions have increased on the previous year by 3.7% (using a Location-Based methodology), this is primarily due to an increase in business travel following the easing of Covid-19 restrictions.

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

tCO₂e emissions	2022¹	2021¹	2020¹	2019¹	2018¹
Scope 1	1,408	1,535	1,437	2,194	1,655
Scope 2 (location-based ^{LB}) ¹	2,060	2,613	3,058	4,066	4,598
Scope 2 (market-based ^{MB}) ¹	1,685	1,968	1,981	N/A	N/A
Scope 3 ¹	1,242	395	965	3,410	3,787
<i>Business travel</i>	888	125	641	3,042	3,381
Total emissions (Scope 1, 2, 3) ^{LB}	4,710	4,543	5,460	9,670	10,040
Total emissions (Scope 1, 2, 3) ^{MB}	4,335	3,898	4,383	N/A	N/A
Intensity ratio:					
Gross tonnes CO ₂ e per FTE ^{LB}	0.80	0.79	0.87	1.52	1.60
Gross tonnes CO ₂ e per FTE ^{MB}	0.74	0.68	0.70	N/A	N/A

Global energy use (kWh)	2022	2021	2020
Electricity (kWhs)	15,456,712	17,764,683	19,047,094
Gas Combustion (kWhs)	7,000,746	8,058,297	7,425,908
Transportation - vehicles (kWhs)	1,209,955	474,527	1,078,085
Total energy use	23,667,413	26,297,507	27,551,087

Notes

The emissions reported above have been restated versus numbers previously disclosed, in accordance with GHG Protocol guidelines.

1. Calculations have been amended to include data that was not available at the time of publication and reflect improvements in methodology (including updated emissions factors).

The GHG referenced in the table cover:

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

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

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

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

Charitable donations

During the year donations to charities were made amounting to £0.92m (2021: £0.87m).

£nil political donations were made during the year (2021: £nil).

Conflicts of interest

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

The Board confirms that it has reviewed the schedule of directors' conflicts of interest during the year and that the procedures in place operated effectively in 2022. None of the Directors had an interest in any contract of significance with the Company or any of its subsidiaries during 2022. The Board also considers at each meeting whether there is any potential conflict of interest for the shareholder-nominated Directors.

Directors' Indemnity

Article 84 of the Articles of Association provides that, among other things and insofar as permitted by law, the Company may indemnify its directors against any liability and may purchase and maintain insurance against any liability. The Company has granted an indemnity to each of the directors pursuant to the power conferred by Article 84.1 of the Articles of Association.

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

In addition, the Company maintains a pension trustee liability insurance policy for the directors of SAL Pension Fund Limited and Royal & Sun Alliance Pension Trustee Limited, subsidiaries of the Group, in relation to such person's role as a trustee of an occupational pension scheme. This insurance constitutes a qualifying pension scheme indemnity provision under section 235 of the Companies Act 2006. These insurances were in force during the year ended 31 December 2022 and remain in force as at the date of this report.

Workforce and stakeholder engagement statements

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

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

Modern slavery

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

Management report

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

Directors' Report

The Directors' Report for the year ended 31 December 2022, was approved by order of the Board and signed on its behalf.



Jonathan Cope
General Counsel and Company Secretary
02 March 2023

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

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

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

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

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

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

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

Responsibility statement

We confirm that, to the best of our knowledge:

- The financial statements on pages 29 to 141, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report on page 2 to 19 includes a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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



Ken Anderson
Chief Financial Officer

02 March 2023



Ken Norgrove
Chief Executive Officer

02 March 2023

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

1 Our opinion is unmodified

We have audited the financial statements of RSA Insurance Group Limited ("the Company" and collectively with its subsidiaries "the Group") for the year ended 31 December 2022 which comprise the consolidated income statement, consolidated and parent company statement of comprehensive income, consolidated and parent company statement of changes in equity, consolidated and parent company statement of financial position, consolidated and parent company statement of cash flows, and the related notes, including the accounting policies in note 5 for the group and note 4 for the parent company.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the shareholders on 13 May 2013. The period of total uninterrupted engagement is for the ten financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed 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 insurance liabilities

Insurance contract liabilities 2022: £5,671 million gross, £3,890 million net; 2021: £5,276 million gross, £3,628 million net, relating to provision for losses and loss adjustment expenses

Risk vs 2021 ◀▶

Refer to page 52 (accounting policy) and page 101-106 (financial disclosures)

The risk**Subjective valuation:**

Insurance liabilities represent the single largest liability for the Group. Valuation of incurred but not reported claims (IBNR) is highly subjective, requiring a number of assumptions to be made with high estimation uncertainty.

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.

Additional uncertainty remains as a result of the Covid-19 pandemic and the resulting claims and reinsurance recoveries. For business interruption cases (BI) the result of the FCA Test Case ruling, and other legal decisions and pending appeals on such judgements, whilst not significant in isolation do, alongside the uncertain long term distortion to claims experience, continue to evolve. Further uncertainty arises in classes more sensitive to the assumptions made around future inflation rates.

A margin is added to the actuarial best estimate of insurance liabilities to make allowance for specific risks and uncertainties that are not specifically allowed for in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgment and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance liabilities in relation to IBNR, 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 39) disclose the sensitivity estimated by the Group.

Our response

With the assistance of our own actuarial specialists at Group and component level, our procedures included:

- **Independent re-performance:** We performed independent re-projections of reserve balances using our own models for certain classes of business. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures;
- **Our sector experience:** We applied our industry experience and market benchmarks to support our consideration and challenge of the Group's reserving methodology, key judgements and assumptions for the most significant and subjective classes of business.
- **Challenge of key assumptions:** Our audit approach responded to the increased uncertainty in the current economic environment, making explicit allowance for inflation in our independent re-projections. We performed incremental tests to separate the impacts on frequency and severity, including inflation and other factors such as changes in driving patterns since Covid-19.
- **Assessing principles:** We inspected the legal advice received by management in relation to Covid-19 business interruption (BI) claims and considered the appropriateness of judgements against this advice. We agreed a sample of reinsurance recoveries received in the year to appropriate evidence.
- **Tests of details:** 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. This covered the accuracy of the relevant policy data elements relied upon within actuarial methods in their testing of the valuation of insurance liabilities. Further, we have sample tested other data elements relevant to the valuation of insurance liabilities such as premium inputs and relevant reinsurance contracts, and recalculated the resulting reinsurance recoveries. From a completeness perspective, we reconciled the policy level claims listing subject to sampling, to the actuarial triangles used for our independent re-projections, with the output then reconciled to the financial statements.
- **Margin evaluation:** We evaluated the appropriateness of the margin to be applied to the actuarial best estimate. In order to do this we assessed management's approach to setting the margin. In particular we considered the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with management and with respect to our understanding of any changes in the Group's risks. We also applied our broader sector experience of approaches to setting the margin and the level of margin held by the Group's peers.
- **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the sensitivity of the insurance liabilities and key assumptions applied to key areas of judgement and estimation uncertainty.

	<ul style="list-style-type: none"> — Control design and implementation: We assessed the design and implementation of controls in relation to the above valuation. We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. <p>Our results We found the valuation of the insurance liabilities to be acceptable (2021 result: acceptable).</p>
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<p>Valuation of deferred tax assets 2022: £186 million of the total deferred tax assets of £267 million; 2021: £146 million of £148 million</p> <p>Risk vs 2021 ◀▶</p> <p><i>Refer to page 56 (accounting policy) and pages 97-98 (financial disclosures).</i></p>	
The risk	Our response
<p>Forecast-based assessment:</p> <p>The recoverability of the recognised deferred tax asset is dependent on the future profitability of the UK business, in particular Royal & Sun Alliance Insurance Limited, as the taxable legal entity.</p> <p>There is inherent uncertainty involved in developing the Group's operational plan upon which forecast future taxable profits are based and further judgement in assessing to what extent the deferred tax assets can be recovered against those forecast taxable profits, particularly following the acquisition of the Group in 2021. These forecasts determine the extent to which deferred tax assets are, or are not, recognised in the financial statements.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of deferred tax assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 31) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Historical comparisons: We assessed the accuracy of the Group's approved operating plan in relation to the forecasting process in the past. We considered whether projected margins are achievable with reference to recent business performance, operating plans, and allowing for adjustments including the contingency applied in determining the value of the deferred tax asset. — Our experience: We assessed the Group's approach to the assessment of recoverability and challenged the approach with reference to our understanding of the business, forecast periods used by peers, and the requirements of the relevant accounting standards. — Sensitivity analysis: We carried out independent sensitivity analyses of taxable profits to assumptions such as expected weather losses, the development of claims reserves and claims inflation 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 Group's assumptions about how accumulated tax losses and other similar items can be utilised within the Group against the UK business, and Royal & Sun Alliance Insurance Limited as the taxable legal entity, in particular. — Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of the assumptions applied in the calculation and the adequacy of the Group's disclosures in respect of the sensitivity of the valuation of the deferred tax asset to key assumptions. — Control design and implementation: We assessed the design and implementation of controls in relation to the above valuation. We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. <p>Our results As a result of our work, we found the level of deferred tax assets recognised to be acceptable (2021 result: acceptable).</p>

Valuation of post-employment benefits and obligations 2022: £5,461 million; 2021: £8,679 million Risk vs 2021 ◀▶ <i>Refer to page 56 (accounting policy) and pages 107 - 113 (financial disclosures).</i>	
The risk	Our response
Subjective valuation: The value of the UK defined benefit pension schemes obligations is significant and, being long-dated liabilities, the valuations are particularly sensitive to small changes in assumptions such as the discount rate, RPI inflation rate and mortality rate, which are highly sensitive to market and geographic circumstances. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of post-employment benefits and obligations 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 41) disclose the sensitivity estimated by the Group.	With the assistance of our own pension actuarial specialists, our procedures included: <ul style="list-style-type: none"> — Benchmarking assumptions and our experience: We compared the key assumptions such as discount rate, RPI inflation rate and mortality rate against our independent models, using external data and information relating to the pension schemes' liability and demographic profile. — Assessing valuer's credentials: We evaluated the Group's external valuer's competence, objectivity, capability and scope of work. — Assessing principles: We assessed the Group's methodology against the requirements of IAS 19. — Assessing transparency: We considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined pension obligation to these assumptions and of the post balance sheet event disclosed in note 49. — Control design and implementation: We assessed the design and implementation of controls in relation to the above valuation. We did not seek to place reliance on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our results We found the valuation of the post-employment benefits and obligations to be acceptable (2021 result: acceptable).

Valuation of parent company's investment in subsidiaries 2022 £2,595 million; 2021: £2,405 million Risk vs 2021 ◀▶ <i>Refer to page 137 (accounting policy, Investments in Subsidiaries) and page 139 (financial disclosures).</i>	
The risk	Our response
Forecast-based assessment: The carrying amount of the parent company's ('The Company') investment in subsidiaries represents 97% (2021: 63%) of the company's total assets. Fair value for the key operating subsidiaries is calculated by applying the income approach which uses discounted cash flow models to assess the present value of expected future economic benefits. There is inherent uncertainty involved in developing the Company's operational plan upon which the discounted cash flow models are based such that the valuation is sensitive to the underlying assumptions impacting the assessment of future cashflows and the discount rate applied. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment in subsidiaries has estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the parent company's financial statements as a whole. The parent company's financial	With the assistance of our own valuation specialists, our procedures included: <ul style="list-style-type: none"> — 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 valuation of investment in subsidiaries. — Assessing valuer's credentials: We evaluated the Company's external valuer's competence, objectivity, capability and scope of work. — Our experience and benchmarking assumptions: We applied our market experience and knowledge of the operating subsidiaries to challenge the methodology and key assumptions applied by the Company's valuer and benchmark the valuation against the Company's competitors. — Test of details: We agreed net asset values to underlying financial reporting for less material subsidiaries. We also

<p>statements (note 8) disclose the sensitivity estimated by the Company.</p>	<p>evaluated and challenged the underlying data used in the cash flow forecasts, on which the valuations were based.</p> <ul style="list-style-type: none"> — Sensitivity analysis: We carried out independent sensitivity analysis of the impact on the valuation of changes to assumptions such as expected weather losses, the development of claims reserves and claims inflation, projected future growth rates and the discount rate applied. — Assessing transparency: We considered the adequacy of the Company's disclosures in respect of the sensitivity of the valuation to the key assumptions. — Control design and implementation: 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. <p>Our results: We found the assessment of the valuation of the parent company's investment in subsidiaries to be acceptable (2021 result: acceptable).</p>
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3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £29m (2021: £34m), determined with reference to a benchmark of net earned premiums (of which it represents 0.9% (2021: 0.8%)).

We continue to consider net earned premiums to be the most appropriate benchmark and a fair reflection of revenue from the Group's operations because it is a revenue metric per the accounting standards is less distorted by seasonal fluctuations and takes into account the reinsurance programme in place.

Materiality for the parent company financial statements as a whole was set at £26m (2021: £30m), which is capped at 90% of Group materiality and with reference to a benchmark of net assets of which it represents 1.1% (2021: 0.9%).

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

Performance materiality for the Group was set at 75% (2021: 65%) of materiality for the financial statements as a whole, which equates to £21.7m (2021: £22.1m). We applied this percentage in our determination of performance materiality based on the improved control environment.

Performance materiality for the parent company was set at 75% (2021: 75%) of materiality, which equates to £19.5m (2021: £22.5m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk for the parent company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.4m (2021: £1.7m) in the Group financial statements; and £1.3m (2021: £1.5m) in the parent company financial statements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

In assessing our scoping, we considered the Group's reporting units as five (2021: seven) components. We subjected the UK component to a full scope audit. The Ireland component was instructed to perform specific risk-focused audit procedures relating to insurance liabilities and cash during the year. Specified risk-focused audit procedures were also performed over investments and cash balances within one of the UK-based components, where specific risks were identified. This scoping decision was made in order to provide further coverage over the Group's results. The components for which we performed specified risk-focused procedures were not financially significant enough to subject to a full scope audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

Following the disposal of Canada and Scandinavia in 2021, they are no longer in scope of our audit.

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

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

The components within the scope of our work accounted for the following percentages of the Group's results (comparatives in bracket):					
	Number of components	Group net earned premium	Group insurance contract liabilities	Total profits and losses that made up Group profit before tax	Group total assets
Audits for group reporting purposes	1 (3)	92% (93%)	82% (77%)	53% (96%)	87% (84%)
Specified risk-focused audit procedures over reinsurance debtors, insurance liabilities, cash and investments	2 (2)	0% (2%)	10% (18%)	0% (0%)	2% (10%)
Total	3 (5)	92% (95%)	92% (95%)	53% (96%)	89% (94%)

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above, and the information to be reported back. The Group team approved the component materialities, which ranged from £12m to £27m (2021: £10m to £27m), having regard to the mix of size and risk profile of the Group across the components. The audit procedures over the Irish component (2021: Canada, Scandinavia and Ireland) were performed by a component audit team. The audit procedures over the completeness and accuracy of the investment balances within the in-scope UK reporting components were conducted by EY's Intact Financial Corporation audit team in Canada. We communicated our audit risk assessment, participated in the scoping of planned audit procedures, agreed the information to be reported back and auditor oversight procedures were performed, including review of the audit documentation.

All other audit procedures, as well as the parent company audit, were performed by the Group team. The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited nil (2021: nil) component overseas locations during the year and instead maintained the virtual interactions with overseas teams. Video and telephone conference meetings were held with the component auditors and local management. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. We reviewed the component team's audit documentation.

4 Going concern

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

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

- adverse insurance reserves development and operational performance

- a deterioration in claims experience, potentially caused by market wide catastrophe event(s) or economic factors such as inflation;
- a deterioration in the valuation of the Group's investments arising from a significant change in the economic environment and any resulting impact on liquidity and capital strength; and
- the impact of post balance sheet event as disclosed in note 49.

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

Our procedures also included:

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

Our conclusions based on this work:

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

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

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

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements. In view of the overall quantum of pipeline premium as a proportion of total premiums, 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 insurance contract liabilities and the valuation of deferred tax 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 insurance contract liabilities and the deferred tax asset 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 due to non-compliance with laws and regulations

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

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

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

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

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

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities


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

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

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

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

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



Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
02 March 2023

Consolidated income statement
For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Continuing operations			
Income			
Gross written premiums		4,181	4,294
Less: reinsurance written premiums		(1,071)	(1,001)
Net written premiums	9	3,110	3,293
Change in the gross provision for unearned premiums		(78)	(44)
Change in provision for unearned reinsurance premiums		93	(42)
Change in provision for net unearned premiums		15	(86)
Net earned premiums		3,125	3,207
Net investment return	10	89	160
Other operating income	12	99	82
Total income		3,313	3,449
Expenses			
Gross claims incurred		(2,817)	(2,959)
Less: claims recoveries from reinsurers		740	759
Net claims	11	(2,077)	(2,200)
Underwriting and policy acquisition costs		(1,109)	(1,223)
Unwind of discount		3	(6)
Other operating expenses	13	(93)	(172)
		(3,276)	(3,601)
Finance costs	14	(11)	(76)
Profit on disposal of businesses	8	39	-
Profit/(loss) before tax from continuing operations	9	65	(228)
Income tax credit/(expense)	19	16	(33)
Profit/(loss) after tax from continuing operations		81	(261)
Profit from discontinued operations, net of tax	7	-	4,531
Profit for the year		81	4,270
Attributable to:			
Owners of the Parent Company from continuing operations		86	(263)
Owners of the Parent Company from discontinued operations		-	4,531
Total Owners of the Parent Company		86	4,268
Non-controlling interests		(5)	2
		81	4,270

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

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit/(loss) for the year from continuing operations		81	(261)
Profit for the year from discontinued operations		-	4,531
Profit for the year		81	4,270
Items from continuing operations that may be reclassified to the income statement:			
Exchange gains/(losses) net of tax on translation of foreign operations	22	20	(14)
Fair value losses on available for sale financial assets net of tax	22	(329)	(79)
		(309)	(93)
Items from continuing operations that will not be reclassified to the income statement:			
Pension – remeasurement of net defined benefit asset/liability net of tax	22	(355)	(70)
Movement in property revaluation surplus net of tax	22	(2)	-
Other comprehensive expense for the year from continuing operations		(666)	(163)
Other comprehensive expense for the year from discontinued operations	7	-	(129)
Total other comprehensive expense for the year	22	(666)	(292)
Comprehensive expense for the year from continuing operations		(585)	(424)
Comprehensive income for the year from discontinued operations	7	-	4,402
Total comprehensive (expense)/income for the year		(585)	3,978
Attributable to:			
Owners of the Parent Company from continuing operations		(597)	(426)
Owners of the Parent Company from discontinued operations		-	4,402
Total Owners of the Parent Company		(597)	3,976
Non-controlling interests		12	2
		(585)	3,978

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

Consolidated statement of changes in equity
For the year ended 31 December 2022

	Ordinary share capital	Ordinary share premium	Preference shares	Tier 1 notes	Revaluation reserves	Capital redemption reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	1,035	1,095	125	297	371	389	20	1,232	4,564	166	4,730
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	4,268	4,268	2	4,270
Other comprehensive income/(expense) (note 22)	-	-	-	-	(267)	-	33	(58)	(292)	-	(292)
	-	-	-	-	(267)	-	33	4,210	3,976	2	3,978
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 21/36)	-	-	-	-	-	-	-	(6,938)	(6,938)	(10)	(6,948)
Shares issued for cash (note 34)	1,023	282	-	-	-	-	-	-	1,305	-	1,305
Share-based payments (note 34)	11	-	-	-	-	-	-	17	28	-	28
Transfers	-	-	-	-	1	-	-	(1)	-	-	-
Capital reduction ¹	(800)	(1,095)	-	-	-	(389)	-	2,284	-	-	-
	234	(813)	-	-	1	(389)	-	(4,638)	(5,605)	(10)	(5,615)
Changes in shareholders' interests in subsidiaries	-	-	-	-	-	-	-	-	-	(2)	(2)
Total transactions with owners of the Group	234	(813)	-	-	1	(389)	-	(4,638)	(5,605)	(12)	(5,617)
Balance at 1 January 2022	1,269	282	125	297	105	-	53	804	2,935	156	3,091
Total comprehensive income											
Profit/(loss) for the year	-	-	-	-	-	-	-	86	86	(5)	81
Other comprehensive (expense)/income (note 22)	-	-	-	-	(329)	-	1	(355)	(683)	17	(666)
	-	-	-	-	(329)	-	1	(269)	(597)	12	(585)
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 21/36)	-	-	-	-	-	-	-	(12)	(12)	(2)	(14)
Shares issued for cash (note 34)	294	-	-	-	-	-	-	-	294	-	294
Tier 1 notes redemption note (35)	-	-	-	(297)	-	-	-	22	(275)	-	(275)
	294	-	-	(297)	-	-	-	10	7	(2)	5
Changes in shareholders' interests in subsidiaries	-	-	-	-	-	-	-	-	-	(166)	(166)
Total transactions with owners of the Group	294	-	-	(297)	-	-	-	10	7	(168)	(161)
Balance at 31 December 2022	1,563	282	125	-	(224)	-	54	545	2,345	-	2,345

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

Consolidated statement of financial position
As at 31 December 2022

Company number 02339826

	Note	2022 £m	2021 £m
Assets			
Goodwill and other intangible assets	23	331	312
Property and equipment	24	121	91
Investment property	25	291	371
Financial assets	26	5,334	5,530
Total investments		5,625	5,901
Reinsurers' share of insurance contract liabilities	29	2,516	2,291
Insurance and reinsurance debtors	30	1,929	1,916
Deferred tax assets	31	267	148
Current tax assets	31	1	2
Other debtors and other assets	32	448	737
Other assets		716	887
Cash and cash equivalents	33	362	500
Total assets		11,600	11,898
Equity and liabilities			
Equity			
Equity attributable to owners of the Parent Company		2,345	2,935
Non-controlling interests		-	156
Total equity		2,345	3,091
Liabilities			
Issued debt	37	166	165
Insurance contract liabilities	39	7,607	7,185
Insurance and reinsurance liabilities	40	904	842
Borrowings	38	8	8
Current tax liabilities	31	1	4
Provisions	42	31	50
Other liabilities	43	538	553
Provisions and other liabilities		570	607
Total liabilities		9,255	8,807
Total equity and liabilities		11,600	11,898

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

The financial statements were approved on 02 March 2023 by the Board of Directors and are signed on its behalf by:



Ken Anderson
Chief Financial Officer

Consolidated statement of cash flows
For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operating activities	45	366	357
Tax paid		(4)	(99)
Net cash flows from operating activities		362	258
Cash flows from investing activities			
Proceeds from sales or maturities of:			
Financial assets		1,790	1,738
Property and equipment		-	1
Subsidiaries and associates (net of cash disposed of)		77	6,559
Dividends from associates		-	1
Purchase of:			
Financial assets		(2,225)	(2,615)
Property and equipment	24	(27)	(13)
Intangible assets	23	(107)	(104)
Subsidiaries		-	(1)
Net cash flows from investing activities		(492)	5,566
Cash flows from financing activities			
Proceeds from issue of share capital		294	1,305
Dividends paid to ordinary shareholders	21	-	(6,914)
Coupon payment on Tier 1 notes	21	(3)	(15)
Dividends paid to preference shareholders	21	(9)	(9)
Dividends paid to non-controlling interests	36	(2)	(10)
Redemption of debt instruments	46	(275)	(642)
Payment of lease liabilities	46	(13)	(24)
Movement in other borrowings	46	-	(71)
Interest paid	46	(11)	(26)
Net cash flows from financing activities		(19)	(6,406)
Net decrease in cash and cash equivalents		(149)	(582)
Cash and cash equivalents at the beginning of the year		492	1,083
Effect of changes in foreign exchange on cash and cash equivalents		11	(9)
Cash and cash equivalents at the end of the year	33	354	492

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

Basis of preparation and significant accounting policies

RSA Insurance Group Limited (The Company), formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and the Company's ordinary share capital was purchased by Regent Bidco Limited (a wholly owned subsidiary of IFC) on 1 June 2021 (the acquisition). Regent Bidco Limited was placed into liquidation on 20 September 2022 and the Company's ordinary share capital was purchased by Alberta Limited (a wholly owned subsidiary of IFC) on 20 September 2022. The Company's ultimate parent company and controlling party is IFC. The Company is incorporated and domiciled in England and Wales and, through its subsidiaries and associates (together the Group or RSA), provides personal and commercial insurance products to its global customer base, principally in the UK, Ireland and Europe. On 1 June 2021, the Group disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited), and these were classified as discontinued operations (refer to note 7 for further information).

1) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of Companies Act 2006. The consolidated financial statements are prepared on a historical cost basis. Where other bases are applied, these are identified in the relevant accounting policy.

The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for the next twelve months and beyond. The Board's assessment included the review of the Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with IFC. Current economic uncertainty has been considered, including the war in Ukraine, rising inflation, post Covid-19 impacts and transition to a post Brexit environment. These assessments include stress and scenario testing and consider significant areas of risk and uncertainty for the Group in a current challenging economic environment. Scenarios considered include a market risk shock involving several component stresses, plus deterioration of the underwriting result and a subsequent catastrophe loss. In making their assessment, the Board have reviewed the latest position on business interruption losses and availability of reinsurance to recover incurred claims and there has been no significant change in the estimated ultimate position based on these updates. The Board have considered the impact of events after the balance sheet date with none identified which could impact the Group's ability to continue as a going concern. Based on this review no material uncertainties have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the consolidated statement of financial position and the approval of the consolidated financial statements.

In line with industry practice, the Group's consolidated statement of financial position is not presented using current and non-current classifications, but broadly in increasing 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 reinsurers' share of insurance contract liabilities.

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

The remaining balances are of a mixed nature. The current and non-current portions of such balances are in the notes or in the risk and capital management note (note 6).

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

Accounting policies that are significant to understanding the performance, financial position and cash flows of the Group are set out in note 5 with other policies presented in Appendix A. The notes are grouped together by their nature.

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 16 to 19. The potential impact of climate change on the valuation of insurance contract liabilities is considered in the significant accounting estimates and judgements note (note 2). The potential impact of climate change is also considered in the measurement of the deferred tax asset. Otherwise, there has been no material impact identified on the financial reporting judgements and estimates. The Directors are aware, however, of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

2) Significant accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements and calculated estimates in accordance with the Group's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The most significant estimates are described below. Additional information on estimation techniques and assumptions is presented in the relevant note in order to provide context to the figures presented.

- Valuation of insurance contract liabilities: 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. Key assumptions include prior experience and trends to the extent they are a reliable guide to future outcomes, changes in various key areas such as pricing, underwriting, claims, reinsurance, inflation and the wider economic environment, which could affect claims experience, and Covid-19 estimates which remain a heightened area of uncertainty with respect to the valuation of the insurance contract liabilities. Covid-19 business interruption (BI) gross claims cost uncertainty remains high but reduced over the past couple of years as initial estimates are replaced with maturing claims, case and reinsurance information, updates for which have been included in the claims estimates at 31 December 2022. Key points which could give rise to significant changes in the BI claims cost estimates continue to be challenged (and appealed) in high profile industry court cases such as Stonegate. These uncertainties are likely to persist for some time and, in the meantime, our booked reserves reflect our up-to-date views on the expected outcomes and are supported by our latest legal advice. The ultimate Covid-19 BI claims liability could be materially different from the current estimate as claims information develops further, as legal and regulatory interpretations throughout the industry evolve and clarify the criteria for eligible claims and the level of cover available and as claims information matures given the complexity. Whilst the Group has considerable reinsurance protection against changes in gross estimate, the net estimate is dependent on the extent to which losses are recoverable under the reinsurance contracts and how this compares to the Group's expectations. Aside from direct BI losses, Covid-19 has increased the level of estimation uncertainty for many classes of business and loss types with key assumptions impacted such as frequency, severity and claims development patterns. Many of the drivers of the uncertainty in these areas are external factors and require estimation to assess the impact.

In addition, management continually monitors claims experience, emerging trends and changes in the business or in the external environment to help ensure the key assumptions and estimation techniques used to determine best estimate provisions reflect up-to-date information and remain appropriate. As a result of management's review given the current uncertain economic environment, including inflationary increases, and in alignment with IFC practice, relevant reserve assumptions have been strengthened during 2022 and margin is held above best estimates given the uncertainty. Given the emergence of significantly increased inflation trends over the past 1-2 years, our Inflation Committee and Working Groups have increased the frequency of meetings and depth of analysis, new methods have been adopted in some areas, increasing weight has been assigned to more recent trends where appropriate, and extensive sensitivity analysis has been carried out to help inform selections. Our judgements have been mindful of the uncertainty arising from the combined impacts of post-pandemic effects (such as supply chain disruption) combined with inflation pressure.

An external reserve review was commissioned and completed on major segments of our reserves during 2022 to give management additional comfort that our internal estimates were robust and reflected external perspectives. The Adverse Development Cover (ADC) reinsurance contract placed in 2021 provides significant protection against inflation increases on 2020 and prior accident years.

Climate change trends are giving rise over time to different weather patterns and therefore general insurance claims experience. During 2022, the UK observed severe windstorms in February, record high temperatures in the summer and a severe prolonged freeze event in December, leading to heightened storm, subsidence, escape of water and fire loss experience in the year. It is possible that climate change is a factor in this weather experience. The judgements made in respect of claims reserves and claims provisions take 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.

Refer to note 39 for additional information.

- Measurement of defined benefit obligations: the use of key actuarial assumptions, such as discount rates, inflation rates and mortality rates. The valuation of the defined benefit pension schemes is sensitive to small changes in key assumptions. The setting of assumptions involves significant judgement by management. Updates to the inflation and mortality assumptions have been made at 31 December 2022 following advice from management's in house pension specialists, supported by independent third party actuarial advice. These updates result in a net balance sheet gain of **£30m**. The asset valuation on the UK pension scheme requires assumptions to be made around the complex and bespoke arrangement that provides coverage against longevity risk. Refer to note 41 for additional information.
- Recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised. Management apply judgement in the application of contingency on the estimation of future forecast taxable profits in determining the value of deferred tax asset to be recognised. Management use a 5 year forecast period when calculating future forecast taxable profits (previously 7 years). There has been a **£119m increase** in the deferred tax asset at 31 December 2022. This has been predominantly driven by the recognition of a deferred tax asset of **£83m** in respect of unrealised losses on the available-for-sale bond portfolio in the UK and Ireland and **£36m** relating to the increase in forecast profits. The increase in forecast profits includes the UK impact of the transition to IFRS17. Refer to note 31 for additional information.
- Valuation of level 3 financial assets and investment properties: use of significant unobservable inputs. The current ongoing economic uncertainty means that asset valuation techniques that rely on unobservable inputs have a greater degree of estimation uncertainty. Refer to note 27 for additional information.
- Measurement and impairment of goodwill and intangible assets: management apply judgement in the valuation of the recoverable amount and the estimation of the useful economic life. The value in use calculations are based on management's latest operational plans and consider management's future intent. Refer to note 23 for additional information.

The areas where management has applied judgement are as follows:

- Classification of financial assets in the fair value hierarchy: management apply judgement when deciding to classify financial instruments for which immediate prices are available as being level 1 in the fair value hierarchy and financial assets for which observable prices are also available as level 2 on the basis of a lower level of activity in the market from which those prices are quoted. Refer to note 27 for additional information.
- Impairment of financial assets: determining if there is objective evidence of impairment requires judgement and, in the year to 31 December 2022, **£10m** of impairments have been recognised on a continuing operations basis (31 December 2021: £7m). Refer to note 10 for additional information. The value of unrealised losses from continuing operations in the revaluation reserve at 31 December 2022 is **£329m** (31 December 2021: losses of £79m). Refer to note 22 for additional information.
- Valuation of intangible assets: Strategic reassessment of programme plans for internally generated software assets. Determining if existing internally generated software would no longer generate future economic benefit and should therefore be derecognised requires judgement. In the year to 31 December 2022, **£30m** of internally generated software assets were identified as no longer generating future economic benefit and were derecognised (12 months to 31 December 2021: £72m). Refer to note 23 for additional information.

The Audit Committee reviews the reasonableness of significant judgements and estimates.

3) Adoption of new and revised accounting standards

The following narrow scope amendments have been adopted by the Group:

Extension of the temporary exemption from applying IFRS 9

IFRS 9 has been issued to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39). IFRS 4 'Insurance Contracts' (IFRS 4) permits an insurance company that meets the criteria a temporary exemption from applying IFRS 9 and continue to apply IAS 39. The exemption has been extended by two years to annual periods beginning before 1 January 2023.

The Group meets the criteria and has elected to defer the application of IFRS 9 to the reporting period beginning on 1 January 2023, alongside IFRS 17.

Interest Rate Benchmark Reform (IBOR) - Phase 2

In August 2020, the IASB issued amendments to IAS 39, IFRS 7 'Financial instruments: Disclosures' (IFRS 7), IFRS 4 and IFRS 16 'Leases' (IFRS 16). The amendments complement those issued in 2019 and focus on the effects on financial statements when an entity replaces an old interest rate benchmark with an alternative risk-free rate (ARRs) as part of the IBOR reform.

The amendments clarify that, if the contractual cash flows of a financial instrument are modified as a result of the reform, an entity updates the effective interest rate to reflect the change instead of derecognising it or adjusting its carrying amount. In addition, hedge accounting relationships shall not be discontinued if changes are required by the reform, as long as the hedge meets other hedge accounting criteria.

The Group's exposure to IBORs (Interbank Offered Rates) that have yet to transition from LIBOR and USD IBOR to Sterling Overnight Index Average (SONIA) and Secured Overnight Financing Rate (SOFR) is £34m at 31 December 2022 and relates to illiquid investments.

Given the transition to ARRs has no significant impact on the Group, there has been no significant change in the risk management strategies as result of the IBOR reform.

The amendments did not impact the consolidated financial statements.

Other standards

Other amendments to UK-adopted IAS became mandatory as of 1 January 2022. The Group has evaluated these changes, none of which have had a significant impact on the consolidated financial statements.

4) New accounting standards, interpretations and amendments yet to be adopted

IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'

Glossary of abbreviations			
CSM	Contractual service margin	LIC	Liabilities for incurred claims
ECL	Expected credit loss	LRC	Liability for remaining coverage
FVTOCI	Fair value through other comprehensive income	PAA	Premium allocation approach
FVTPL	Fair value through profit and loss	AFS	Available For Sale
GMM	General measurement model	SPPI	Solely payments of principal and interest

The Group will adopt IFRS 17 – Insurance Contracts (“IFRS 17”) in conjunction with IFRS 9 – Financial instruments (“IFRS 9”) on the required effective date of 1 January 2023, which will replace IFRS 4 – Insurance Contracts (“IFRS 4”) and IAS 39 – Financial instruments: recognition and measurement (“IAS 39”), respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, IFRS 4 allows a temporary exemption to delay the implementation of IFRS 9 until IFRS 17 is applied. The Group's 2023 interim financial statements will be prepared under IFRS 17 and IFRS 9.

IFRS 17 will be applied retrospectively as at 1 January 2022 to each group of insurance contracts. As a result comparative information will be restated. Where full retrospective application is impracticable, the modified retrospective approach has been applied.

The Group will recognise any IFRS 9 measurement differences by adjusting its Consolidated statement of financial position on 1 January 2023. As a result comparative information will not be restated.

Financial impact

IFRS 17

On transition to IFRS 17 on 1 January 2022, the Group's Equity attributable to owners of the Parent Company will be positively impacted by approximately £40m (IFRS 4: £3,091m; IFRS 17: £3,131m), mainly due to the discounting of Claims liabilities applying the principles of the new standard. IFRS 17 will result in presentation reclassifications as insurance related assets and liabilities are presented together on a single line, and reinsurance related assets and liabilities and presented together on a single line.

IFRS 9

On transition to IFRS 9 on 1 January 2023, the Group's Equity attributable to owners of the Parent Company will be negatively impacted by £1m, which corresponds to the ECL calculated on its amortised cost loans and receivables.

IFRS 9 will also result in reclassifications from Revaluation Reserve to Retained Earnings as follows:

- Certain equity instruments currently classified as AFS will be classified as FVTPL, which will increase volatility in the Income statement;
- The FVTPL designation of some fixed income instruments will change on transition date; and
- The ECL calculated on instruments at fair value currently in Other Comprehensive Income (OCI) will be recognised in Retained earnings.

As at 1 January 2023, the Group will reclassify approximately £100m of unrealised gains or losses (after tax) from Revaluation reserves to Retained earnings.

The table below summarises the preliminary classification and measurement impacts of IFRS 9 on the Group's investments on transition.

As at 1 January, 2023	Measurement category		Carrying amount			
	IAS 39	IFRS 9	IAS 39	Reclassification	Measurement	IFRS 9
Cash and cash equivalents	Amortised cost	Amortised cost	362	-	-	362
Debt securities	AFS	FVOCI	4,689	(2,471)	-	2,218
	n/a	FVTPL	-	2,471	-	2,471
Equities	AFS	n/a	212	(212)	-	-
	n/a	FVTPL	-	212	-	212
Loans and receivables	Amortised cost	Amortised cost	433	-	(1)	432

IFRS 17 'Insurance Contracts'

The following summarises the Group's main accounting policies under IFRS 17 compared to IFRS 4:

Topic	Description	Impact
Scope and separating components	Similar to IFRS 4, under IFRS 17 the Group will evaluate if a contract is in scope of the insurance contract standard and will separate its components if necessary.	As a result, the Group will continue to assess its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under an IFRS standard other than the insurance contract standard. The Group's insurance policies do not include any components that require separation.
	Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event.	
	The Group issues insurance contracts in the normal course of business (direct business). The Group also holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Group.	
Level of aggregation of insurance contracts	IFRS 17 introduces a new concept of aggregating insurance and reinsurance contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Group divides its direct and ceded business into portfolios. Management uses judgement in considering the main geographic areas, lines of businesses, 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. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts. This is the level at which the Group will apply the requirements of IFRS 17.	Portfolios of insurance contracts issued that are assets and those that are liabilities and portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately in the Consolidated statement of financial position, resulting in presentation changes when compared to IFRS 4, as described below in Presentation and disclosures.

Measurement models	<p>IFRS 17 introduces a new concept of the GMM for the measurement of insurance contracts. Entities also have the option to use a simplified measurement model (the PAA), for contracts that have a coverage period of one year or less or if the resulting LRC, which represents insurance coverage to be provided after the reporting period, is not expected to materially differ from the LRC measured using the GMM. The accounting under the PAA is similar to the current approach under IFRS 4 for the LRC.</p> <p>The GMM is required for a limited number of contracts within the Group, primarily in relation to retroactive reinsurance which covers adverse development of existing claims. The GMM requires measuring insurance and reinsurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance and reinsurance contracts. Under this model the LRC is the sum of discounted expected future cash flows, risk adjustment and CSM representing the unearned profit the Group will recognise as it provides service under the insurance contracts in the group.</p>	<p>The Group does not have any significant contracts with coverage periods that are greater than one year and has developed a methodology for determining whether those contracts are eligible to apply the PAA. Based on its models the PAA will be applicable to all the insurance and reinsurance contracts except in limited circumstances where the GMM is required.</p>
Onerous contracts	<p>IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. Under the PAA, the Group assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information on planning information, forecast information and historic experience. The Group has developed models for measuring potential onerous contract losses.</p> <p>For onerous contracts, a loss component determined based on estimated fulfilment cash flows is included in the LRC when insurance contracts are issued with a loss recognised immediately in the Income statement, resulting in early recognition of the loss compared to IFRS 4. The loss component will be reversed to the Income statement over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but a loss recovery component may be recognised to the extent that the gross loss component is covered by reinsurance contracts held.</p>	<p>The Group has developed a methodology for determining onerous contracts and calculated the impact on transition to IFRS 17. This will be assessed on an ongoing basis as part of the Group's reporting processes.</p>
Discount rate	<p>IFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risk that reflects the characteristics of the liabilities and the duration of each group of contracts. The Group has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of each group of the applicable insurance contracts. The LRC of contracts measured under the GMM approach and the LIC will be discounted using this methodology. The Group will not discount the LRC of contracts measured under the PAA approach on the basis that it does not have contracts with significant financing components.</p> <p>Under IFRS 4, claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.</p>	<p>The changes in discount rate methodology will have a significant impact on the measurement of groups of insurance contracts at transition and on an ongoing basis.</p>
Risk adjustment	<p>The measurement of insurance contract liabilities includes an explicit risk adjustment which will replace the implicit risk margin included under IFRS 4. The IFRS 4 risk margin reflects 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.</p>	<p>Like the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are closely aligned.</p>

Insurance revenue	<p>Under IFRS 17, direct premiums written will no longer be presented in the Consolidated income statement, instead insurance revenues on direct business will be allocated to the period and will include allocations of:</p> <ul style="list-style-type: none"> • Premium receipts net of cancellations, promotional returns, and sales taxes, similar to IFRS 4; and • Other insurance revenue currently recognised in Other operating income under IFRS 4. This includes fees collected from policyholders in connection with the costs incurred for the Group's monthly payment plans and fees received for the administration of other policies. 	<p>For contracts measured under the PAA, the allocation will be based on the passage of time which is usually 12 months, similar to earned premiums.</p>
Insurance service expenses	<p>Insurance service expenses will 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 fixed and variable overhead costs. It will be composed of the following:</p> <ul style="list-style-type: none"> • 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; • Amortisation of insurance acquisition cash flows (see below); and • Losses and reversal of losses on onerous contracts (see above). <p><i>Insurance acquisition cash flows</i></p> <p>Insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts and are included in the LRC. These cash flows include direct costs such as commissions and indirect costs such as salaries, rent and technology costs. Under IFRS 17, the PAA provides the option to expense insurance acquisition cash flows as they are incurred. The Group will elect to amortise these costs on a straight-line basis over the coverage period of the related groups.</p>	<p>IFRS 17 will result in presentation changes to IFRS 4's Underwriting and policy acquisition costs since expenses will be classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expenses or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses currently classified as Underwriting and policy acquisition costs under IFRS 4 will be presented as other expenses under IFRS 17.</p> <p>Insurance acquisition cash flows are similar to IFRS 4's deferred acquisition costs except they also include a portion of indirect costs. The impact on transition will not be significant in proportion to Shareholders' equity and will have a limited impact on an ongoing basis.</p>
Presentation and disclosures	<p>IFRS 17 introduces significant changes to the disclosure and presentation of insurance items in the financial statements including:</p> <ul style="list-style-type: none"> • Changes in presentation in the Consolidated statement of financial position where the premiums receivable, deferred acquisition costs, claims liabilities, unearned premiums and other related assets and liabilities will be presented together by portfolio on two lines called insurance contract liabilities or assets. Reinsurance assets, reinsurance receivables, deferred acquisition costs ceded, and other related assets and liabilities will be presented together by portfolio on two lines, reinsurance contract assets or liabilities; • Changes in presentation in the Consolidated income statement where direct insurance results will be presented separately from reinsurance results; • Underwriting performance will be presented in the Consolidated income statement under insurance service result which will be composed of: <ul style="list-style-type: none"> ◦ Insurance revenue which includes revenues related to direct business as described above; ◦ Insurance service expenses which include expenses related to direct business as described above; and ◦ net income (expenses) from reinsurance contracts held which includes revenues and expenses related to ceded business. • The insurance service result will be presented without the impact of discount unwinding which will be shown separately under insurance finance income and expenses; and • Extensive disclosures are required on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. 	

IFRS 9 'Financial Instruments'

The following summarises the Group's main accounting policies under IFRS 9 compared to IAS 39:

Classification and measurement

Business model

Under IFRS 9, the classification of debt instruments is dependent on the business model under which the Group manages its investments as well as their cash flow characteristics.

The Group's primary business model will be held-to-collect and sell because debt securities (except non-rated investments that are not liquid) are held to collect contractual cash flows and sold when required to fund insurance contract liabilities. These financial assets will be classified as FVTOCI with changes in fair value recognised in OCI (when unrealised) or in net investment gains/(losses) when realised or impaired.

A portion of the debt securities used to back insurance liabilities will also be voluntarily designated as FVTPL to reduce an accounting mismatch caused by fluctuations in fair values of the underlying insurance liabilities due to changes in discount rates. Changes in fair value will be recognised in net investment gains/(losses). This designation will be done on an individual basis on 1 January 2023 and will be irrevocable.

The Group's cash and cash equivalents and loans and receivables will fall under the held-to-collect business model where the emphasis is to collect contractual cash flows. These financial assets will be classified as amortised cost.

Equities will be classified at FVTPL.

Solely payments of principal and interest assessment

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

Impairment model - Expected credit loss

The new impairment model applies only to financial assets classified as amortised cost and debt securities classified as FVTOCI. The ECL model is forward looking, resulting in a loss allowance being recognised earlier as described below rather than on an incurred credit losses basis under IAS 39.

Staging	Debt securities
Stage 1 (12 months ECL) ¹	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing)
Stage 2 (Lifetime ECL) ²	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired
Stage 3 (Lifetime ECL) ²	Financial instrument is credit impaired

¹Forward looking for 12 months following the balance sheet date.

²Forward looking over the lifetime of the instrument.

IFRS 9 provides a simplification where an entity may assume that the criterion for recognising lifetime ECL is not met if the credit risk on the financial instrument is low ("investment grade") at the reporting date. The Group will use the low credit risk simplification as approximately 95% of the debt securities portfolio consists of investment-grade financial instruments with a quoted market price.

The ECL model will not have a significant impact, due to the high quality of the Group's investment portfolio.

Information required by IFRS 4 when applying the temporary exemption can be found in note 26 and note 6.

Other standards

There are a number of amendments that have been issued by the IASB that have not yet been adopted for use in the UK. The Group has evaluated the impact of these amendments and none are expected to have a significant impact on the consolidated financial statements.

5) Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements, as set out below, have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

There have been no significant changes to the Group's accounting policies during 2022. Following the Group's disposal of its operations in Scandinavia and Canada in 2021, the policy relating to discontinued operations has been included as a significant accounting policy.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of and represents a separate major line of business or geographical area of operation.

The profit from discontinued operations is shown separately on the face of the consolidated income statement as a single amount. It comprises the profit or loss after tax from discontinued operations together with the gain or loss after tax recognised on disposal. Further information can be found in note 7.

In the year in which an operation is first classified as discontinued, the consolidated income statement and consolidated statement of other comprehensive income for the comparative prior period is re-presented to present those operations as discontinued.

Where intragroup arrangements between continuing and discontinued operations continue after the point of disposal, the continuing operations are presented as if the income/expense had always been an external party, with the result of the discontinued operation being reduced to offset. Where the arrangement ceased at the point of disposal the income/expense of the continuing operation in relation to the arrangement with the discontinued operation is eliminated.

Premium income

Written premium is recognised in the period in which the Group is legally bound through a contract to provide insurance cover. It represents the full amount of premiums receivable under the contract, including estimates where the amounts are not known at the date they are written. These are deferred as a provision for unearned premiums until recognised as revenue principally computed on a monthly or daily pro-rata basis. Net earned premiums are stated net of amounts passed ('ceded') to reinsurers. Premiums are shown before deduction of commission and exclude any sales-based taxes or duties.

Insurance receivables

Premium receivables due from policyholders or intermediaries at the end of the reporting period are presented within insurance and reinsurance debtors in the consolidated statement of financial position. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the insurance contract. Impairment losses for non-recoverable amounts are charged to underwriting and policy acquisition costs in the consolidated income statement and directly reduce the carrying amount of insurance debtors in the consolidated statement of financial position.

Gross claims incurred and insurance contract liabilities

Gross claims incurred represent the cost of agreeing and settling insurance claims on insurance contracts underwritten by the Group. Provisions for losses and loss adjustment expenses are recognised at the estimated ultimate cost, net of expected salvage and subrogation recoveries when a claim is incurred.

The provisions for losses and loss adjustment expenses, and related reinsurance recoveries, are discounted where there is a long period from incident to claims settlement or when nominal interest rates are high and where there exists a suitable claims payment pattern from which to calculate the discount. In defining those claims with a long period from incident to claims settlement, an average period of settlement of six years or more has been used as a guide. The discount rate used is based upon an investment return expected to be earned by financial assets which are appropriate in value and duration to match the provisions for insurance contract liabilities being discounted during the period expected before the final settlement of such claims.

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the consolidated income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated.

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. Levies payable are treated as costs of underwriting business. These costs are recognised as deferred acquisition costs (DAC) and are deducted from the provision for unearned premium. DAC is amortised on the same basis as the related unearned premiums are earned.

At the end of each reporting period tests are performed to ensure the adequacy of the Group's insurance contract liabilities by considering the cash flows associated with the provision for unearned premium net of related DAC. In performing these tests, best estimates of future contractual cash flows, including loss adjustment and administrative expenses as well as investment income on financial assets backing such liabilities are used. Any deficiency is charged to the consolidated income statement immediately by establishing a provision for liability adequacy known as the unexpired risk provision. The requirement for an unexpired risk provision is assessed in aggregate for business classes which are managed together and where there are no restraints on the ability to use assets held in relation to such business to meet any of the associated liabilities.

Further information on net claims can be found in note 11, and insurance contract liabilities in note 39.

Reinsurance

Written premiums ceded to a reinsurer are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not finalised at the end of the reporting period. The ceded written premiums are recognised in the consolidated income statement over the period of the reinsurance contract, based on the expected earning pattern in relation to the underlying insurance contract(s).

Gains or losses on buying retroactive reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position as appropriate.

Reinsurers' share of insurance contract liabilities within the consolidated statement of financial position includes the reinsurers' share of provisions for losses and loss adjustment expenses and unearned premiums. The Group reports third party reinsurance balances on the consolidated balance sheet on a gross basis to present the exposure to credit risk related to third party reinsurance. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the reinsurance contract.

Annuities purchased by the Group to provide for payments under structured settlement arrangements are accounted for as reinsurance ceded and a corresponding reinsurers' share of insurance contract liabilities in cases where the Group remains liable for the settlement in the event of default by the annuity provider. Any gain or loss arising on the purchase of an annuity is recognised in the consolidated income statement at the date of purchase.

Further information can be found in note 29.

Financial instruments

Classification and measurement of financial assets and financial liabilities

The Group initially recognises financial instruments at their fair value on the date at which they are purchased.

At initial measurement, the Group classifies its financial assets and financial liabilities in one of the following categories:

- Designated at FVTPL
- Held for trading
- AFS
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities
- Derivatives designated as hedging instruments

Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities that are not FVTPL are added to their fair value in their initial measurement.

Further information can be found in notes 26, 27 and 28.

The table below summarises the classification and treatment of the Group's financial assets and financial liabilities.

Category	Financial instrument	Description	Subsequent measurement	Recognition of change in fair value
Designated at FVTPL on initial recognition	Debt securities	Where the investment return is managed on the basis of the total return on investment (including unrealised investment gains)	Fair value using prices at the end of the period	Income statement - net investment gains/(losses)
AFS	Debt securities, equity securities	Where the investment return on equity or debt securities is managed on the basis of the periodic cash flows arising from the investment	Fair value using prices at the end of the period	OCI - unrealised gains/(losses) Income statement - net investment gains/(losses) when realised or impaired
Cash and cash equivalents	Cash and cash equivalents	Consist of cash and highly liquid investments that are readily convertible into a known amount of cash, are subject to insignificant risk of changes in value and have a maturity date of 90 days or less from the date of acquisition	Carrying amounts at amortised cost	
Loans and receivables	Loans, reinsurance deposits, other deposits and financial assets arising from non-investment activities, and loans made for investment purposes	Financial assets with fixed or determinable payments not quoted in an active market	Amortised cost using the effective interest method	Income statement - net investment gains/(losses) when realised or impaired
Financial liabilities	Other borrowings	Financial liabilities with fixed or determinable payments	Amortised cost using the effective interest method	Income statement - net investment gains/(losses) when settled
	Issued debt	Financial liabilities with fixed or determinable payments and maturity date	Amortised cost using the effective interest method	Income statement - net investment gains/(losses) when settled
Derivative assets/ (liabilities) not designated as hedging instruments	Derivative assets/(liabilities) not designated as hedging instruments	Economic hedges that do not qualify for hedge accounting	Carried at fair value Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative	Income statement - net investment gains/(losses)

Category	Financial instrument	Description	Subsequent measurement	Recognition of change in fair value
Derivatives designated as hedging instruments	Derivative assets/(liabilities) designated as hedging instruments	Hedge of a net investment in a foreign operation or hedge of future cash flows or hedge of fair value of fixed interest securities	Carried at fair value Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative	Hedge of future cash flows – effective portion is initially recognised in other comprehensive income (OCI); subsequently recognised in the income statement when the hedged cash flows affect profit or loss Hedge of a net investment in a foreign operation - effective portion is recognised in OCI, ineffective portion is immediately recognised in the income statement Hedge of fair value – recognised in the income statement. The change in fair value of the hedged investments (classified as AFS) attributable to the hedged risk is transferred from the revaluation reserve to the income statement

Investment income

Dividends on equity investments are recognised as investment income in the consolidated income statement on the date at which the investment is priced 'ex dividend'. Interest income is recognised in the consolidated income statement using the effective interest rate method.

Unrealised gains and losses on AFS investments are recognised in OCI, except for impairment losses and foreign exchange gains and losses on monetary items which are recognised in the consolidated income statement. On derecognition of an investment classified as AFS, the cumulative gain or loss previously recognised in OCI is recognised in the consolidated income statement. Further information can be found in note 10.

Impairment of financial instruments

The Group determines, at each reporting date, whether there is evidence that the value of a financial asset or a group of financial assets, other than those measured as FVTPL are impaired. A financial asset is impaired if there is objective evidence that indicates that an event has occurred after the initial recognition of the asset that may have resulted in a loss of value as a result of having a negative effect on the estimated future cash flows generated by that asset which can be estimated reliably.

Financial assets are impaired according to either a debt, equity, or loans and receivables impairment model. The appropriate impairment model is determined based on the characteristics of each instrument.

An impairment loss in respect of debt instruments is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument and is recognised in the consolidated income statement. Interest on the impaired asset continues to be recognised using the effective interest rate method.

An equity security is considered impaired if there is objective evidence that the cost may not be recovered. In addition to qualitative impairment criteria, a significant or prolonged decline in fair value below cost is considered as indication of potential impairment. Impairment is considered to have occurred when the decline in fair value relative to cost has been more than 25% for a continuous nine-month period. Unless there is evidence to the contrary, an equity security is also considered impaired when the decline in fair value relative to cost is more than 50% at the end of the reporting period, or when it has been in an unrealised loss position for a continuous fifteen-month period. Where there is objective evidence that impairment exists, the cumulative unrealised loss previously recognised in other comprehensive income is reclassified to the consolidated income statement.

If the fair value of a previously impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the consolidated income statement. Impairment losses on equity investments are not reversed. Further information can be found in note 10.

When financial assets are impaired by credit losses, the impairment charge directly reduces the carrying amount of the asset.

Current and deferred tax

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

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

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

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

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 is applied to the recognition and measurement of both current and deferred tax assets and liabilities. In cases where the applicable tax regulation is subject to interpretation, the positions taken in tax returns are recognised in full in the determination of the tax charge in the financial statements, if the Group considers that it is probable that the taxation authority will accept those positions. Otherwise, provisions are established based on management's estimate and judgement of the likely amount of the liability/recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple outcomes.

Post-employment benefits and obligations

The Group operates both defined contribution and defined benefit schemes.

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

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

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

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

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

- The current service cost: this is the present value of additional benefits payable for employees' services provided during the reporting period.
- The past service costs and gains or losses on settlement: these are changes to the obligations already established for past service costs that have arisen from an amendment to the terms of the scheme or a curtailment of the benefits payable by the scheme. These are recognised at the earlier of when the terms of the scheme are amended or the curtailment occurs or, where applicable, when the Group recognises related restructuring costs or termination benefits.
- 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.
- 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. The most significant of these is the selection of the discount rate used to calculate the defined benefit obligation, details of which are set out in note 41.

Intangible assets and goodwill

Goodwill

Goodwill is the difference between the cost of a business acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially capitalised in the consolidated statement of financial position at cost and is subsequently recognised at cost less accumulated impairment losses (see below). The cost of the acquisition is the amount of cash paid and the fair value of other purchase consideration.

Customer related intangible assets

Customer related intangible assets are valued at cost less accumulated amortisation, and less any accumulated impairment losses.

Customer related intangible assets comprise acquired renewal rights and customer lists. The useful economic lives are generally between one and ten years and are estimated considering relevant metrics such as customer retention rates and contract length. The asset is amortised on a basis which reflects usage of economic benefit.

Internally developed and externally acquired software

The Group capitalises internal and external software development costs where the software is separately identifiable; the Group has control over the software; and where it can be demonstrated that they provide future economic benefits for the Group through facilitating revenue or improved processes. In respect of internally developed software, the costs capitalised include administrative and other general overhead expenditure when they can be directly attributed to the software development and preparing it for use. Amortisation is calculated on a straight line basis and commences when the asset is available for use in the manner intended by management. The useful economic life of externally acquired and internally generated software is normally estimated to be between three and ten years, and is reviewed on an annual basis.

Where no future economic benefits are expected from its use or disposal, the software asset is derecognised. Any gain or loss arising from the derecognition of the asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Further information on goodwill and other intangibles can be found in note 23.

Impairment of goodwill, other intangible assets, and internally developed and externally acquired software

Goodwill and intangible assets not yet available to use are subject to an impairment test on an annual basis or more frequently if there has been an indication of impairment. Other intangible assets, and internally developed and externally acquired software, are reviewed for indications of impairment on an annual basis and are subject to an impairment test only if there is an indication of impairment.

Goodwill, other intangible assets, and internally developed and externally acquired software are allocated to cash generating units (CGUs) for the purpose of impairment testing. When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. Further information on how the value in use is calculated can be found in note 23.

Where the carrying amount is more than the recoverable amount, impairment of goodwill or intangible assets is recognised in the consolidated income statement. Impairment losses previously recognised on other intangible assets may be reversed in subsequent periods provided that the revised carrying amount does not exceed the value that would have been determined (net of amortisation) had no impairment loss been recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Reorganisation, acquisition and integration costs

Reorganisation costs represent external and clearly identifiable internal costs that are necessarily incurred and directly attributable to the Group's restructuring programme that was completed in 2020. The aim of the restructuring programme was to both reduce operating costs and improve profitability.

Acquisition costs represent expenses incurred to effect the acquisition of RSA by IFC and include restructuring costs incurred prior to the acquisition.

Integration costs represent expenses directly attributable to the integration of the Group into IFC. They include restructuring costs incurred following the acquisition.

Employee termination costs are only recognised when they are part of a restructuring programme or a detailed plan of redundancies that has been communicated to those affected. Reorganisation, integration or acquisition costs that are uncertain in terms of their amount and timing are included within provisions (see note 42).

Provisions for onerous contracts are recognised when action is taken by the Group as part of a restructuring programme that reduces any remaining benefit expected under a contract to below its remaining unavoidable costs.

Further information can be found in note 13.

Risk and capital management

6) Risk and capital management

Insurance risk

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

- A) Underwriting risk
- B) Reserving risk

A) Underwriting risk

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

The majority of underwriting risk to which the Group is exposed is of a short-term nature, and generally does not exceed 12 months. Annual policies allow the Group to respond to changing weather patterns when managing the global catastrophe risk. The Group's underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of the type, amount of risk, and geography in order to ensure that the Group minimises the volatility of its insurance result. The Group's exposure to concentration of Insurance risk in terms of the geographical area in which risks have been underwritten has been provided in note 9 - Operating segments.

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

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

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

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

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

B) Reserving risk

Reserving risk refers to the risk that the Group's estimates of future claims payments will be insufficient.

The Group establishes a provision for losses and loss adjustment expenses for the anticipated costs of all losses that have already occurred but have not yet been paid. Such estimates are made for losses already reported to the Group as well as for the losses that have already occurred but are not yet reported together with a provision for the future costs of handling and settling the outstanding claims.

There is a risk to the Group from the inherent uncertainty in estimating provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. This is especially true due to the heightened uncertainty from the economic and inflationary environment combined with post-pandemic distortions. There is also uncertainty in the level of future costs of handling and settling the outstanding claims.

The Group seeks to reduce its reserving risk through the use of experienced, regional actuaries who estimate the actuarial indication of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. This information is used by local reserving committees to recommend to the RSA Reserving Committee the appropriate level of reserves for each region. This will include adding a margin onto the actuarial indication as a provision for unforeseen developments such as future claims patterns differing from historical experience or assumed trends, future legislative changes and the emergence of latent exposures beyond levels assumed. The RSA Reserving Committee reviews these regional submissions and recommends the final level of reserves to be held by the Group. The RSA Reserving Committee is chaired by the Chief Actuary and includes the Chief Executive, Underwriting Director, Claims Director, Managing Directors for key operating segments, Chief Actuary and Chief Risk Officer. A similar committee has been established in each of the Group's primary operating segments. The RSA Reserving Committee monitors the decisions and judgements made by the operating segments as to the level of reserves to be held. It then recommends to the Board via the Audit Committee the final decision on the level of reserves to be included within the consolidated financial statements. In forming its collective judgement, the committee considers the following information:

- The actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. These risks and developments include: the possibility of future legislative change having a retrospective effect on open claims or changes in interpretation or regulatory application of existing legislation; changes in claims settlement practice or procedures and supply chain delays potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim arising either from changes in business mix, or, such as disease claims emerging from historical business; general uncertainty in the claims environment and emerging claims trends; the emergence of latent exposures; the outcome of litigation on claims received; failure to recover reinsurance as the Group expects and unanticipated changes in claims inflation.
- How previous actuarial indications have developed as claims experience has evolved.
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers.
- The outcome from independent assurance reviews performed by both external actuarial consultants and the IFC Group Actuarial Function to assess the reasonableness of regional actuarial indication estimates.
- Changes in the external claims environment in areas such as legal and medical activities, settlement & supply chain delays which impact the speed of claims development. The distortions in data caused by the Covid 19 pandemic means identification of trends is more difficult than normal. Claims experience may exhibit different characteristics and runoff trends compared to historic experience, resulting in increased uncertainty relating to actuarial indications of ultimate losses.
- Covid-19 claims experience, which continues to be monitored closely and the Group is engaging with its reinsurers as payment and settlement activity grows. Whilst experience has tracked in line with the Group's expectations to this stage, many key areas of uncertainty remain such as the value of eligible claims and the extent to which reinsurance will ultimately respond compared to how the Group expects. The current assessment of Claims liabilities reflects court judgements across the jurisdictions that the business operates in, including those recently announced in the UK in October 2022. These most recent judgements are complex and create a number of uncertainties and the Company will continue to monitor the progression of the judgements, including the appeals.
- There is considerable uncertainty in the economic environment beyond 2022, and changes such as ongoing inflationary pressure could have an impact on claims costs. This is a key uncertainty that is monitored by the RSA Reserving Committee with sensitivity testing to monitor, assess and understand potential impacts should the risks manifest.

Financial risk

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

- Credit risk
- Market risk, including price, interest rate and currency rate risks
- Liquidity risk

The Group undertakes a number of strategies to manage these risks including the use of derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and long-term inflation. The Group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the Board Risk Committee (BRC).

Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial or contractual obligations to the Group. RSA ensures that assets are broadly matched in duration and currency with insurance liabilities to hedge volatility. The Group's credit risk exposure is largely concentrated in its predominantly investment grade fixed income investment portfolio reducing the risk of default. Also to a lesser extent credit risk exists in its premium receivables and reinsurance assets.

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

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

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

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

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

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

The Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Group. Group standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are rarely used and are excluded from the Group's list of approved reinsurers. The exceptions are fronting arrangements for captives, where some form of collateral is generally obtained, and some global network partners. At 31 December 2022 the extent of collateral held by the Group against reinsurers' share of insurance contract liabilities was **£47m** (2021: £40m), which in the event of a default would be called and recognised on the balance sheet.

The Group's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Group monitors its aggregate exposures by reinsurer group, being total exposure (as defined in the Reinsurance Risk Management Policy (RRMP)) as a percentage of IFC's shareholders' equity, the maximum percentages allowed depending on the Reinsurer's financial credit rating. The Group regularly monitors its aggregate exposures by reinsurer group against predetermined reinsurer group limits, in accordance with the RRMP. The Group's largest reinsurance exposures to active reinsurance groups are Berkshire Hathaway, Lloyd's of London and Talanx. At 31 December 2022 the reinsurance asset recoverable from these groups does not exceed **7.8%** (2021: 7.8%) of the Group's total financial assets.

The credit profile of the Group's assets exposed to credit risk is shown below. The table below sets out the Group's aggregated credit risk exposure for its financial and insurance assets.

As at 31 December 2022

Credit rating relating to financial assets that are neither past due nor impaired							Total financial assets that are neither past due nor impaired
	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	£m
Debt securities	1,413	1,089	1,063	987	137	-	4,689
<i>Of which would qualify as solely for payment of principal and interest (SPPI) under IFRS 9¹</i>	1,413	1,088	1,060	798	27	-	4,386
Loans and receivables ²	-	-	83	275	75	-	433
Reinsurers' share of insurance contract liabilities	38	574	1,779	48	62	15	2,516
Insurance and reinsurance debtors ³	-	28	959	32	43	743	1,805
Derivative assets	-	-	50	-	-	-	50
Other debtors	-	-	1	-	-	85	86
Cash and cash equivalents	161	1	192	-	4	4	362

¹ The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value.

² Loans and receivables are measured using amortised cost and their carrying amounts are considered to be as approximate fair values.

³ The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment is not received in accordance with agreed credit terms.

As at 31 December 2021

Credit rating relating to financial assets that are neither past due nor impaired							Total financial assets that are neither past due nor impaired
	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	£m
Debt securities	907	1,296	1,345	1,047	218	-	4,813
<i>Of which would qualify as SPPI under IFRS 9¹</i>	907	1,280	1,333	905	76	-	4,501
Loans and receivables ²	-	-	74	243	42	-	359
Reinsurers' share of insurance contract liabilities	-	590	1,569	67	43	22	2,291
Insurance and reinsurance debtors ³	-	31	871	45	55	825	1,827
Derivative assets	-	-	47	-	-	-	47
Other debtors	-	-	5	9	-	80	94
Cash and cash equivalents	298	-	172	5	4	21	500

¹ The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value.

² Loans and receivables are measured using amortised cost and their carrying amounts are considered to be as approximate fair values.

³ The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment is not received in accordance with agreed credit terms.

With the exception of government debt securities, the largest single aggregate credit exposure does not exceed 2% (2021: 2%) of the Group's total financial assets.

Ageing of financial assets that are past due but not impaired

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired, excluding those assets that have been classified as held for sale.

As at 31 December 2022

	Note	Neither past due nor impaired £m	Financial assets that are past due but not impaired				Financial assets that have been impaired £m	Carrying value in the statement of financial position £m	Impairment losses charged to the income statement during the year £m
			Up to three months £m	Three to six months £m	Six months to one year £m	Greater than one year £m			
Debt securities	26	4,689	-	-	-	-	-	4,689	-
Loans and receivables	26	433	-	-	-	-	-	433	-
Reinsurers' share of insurance contract liabilities	29	2,516	-	-	-	-	-	2,516	-
Insurance and reinsurance debtors ¹	30	1,805	47	40	15	5	17	1,929	3
Derivative assets	32	50	-	-	-	-	-	50	-
Other debtors	32	86	-	-	-	-	-	86	-
Cash and cash equivalents	33	362	-	-	-	-	-	362	-

¹ Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience.

As at 31 December 2021

	Note	Neither past due nor impaired £m	Financial assets that are past due but not impaired				Financial assets that have been impaired £m	Carrying value in the statement of financial position £m	Impairment losses charged to the income statement during the year £m
			Up to three months £m	Three to six months £m	Six months to one year £m	Greater than one year £m			
Debt securities	26	4,813	-	-	-	-	-	4,813	9
Loans and receivables	26	359	-	-	-	-	-	359	-
Reinsurers' share of insurance contract liabilities	29	2,291	-	-	-	-	-	2,291	-
Insurance and reinsurance debtors ¹	30	1,827	39	13	14	3	20	1,916	11
Derivative assets	32	47	-	-	-	-	-	47	-
Other debtors	32	94	1	2	1	1	-	99	-
Cash and cash equivalents	33	500	-	-	-	-	-	500	-

¹ Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience.

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 the Group's operations due to the possibility that fluctuations in the value of liabilities are not offset by fluctuations in the value of investments held. At Group level, it also arises in relation to the international businesses, through foreign currency risk. Market risk is subject to the BRC's risk management framework, which is subject to review and approval by the Board.

Market risk can be broken down into three key components:

i. Equity and property risk

At 31 December 2022 the Group held investments classified as AFS equity securities of **£212m** (2021: £358m). These include interests in structured entities (as disclosed in note 28) and other investments where the price risk arises from interest rate risk rather than from equity market price risk. The Group considers that within AFS equity securities, investments with a fair value of **£121m** (2021: £245m) may be more affected by equity index market price risk than by interest rate risk. On this basis a 15% fall in the value of equity index prices would result in the recognition of losses of **£15m** (2021: £37m) in other comprehensive income.

In addition the Group holds investments in properties and in group occupied properties which are subject to property price risk. A decrease of 15% in property prices would result in the recognition of losses of **£44m** (2021: £56m) in the income statement and **£3m** (2021: £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. This analysis does not represent management's view of future market change, but reflects management's view of key sensitivities.

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.

ii. Interest rate risk

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

Given the composition of the Group's investments as at 31 December 2022, 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)/Increase in income statement		Decrease in other comprehensive income	
	2023	2022	2023	2022
	£m	£m	£m	£m
Increase in interest rate markets:				
Impact on fixed income securities and cash of an increase in interest rates of 100bps	(57)	14	(68)	(144)

The Group principally manages interest rate risk by holding investment assets (predominantly fixed income) that generate cash flows which broadly match the duration of expected claim settlements and other associated costs.

The sensitivity of the fixed interest securities of the Group has been modelled by reference to a reasonable approximation of the average interest rate sensitivity of the investments held within each of the portfolios. The effect of movement in interest rates is reflected as a one time rise of 100bps on 1 January 2023 and 1 January 2022 on the following year's income statement and other comprehensive income. The impact of an increase in interest rates on the fair value of fixed income securities that would be initially recognised in OCI will reduce over time as the maturity date approaches.

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.

iii. Currency risk

The Group incurs exposure to currency risk as follows:

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

The sale of the Canadian and Scandinavian subsidiaries on 1 June 2021 and the disposal of the Middle East subsidiaries on 7 July 2022 have simplified the structural currency exposure of the Group, noting the remaining material foreign currency denominated subsidiaries are exclusively denominated in EUR.

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

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

At 31 December 2022, the Group's equity attributable to owners of the Parent Company deployed by currency was:

	Pounds Sterling £m	Euro £m	United States Dollar ¹ £m	Other £m	Total £m
Equity attributable to owners of the Parent Company at 31 December 2022	2,246	84	38	(23)	2,345
Equity attributable to owners of the Parent Company at 31 December 2021	2,688	50	181	16	2,935

¹ United States Dollar equity includes equity denominated in Bahraini Dinar, Omani Rial, Saudi Arabian Riyal and UAE Dirham, currencies which are pegged to the United States Dollar.

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

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

	10% strengthening in Pounds Sterling against Euro £m	10% weakening in Pounds Sterling against Euro £m
Movement in equity attributable to owners of the Parent Company at 31 December 2022	(8)	9
Movement in equity attributable to owners of the Parent Company at 31 December 2021	(5)	6

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

Liquidity risk

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

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

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

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

As at 31 December 2022

	Note	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Five to ten years £m	Greater than ten years £m	Total £m	Carrying value in the statement of financial position £m
Subordinated guaranteed US\$ bonds ¹	37	-	-	-	-	-	7	-	7	7
Guaranteed subordinated notes due 2045 ¹	37	-	-	159	-	-	-	-	159	159
Provisions for losses and loss adjustment expenses	39	2,593	858	494	290	183	358	895	5,671	5,671
Direct insurance creditors	40	59	-	-	-	-	-	-	59	59
Reinsurance creditors	40	578	197	70	-	-	-	-	845	845
Borrowings	38	8	-	-	-	-	-	-	8	8
Derivative liabilities	43	-	8	4	3	-	1	9	25	25
Lease liabilities ¹	43	10	10	10	5	5	22	20	82	71
Total		3,248	1,073	737	298	188	388	924	6,856	6,845
Interest on bonds and notes		9	9	7	1	1	2	-	29	

¹ Maturity profile shown on an undiscounted basis.

As at 31 December 2021

	Note	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Five to ten years £m	Greater than ten years £m	Total £m	Carrying value in the statement of financial position £m
Subordinated guaranteed US\$ bonds ¹	37	-	-	-	-	-	7	-	7	6
Guaranteed subordinated notes due 2045 ¹	37	-	-	-	160	-	-	-	160	159
Provisions for losses and loss adjustment expenses	39	2,381	920	545	302	195	400	533	5,276	5,276
Direct insurance creditors	40	78	1	-	-	-	-	-	79	79
Reinsurance creditors	40	526	180	57	-	-	-	-	763	763
Borrowings	38	8	-	-	-	-	-	-	8	8
Deposits received from reinsurers	43	-	-	-	-	-	-	-	-	-
Derivative liabilities	43	9	-	2	3	1	5	38	58	58
Lease liabilities ¹	43	12	10	8	7	4	11	10	62	55
Total		3,014	1,111	612	472	200	423	581	6,413	6,404
Interest on bonds and notes		9	9	9	7	1	2	-	37	-

¹ Maturity profile shown on an undiscounted basis

The above maturity analysis is presented on a discounted basis, with the exception of issued debt and lease liabilities, for consistency with the consolidated statement of financial position and supporting notes.

The capital and interest payable on the bonds and notes have been included until the earliest dates on which the Group has the option to call the instruments and the interest rates are reset. For further information on terms of the bonds and notes, see note 37.

Pension risk

The Group is exposed to risks through its obligation to fund a number of schemes. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Group and trustees of the schemes work together to reduce these risks through agreement of investment policy including the use of interest rate, inflation rate and mortality swaps. Further information on the Group's management of pension risk is included within note 41.

Capital management

It is a key regulatory requirement that the Group maintains sufficient capital to support its exposure to risk. Accordingly, the Group's capital management strategy is closely linked to its monitoring and management of risk. The Group's capital objectives consist of striking the right balance between the need to support claims liabilities and ensure the confidence of policyholders, exposure to other risks, support competitive pricing strategies, meet regulatory capital requirements, and providing adequate returns for its shareholder.

The Group's overall capital position is primarily comprised of shareholders' equity and subordinated loan capital and aims to maximise shareholder value, while maintaining financial strength and adequate regulatory capital. In addition, the Group aims to hold sufficient capital so as to maintain its single 'A' credit rating.

The Group holds an appropriate level of capital to satisfy all applicable regulations. Compliance with regulatory requirements is embedded within the BRC mandate, for the protection of the Group's policyholders and the continuation of the Group's ability to underwrite.

Regulatory solvency position during 2022

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

Following Regent Bidco Limited being placed into liquidation in a planned organisational restructure on 20 September 2022, the Group is subject to regulatory supervision.

As at 31 December 2022, the Group's unaudited estimated coverage of its Solvency II SCR is approximately **1.7 times** (31 December 2021: 1.8 times).

Movement in tangible net asset value (TNAV)

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

	2022 £m	2021 £m
Equity attributable to owners of the Parent Company at 31 December	2,345	2,935
Less: tier 1 notes	-	(297)
Less: preference share capital	(125)	(125)
Less: goodwill and intangibles	(331)	(312)
TNAV at 31 December	1,889	2,201

The key movements in TNAV are as follows:

	2022 £m	2021 £m
As at 1 January	2,201	3,274
Profit after tax ¹	125	4,328
Exchange (losses)/gains net of tax	(2)	34
Fair value gains net of tax	(329)	(261)
Pension fund losses net of tax	(355)	(58)
Dividends ²	(12)	(6,938)
Goodwill and intangible additions and disposals	(53)	489
Share issue	294	1,305
Share-based payments	20	28
As at 31 December	1,889	2,201

¹ Profit after tax excludes amortisation and impairment of intangible assets.

² Refer to note 21.

Own risk and solvency assessment (ORSA)

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

The Group defines its ORSA as a series of interrelated activities by which it establishes:

- The quantity and quality of the risks which it seeks to assume or to which it is exposed
- The level of capital required to support those risks
- The actions it will take to achieve and maintain the desired levels of risk and capital

The assessment considers both the current position and the positions that may arise during the planning horizon of the Group (typically the next three years). It looks at both the expected outcome and the outcome arising when the plan assumptions do not materialise as expected.

The assessments of how much risk to assume and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk assumed or retained in order to make the most efficient use of capital available or else to return excess capital to capital providers. In other situations, where the risks assumed give rise to a capital requirement that is greater than the capital immediately available to support those risks, it will be necessary either to reduce the risk assumed or to obtain additional capital.

The assessment of risk and solvency needs is in principle carried out continuously. In practice, the assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is submitted to the Group's regulators as part of the normal supervisory process. The ORSA is reviewed by the BRC and approved by the Board.

The ORSA report was delivered to the Board in July 2022. This outlined the balance sheet resilience to market stresses through the consideration of reverse stress testing, based on market and pensions impacts.

Further consideration of market and insurance stresses were presented at the November 2022 BRC. Analysis of the PRA Natural Catastrophe and Cyber stress tests demonstrated the resilience of the underwriting discipline and reinsurance protection. A combined market and insurance shock was used to illustrate the robust capital position and forecast capital generation. Analysis of the capital risk appetite was assessed with respect to these stresses, and demonstrated to be appropriate even through a period where the SCR is reducing.

Significant transactions and events

7) Discontinued operations

On 1 June 2021, the Group disposed of its operations in Scandinavia and Canada, in return for consideration in the form of on demand loan notes issued by IFC. These have been classified as discontinued operations in the comparative consolidated income statement and consolidated statement of comprehensive income.

Income statement of discontinued operations For the year ended 31 December 2022

	2022 £m	2021 £m
Income		
Gross written premiums	-	1,269
Less: reinsurance written premiums	-	(88)
Net written premiums	-	1,181
Change in the gross provision for unearned premiums	-	(97)
Change in provision for unearned reinsurance premiums	-	39
Change in provision for net unearned premiums	-	(58)
Net earned premiums	-	1,123
Net investment return	-	65
Other operating income	-	15
Total income	-	1,203
Expenses		
Gross claims incurred	-	(711)
Less: claims recoveries from reinsurers	-	2
Net claims	-	(709)
Underwriting and policy acquisition costs	-	(297)
Unwind of discount and change in economic assumptions	-	(10)
Other operating expenses	-	(21)
	-	(1,037)
Finance costs	-	(1)
Profit on disposal of business	-	2
Profit before tax from operating activities	-	167
Income tax expense	-	(29)
Profit after tax from operating activities	-	138
Gain on disposal of discontinued operation	-	4,393
Profit after tax from discontinued operation	-	4,531
Attributable to:		
Owners of the Parent Company	-	4,531
Non-controlling interests	-	-
	-	4,531

Statement of comprehensive income of discontinued operations
For the year ended 31 December 2022

	2022	2021
	£m	£m
Profit for the period	-	4,531
Items that may be reclassified to the income statement:		
Exchange gains net of tax on translation of foreign operations	-	42
Fair value losses on available for sale financial assets net of tax	-	(183)
	-	(141)
Items that will not be reclassified to the income statement:		
Pension – remeasurement of defined benefit asset/liability net of tax	-	12
Total other comprehensive expense for the period	-	(129)
Total comprehensive income for the period	-	4,402
Attributable to:		
Owners of the Parent Company	-	4,402
Non-controlling interests	-	-
	-	4,402

Cash flows from discontinued operations
For the year ended 31 December 2022

	2022	2021
	£m	£m
Net cash flows from operating activities	-	53
Net cash flows from investing activities	-	6,565
Net cash flows from financing activities	-	(81)
Net increase in cash and cash equivalents	-	6,537

Gain on disposal of discontinued operations

	2021
	£m
Consideration	6,916
Net assets disposed of:	
Goodwill and other intangible assets	521
Property and equipment	123
Investments in associates	4
Financial assets	6,603
Reinsurers' share of insurance contract liabilities	1,073
Insurance and reinsurance debtors	1,194
Deferred tax assets	18
Current tax assets	47
Other debtors and other assets	182
Cash and cash equivalents	357
Total assets	10,122
Insurance contract liabilities	6,659
Insurance and reinsurance liabilities	159
Borrowings	46
Deferred tax liabilities	79
Current tax liabilities	16
Provisions	91
Other liabilities	502
Total liabilities	7,552
Total net assets disposed of	2,570
Net assets disposed of attributable to non-controlling interests	(2)
Net assets disposed of attributable to owners of the Parent Company	2,568
Gain on disposal of discontinued operation before recycling of items from other comprehensive income	4,348
Gains/(losses) recycled to income statement:	
Fair value gains on available for sale financial assets	114
Exchange losses on translation of foreign operations	(69)
Total gains recycled to income statement	45
Gain on disposal of discontinued operation	4,393

8) Profit on disposal of businesses

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

On 1 January 2022 the Group sold its 100% shareholding in Royal & Sun Alliance Insurance Agency inc, recording a profit of £5m on the sale. The Group also received final consideration of £3m for the sale of its Scandinavian operations in 2021.

Notes to the consolidated income statement, consolidated statement of comprehensive income and dividends

9) Operating segments

The Group's primary operating segments comprise UK, International and Central Functions. The primary operating segments are based on geography and are all engaged in providing personal and commercial general insurance services. International comprises of all other operating segments based in Ireland, Europe and Middle East to the date of disposal, which individually do not meet the criteria of a reportable segment. Central Functions include the Group's internal reinsurance function and Group Corporate Centre.

Each operating segment is managed by individuals who are accountable to the Group Chief Executive and the Group Board of Directors, who together are considered to be the Chief Operating Decision Maker in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets. As explained in note 5, where intragroup arrangements between continuing and discontinued operations continue after the disposal, the continuing operations are presented as if the income/expense had always been an external party, with the result of the discontinued operation being reduced to offset.

Assessing segment performance

The Group uses the following key measures to assess the performance of its operating segments:

- Net written premiums
- Underwriting result

Net written premiums are the key measure of revenue used in internal reporting.

Underwriting result is the key internal measure of profitability of the operating segments. It is an APM, defined within the Jargon Buster and reconciled to the nearest IFRS measure in appendix D.

Transfers or transactions between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Segment revenue and results

Year ended 31 December 2022

	UK	International	Central Functions	Total continuing operations	Discontinued operations	Total Group
	£m	£m	£m		£m	£m
Net written premiums	2,005	687	418	3,110	-	3,110
Underwriting result	(42)	33	25	16	-	16
Investment result				140	-	140
Central costs and other activities				(24)	-	(24)
Business operating result				132	-	132
Realised losses				(5)	-	(5)
Unrealised losses, impairments of investments and foreign exchange				(36)	-	(36)
Interest costs (note 14)				(11)	-	(11)
Pension net interest and administration costs (note 12/41)				7	-	7
Integration, acquisition and reorganisation costs (note 13)				(61)	-	(61)
Gain on disposal of businesses				39	-	39
Profit before tax				65	-	65
Tax on operations (note 19)				16	-	16
Profit after tax				81	-	81

Year ended 31 December 2021

	UK	International	Central Functions	Total continuing operations	Discontinued operations	Total Group
	£m	£m	£m	£m	£m	£m
Net written premiums	2,060	690	543	3,293	1,181	4,474
Underwriting result	(98)	58	(97)	(137)	134	(3)
Investment result				110	37	147
Central costs and other activities				(11)	-	(11)
Business operating result				(38)	171	133
Realised (losses)/gains				(2)	9	7
Unrealised gains, impairments of investments and foreign exchange				21	2	23
Finance costs (note 14)				(76)	(1)	(77)
Amortisation of intangible assets (note 13/23)				-	(2)	(2)
Impairment of goodwill (note 23)				-	-	-
Pension net interest and administration costs (note 12/41)				3	(1)	2
Integration, acquisition and reorganisation costs (note 13)				(136)	(13)	(149)
Change in economic assumptions (note 39)				-	-	-
Gain on disposal of businesses (note 8)				-	4,395	4,395
(Loss)/profit before tax				(228)	4,560	4,332
Tax on operations (note 19)				(33)	(29)	(62)
(Loss)/profit after tax				(261)	4,531	4,270

Non current assets by geographical area

Non current assets represent goodwill and intangible assets, property and equipment, investment property and prepayments with an expected maturity of greater than 12 months.

	2022 £m	2021 £m
UK	686	698
International	71	91
Total Group	757	789

10) Net investment return

A summary of the net investment return in the income statement is given below:

	Investment income		Net realised (losses)/gains		Net unrealised (losses)/gains		Impairments		Total investment return	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment property	14	17	14	-	(27)	45	-	-	1	62
Equity securities										
Available for sale	14	6	(9)	3	-	-	(10)	(7)	(5)	2
Debt securities										
Available for sale	98	86	(10)	(2)	-	-	-	-	88	84
At FVTPL	-	-	-	-	-	(12)	-	-	-	(12)
Other loans and receivables										
Loans secured by mortgages	-	-	-	-	-	-	-	-	-	-
Other loans	14	28	-	-	-	-	-	-	14	28
Deposits, cash and cash equivalents	1	-	1	-	-	-	-	-	2	-
Derivatives	3	-	(1)	(1)	(14)	(3)	-	-	(12)	(4)
Other	1	2	-	(2)	-	-	-	-	1	-
Total from continuing operations	145	139	(5)	(2)	(41)	30	(10)	(7)	89	160

Direct operating expenses (including repairs and maintenance) arising from investment properties were not material in 2022 or 2021.

Unrealised gains and losses recognised in other comprehensive income for available for sale assets are as follows:

	Net unrealised (losses)/gains		Net realised gains/(losses) transferred to income statement		Impairments transferred to income statement		Net movement recognised in other comprehensive income	
	2022	2021	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m	£m	£m
Equity securities	(20)	5	9	(3)	10	7	(1)	9
Debt securities	(468)	(135)	13	2	-	-	(455)	(133)
Other	-	-	-	3	-	-	-	3
Total from continuing operations	(488)	(130)	22	2	10	7	(456)	(121)

11) Net claims

	2022	2021
	£m	£m
Gross claims paid ¹	2,477	2,358
Gross changes in provision for losses and loss adjustment expenses	340	601
Reinsurance recoveries on claims paid	(613)	(440)
Reinsurers' share of changes in provision for losses and loss adjustment expenses	(127)	(319)
Total net claims from continuing operations	2,077	2,200

¹ Gross claims paid inclusive of continuing and discontinued operations in 2021 were £3,189m (note 39).

12) Other operating income

	2022 £m	2021 £m
Administration fee income	5	5
Instalment policy fee income	14	16
Introductory commissions	-	7
Service income	9	8
Other fees	49	43
Pension net interest and administration expenses (note 9/41)	7	3
Foreign exchange gain	15	-
Total other operating income from continuing operations	99	82

13) Other operating expenses

	2022 £m	2021 £m
Administration and other expenses	24	11
Investment expenses and charges	8	23
Acquisition costs ¹	-	96
Integration costs ²	61	40
Foreign exchange loss	-	2
Total other operating expenses from continuing operations	93	172

¹ Acquisition costs represent expenses incurred to effect the acquisition and include restructuring costs incurred before the acquisition.

² Integration costs are expenses that are directly attributable to the integration of the Group with IFC, following the acquisition of the Group on 1 June 2021. The majority of the integration costs have been incurred by the end of 2022, with a limited amount expected to be recognised in the consolidated income statement in 2023.

14) Finance costs

	2022 £m	2021 £m
Interest expense on issued debt	9	21
Interest on lease liabilities	2	2
Premium on debt buy back ¹	-	53
Total finance costs from continuing operations	11	76

¹ During 2021 the Group repurchased **£240m** loan capital and **£350m** senior notes, on which premiums were paid for early redemption of **£37m** and **£16m** respectively. Refer to note 37 for further information.

15) Employee expenses

Staff costs for all employees¹ comprise:

	2022 £m	2021 £m
Wages and salaries	272	405
Redundancy costs	8	10
Social security costs	35	55
Pension costs	29	49
Share-based payments to directors and employees	11	30
Total staff costs	355	549

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

	2022	2021
UK	5,071	4,929
International	1,063	1,239
Continuing operations	6,134	6,168
Discontinued operations	-	2,425
Total average number of employees during the year	6,134	8,593

¹ Total staff costs in the prior year include costs related to employees from the Scandinavian and Canadian operations for the first five months of the year up to the point of the acquisition.

Further information on pension obligations of the Group can be found in note 41. Further information on employee share schemes can be found in note 20.

16) Directors' emoluments

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

	2022 £000	2021 £000
Short term benefits (salaries, bonuses, allowances and other benefits)	4,597	7,147
Compensation for loss of office	2	6
Total	4,599	7,153

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

During 2022 £45,128 in retirement benefits were accrued for one director under defined benefit pension schemes (2021: £nil), and no contributions were made to defined contribution pension schemes (2021: £Nil).

During 2022, no directors (2021: no directors) exercised share options, no directors (2021: three directors) had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company, one director (2021: no directors) and two non-executive directors (2021: one) had Performance Share Units (PSUs) and Restricted Share Units (RSUs) vesting in the Group's ultimate parent company, IFC, as part of their remuneration for service as executives of IFC, and two non-executive directors (2021: two) 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:

	2022	2021
	£000	£000
Short term benefits and compensation for loss of office	1,700	2,646

During 2022, no retirement benefits were accrued under defined benefit pension schemes (2021: £nil) and no contributions were made to defined contribution schemes (2021: £nil) for the highest paid director.

During 2022 the highest paid director had no share awards vesting under long term incentive schemes in respect of ordinary shares of the Company (2021: the highest paid director had share awards vesting under long term incentive schemes).

17) Related party transactions

Transactions with parent company

The Group's parent company up to 20 September 2022 was Regent Bidco Limited, and thereafter Alberta Limited, both wholly owned subsidiaries of IFC, the ultimate controlling party.

During the year ended 31 December 2022, the following related party transaction has taken place with Regent Bidco Limited:

- On 27 March, the Group received a capital injection from Regent Bidco Limited of **£294m** to fund the repurchase of the Tier 1 notes.

Other related party transactions

The Group has a reinsurance arrangement with Unifund Assurance Company (Unifund), a member of the IFC Group. Under the terms of the arrangement the insurance risk of Unifund's business is transferred to the Group. The Group pays a reinsurance commission in relation to the quota share agreement and the agreement covers Unifund's existing insurance liabilities and new written premium for all lines of business at a rate of 60%. The outstanding balances are secured against collateral assets, made up of assets held in trust and a letter of credit.

The Group also has other reinsurance arrangements (some of which are secured against collateral assets) and transactions with Roins Holdings Limited and other entities that are part of the IFC Group, including its associates.

The Group had a derivative contract hedging foreign exchange risk between the Group and IFC. This matured during the period, realising an £11m loss in net investment return in the Group's consolidated Income Statement.

The amounts relating to the above related party transactions included in the consolidated income statement for the year ended 31 December 2022, the consolidated statement of financial position as at 31 December 2022, and the collateral pledged, are provided in the table below.

	2022
	£m
Income	388
Expenses	369
Assets	39
Liabilities	740
Collateral pledged	960

The amounts outstanding are expected to be settled in cash or offset against other outstanding balances where possible. No provisions have been made for doubtful debts on any of the amounts owed by related parties.

Compensation of key management personnel

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

Key management personnel compensation

	2022 £m	2021 £m
Short term employee benefits (salaries, bonuses, allowances and other benefits)	9	15
Termination benefits	-	2
Share-based awards	4	12
Total	13	29

Key management personnel transactions

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

18) Auditor's remuneration

	2022 £m	2021 £m
Fees payable to the auditor for audit of the Company's annual accounts	2.0	2.0
Fees payable to the auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation ¹	5.9	4.5
Additional audit performed during the year ²	-	5.2
Non-audit services:		
Audit related assurance services ^{1 3}	1.5	2.9
Total auditor's remuneration	9.4	14.6

¹ 2021 includes audit fees, audit assurance and other services for discontinued operations.

² The additional audit performed during the prior year relates to the audit of the consolidated statement of financial position as at the date of the acquisition of RSA for the purpose of the IFC group financial reporting and audit.

³ Included in the Audit related assurance services for 2022 is **£0.8m** (2021: £0.9m) of assurance work in respect of Solvency II reporting. The remainder of **£0.7m** (2021: £2.0m) represents in aggregate **9%** (2021: 18%) of the Group IFRS audit fee of **£7.9m** (2021: £11.7m).

19) Income tax

The tax amounts (credited)/charged in the income statement from continuing operations are as follows:

	2022 £m	2021 £m
Current tax:		
Charge for the year	4	10
Adjustments in respect of prior years	-	1
Total current tax	4	11
Deferred tax:		
(Credit)/charge for the year	(20)	24
Adjustments in respect of prior years	-	(2)
Total deferred tax	(20)	22
Total tax (credit)/charged to income statement attributable to continuing operations	(16)	33
Reconciliation of the income tax expense		
	2022 £m	2021 £m
Profit/(loss) before tax from continuing operations	65	(228)
Tax at the UK rate of 19.0% (2021: 19.0%)	12	(43)
Tax effect of:		
Income/gains not taxable (or taxed at lower rate)	(1)	1
Expenses not deductible for tax purposes	1	11
Non-taxable loss on sale of subsidiaries	(7)	-
Increase of current tax in respect of prior periods	-	1
Decrease of deferred tax in respect of prior periods	-	(2)
(Recognition)/derecognition of prior year deferred tax assets	(15)	72
Non-recognition of current year deferred tax assets	1	53
Different tax rates of subsidiaries operating in other jurisdictions	5	(9)
Withholding tax on dividends and interest from subsidiaries	(1)	2
Effect of change in tax rates	(7)	(50)
Deductible Restricted Tier 1 coupon in equity	(1)	(3)
Other	(3)	-
Income tax (credit)/expense attributable to continuing operations	(16)	33
Effective tax rate	(25)%	(15)%

The main drivers of the Group's tax charge (and negative effective tax rate) for the continuing operations for the year ended 31 December 2022 are as follows:

- The Group realised non-taxable gains on the sale of subsidiaries (£39m), predominantly in relation to the Middle East and US Agency disposals.
- The UK deferred tax rate increased from 24% to 25% which resulted in a credit of £7m in the consolidated income statement.
- The UK and Irish deferred tax assets were also increased in the period by a net £13m following the latest view of taxable profits statement.
- The combined impact of the two deferred tax items resulted in a £20m deferred tax credit to the income statement (see note 31 for further detail).

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

	Current Tax		Deferred Tax		Total	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Exchange gains and losses	-	(1)	-	-	-	(1)
Fair value gains and losses	-	(2)	100	36	100	34
Remeasurement of net defined benefit pension liability	-	1	(1)	(48)	(1)	(47)
Total credited/(charged) to OCI from continuing operations	-	(2)	99	(12)	99	(14)

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** (2021: £nil).

The Group applies judgement in identifying uncertainties over income tax treatments under IAS 12 and IFRIC 23. Provisions for uncertain tax treatments are based on our assessment of probable outcomes which take into consideration many factors, including interpretations of tax law and prior experience. At the end of the reporting period, provisions recognised in respect of uncertain tax positions for the Group totalled **less than £10m** (2021: less than £10m).

Tax rates

The table below provides a summary of the current tax and deferred tax rates for the year in respect of the largest jurisdictions in which the Group operates.

	2022		2021	
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
UK	19.0%	25.0%	19.0%	24.0%
Ireland	12.5%	12.5%	12.5%	12.5%

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 deferred tax rate. For 2022 a 25% deferred tax rate results from the expected unwind pattern of the UK temporary differences, an increase of 1% on the rate used in 2021.

20) Share-based payments

The total amount included within staff costs in the consolidated income statement in respect of all share scheme plans in 2022 is set out below.

Analysis of share scheme costs:

	2022	2021
	£m	£m
Performance share plan (PSP) - RSA shares	-	18
Save as you earn (SAYE) - RSA shares	-	3
Long term incentive plan (LTIP) - IFC shares	9	2
Save as you earn (SAYE) - IFC shares	2	-
Total from continuing operations	11	23

Analysis of new award costs:

	2022		2021	
	Charge for year	Total value granted	Charge for year	Total value granted
	£m	£m	£m	£m
PSP - RSA shares	-	-	4	4
SAYE - RSA shares	-	-	-	-
LTIP - IFC shares	4	16	2	8
SAYE - IFC shares	-	2	-	4
Total from continuing operations	4	18	6	16

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

For the year ended 31 December 2022 **161,228** share awards under the IFC Long term Incentive Plan were granted to employees in continuing operations. The weighted-average fair value of the share awards at the grant date was **C\$163.39**, amounting to a total of **£16m**.

Save as you earn RSA Shares

SAYE was a Group all-employee plan until the completion of the takeover on 1 June 2021. Employees were able to elect to make monthly savings for a period of three years. In exchange, employees were granted an option to buy ordinary shares in the Group at the end of the savings period, with a pre-set option price – typically at a 20% discount. This plan gave tax advantages to participants from the UK. The SAYE scheme using RSA shares ended as a result of the completion of the takeover transaction. Participants could exercise their SAYE options early at completion of the takeover transaction to the extent of their accrued savings; or continue to save for up to 6 months following the takeover and then exercise their options.

The Group had accounted for the SAYE scheme as an equity-settled plan as awards were granted over the Group's own shares.

Long-term incentive plan IFC shares

Since 1 June 2021, this plan has replaced the PSP. 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 pay out is subject to the achievement of specific targets with regards to:

- IFC's estimated ROE outperformance versus an industry benchmark, based on a three-year average; or
- The three-year average combined ratio of the UK & International operations compared to a specific target.

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

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

For Executive Directors and other specified roles, the Remuneration Committee defers a portion of an individual's gross bonus into an award over RSUs, which are also not subject to performance conditions.

Shares are purchased in the market to settle the awards.

The awards are initially estimated and valued at the weighted average fair value on the grant date, which corresponds to the total estimated charge at the grant date, divided by the total shares in issuance, as provided by IFC.

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

Save as you earn IFC Shares

Since 1 June 2021, this plan has replaced the SAYE using RSA shares. The terms for SAYE 2021 remain the same as for SAYE, except that employee are granted an option to buy shares in the ultimate parent company, IFC, at the end of the savings period. Therefore, as the Group has the obligation to settle the liabilities of SAYE 2021 awards, it is accounted for as a cash-settled plan on the same basis as the Long-term incentive plan IFC shares.

21) Dividends paid and proposed

	2022	2021
	£m	£m
Ordinary dividend	-	6,914
Preference dividend	9	9
Tier 1 notes coupon payment	3	15
	12	6,938

During 2021, the Group disposed of its operations in Scandinavia and Canada, as disclosed in note 7 in exchange for interest bearing demand notes, which were considered highly liquid financial instruments, classified as cash equivalents. Those demand notes were subsequently used to settle dividends of **£6,914m** (dividends in specie) paid to Regent Bidco Limited. Therefore, the settlement of the dividends in specie is a cash transaction presented as a cash outflow in the cash flow statement within financing activities.

The Company's preference shareholders receive a dividend at the rate of 7.375% per annum paid in two instalments on, or as near as practicably possible to, 1 April and 1 October each year, subject to approval by the Board.

The Tier 1 notes coupon payment relates to the two floating rate notes issued on 27 March 2017 (note 35).

22) Total other comprehensive income

Year ended 31 December 2022

	Total revaluation reserves	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m
Exchange (losses)/gains net of tax	(1)	2	-	1	19	20
Fair value losses net of tax	(327)	-	-	(327)	(2)	(329)
Pension - remeasurement of net defined benefit asset/liability net of tax	-	-	(355)	(355)	-	(355)
Movement in property revaluation net of tax	(2)	-	-	(2)	-	(2)
Total other comprehensive (expense)/income for the year	(330)	2	(355)	(683)	17	(666)

Year ended 31 December 2021

	Total revaluation reserves	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m
Exchange (losses)/gains net of tax	-	(15)	-	(15)	1	(14)
Fair value gains net of tax	(78)	-	-	(78)	(1)	(79)
Pension - remeasurement of net defined benefit asset/liability net of tax	-	-	(70)	(70)	-	(70)
Continuing operations	(78)	(15)	(70)	(163)	-	(163)
Discontinued operations	(189)	48	12	(129)	-	(129)
Total other comprehensive income/(expense) for the year	(267)	33	(58)	(292)	-	(292)

Notes to the consolidated statement of financial position

23) Goodwill and intangible assets

	Goodwill	Intangible assets arising from acquired claims provisions	Externally acquired software	Internally generated software	Customer related intangibles ¹	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2022	99	1	79	558	13	750
Additions	-	-	-	107	-	107
Disposals	(34)	-	(8)	(7)	(11)	(60)
Derecognised ²	-	-	-	(34)	-	(34)
Exchange adjustment	8	-	1	2	1	12
At 31 December 2022	73	1	72	626	3	775
Accumulated amortisation						
At 1 January 2022	-	1	76	289	12	378
Amortisation charge	-	-	1	38	-	39
Amortisation on disposals	-	-	(6)	(4)	(11)	(21)
Amortisation on derecognition ²	-	-	-	(4)	-	(4)
Exchange adjustment	-	-	1	1	1	3
At 31 December 2022	-	1	72	320	2	395
Accumulated impairment						
At 1 January 2022	60	-	-	-	-	60
Impairment on disposals	(15)	-	-	-	-	(15)
Exchange adjustment	4	-	-	-	-	4
At 31 December 2022	49	-	-	-	-	49
Carrying amount at 31 December 2022	24	-	-	306	1	331

¹ Customer related intangibles includes customer lists and renewal rights.

² Ongoing strategic review of internally generated software assets and as a result has identified certain assets for which there are no future economic benefits expected. As a result of this the Group has derecognised assets with a net book value of **£30m**, with the cost recognised in Underwriting and policy acquisition costs.

³ The disposal of the Group's operations in the Middle East reduced goodwill and other intangible assets by **£22m** in 2022.

	Goodwill	Intangible assets arising from acquired claims provisions	Externally acquired software	Internally generated software	Customer related intangibles ¹	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2021	422	118	81	1,063	246	1,930
Additions	-	-	1	96	7	104
Disposals ²	(315)	(113)	(3)	(488)	(209)	(1,128)
Derecognised ³	-	-	-	(103)	(33)	(136)
Exchange adjustment	(8)	(4)	-	(10)	2	(20)
At 31 December 2021	99	1	79	558	13	750
Accumulated amortisation						
At 1 January 2021	-	118	78	509	206	911
Amortisation charge	-	-	1	55	4	60
Amortisation on disposals ²	-	(113)	(3)	(256)	(169)	(541)
Amortisation on derecognition ³	-	-	-	(14)	(30)	(44)
Exchange adjustment	-	(4)	-	(5)	1	(8)
At 31 December 2021	-	1	76	289	12	378
Accumulated impairment						
At 1 January 2021	92	-	-	55	4	151
Impairment on disposals of subsidiaries ²	(28)	-	-	(37)	(1)	(66)
Impairment on derecognition ³	-	-	-	(17)	(3)	(20)
Exchange adjustment	(4)	-	-	(1)	-	(5)
At 31 December 2021	60	-	-	-	-	60
Carrying amount at 31 December 2021	39	-	3	269	1	312

¹ Customer related intangibles includes customer lists and renewal rights.

² The disposal of the Group's operations in Scandinavia and Canada reduced goodwill and other intangible assets by £521m in 2021. Refer to note 7 for further detail.

³ The acquisition resulted in a strategic reassessment of programme plans for certain internally generated software assets and as a result certain assets were identified for which there are no future economic benefits expected. As a result of this the Group derecognised assets with a net book value of £27m, with the cost recognised in Underwriting and policy acquisition costs.

The carrying value of intangible assets not yet available for use at 31 December 2022 is **£146m** (31 December 2021: £99m). This primarily relates to the implementation of strategic software assets in the UK and Ireland.

The aggregate amount of research and development expenditure recognised as an expense during the period was **£nil** (2021: **£1m**).

Amortisation

Amortisation expense of **£38m** (2021: £58m) has been charged to underwriting and policy acquisition costs with the remainder recognised in other operating expenses.

Impairments

Following the disposal of the Middle East operations in 2022, Oman is no longer part of the International CGU. There have been no other changes to the CGUs recognised by the Group.

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

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

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

Goodwill is allocated to the Group's CGUs, which are contained within the following operating segments:

	2022 £m	2021 £m
International (Ireland, Oman)	24	39
Total goodwill	24	39

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 2022 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 include improvements in trade performance, where these are forecast in the three year operational plan for the CGU.

	Pre-tax discount rate		Weighted average growth rate	
	2022	2021	2022	2021
UK	11%	16%	6%	2%
International	9%	10%-13%	2%	2%-4%

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

Sensitivity

Sensitivities relating to key assumptions in the value in use model are shown in the table below. A 1% increase in the cost of capital and a 1% decrease in future growth rates have been considered, neither of which would result in an impairment of goodwill and other intangible assets.

	Goodwill £m	Recoverable amount less carrying value £m	Change in recoverable amount less carrying value	
			Discount rate +1% £m	Weighted average growth rate - 1% £m
UK	-	585	(45)	39
International (Ireland)	24	225	(43)	(34)
Total goodwill	24	810	(88)	5

24) Property and equipment

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

	2022 £m	2021 £m
Property and equipment owned (see below)	66	54
Right-of-use assets (note 44)	55	37
Total property and equipment	121	91

The disposal of the Group's operations in the Middle East reduced property and equipment by **£3m** in 2022.

Right-of-use assets relate to leased properties and other equipment. Further information can be found in note 44.

Property and equipment owned

	Group occupied property - land and buildings 2022 £m	Other 2022 £m	Total 2022 £m	Group occupied property - land and buildings 2021 £m	Other 2021 £m	Total 2021 £m
Cost/valuation						
At 1 January	18	125	143	19	223	242
Additions	4	23	27	-	13	13
Disposals	-	(15)	(15)	(1)	(111)	(112)
Revaluation adjustments	(3)	-	(3)	-	-	-
Exchange adjustment	-	2	2	-	-	-
At 31 December	19	135	154	18	125	143
Accumulated depreciation						
At 1 January	-	80	80	-	152	152
Depreciation charge	1	9	10	(1)	11	10
Depreciation on disposals	-	(12)	(12)	-	(83)	(83)
Revaluation adjustments	(1)	-	(1)	1	-	1
Exchange adjustment	-	1	1	-	-	-
At 31 December	-	78	78	-	80	80
Accumulated impairment						
At 1 January	-	9	9	-	4	4
Impairment charge	-	1	1	-	6	6
Impairment on disposals	-	-	-	-	(1)	(1)
At 31 December	-	10	10	-	9	9
Carrying amount at 31 December	19	47	66	18	36	54

Other includes fixtures, fittings and other equipment.

Depreciation expenses of **£10m** (2021: £10m) have been charged to underwriting and policy acquisition costs.

Impairments of **£1m** (2021: £6m) have been recognised in Other operating 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 2022 is **£6m** (2021: £3m).

The Group occupied property reserve at 31 December 2022 is **£19m** (2021: £21m).

25) Investment property

Investment property of **£291m** (2021: 371m), relating to freehold and leasehold land and buildings, is held for long term rental yields and is not occupied by the Group.

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

	2022 £m	2021 £m
At 1 January	371	285
Purchases	7	50
Sales	(60)	(8)
Fair value (losses)/gains	(27)	44
Investment property at 31 December	291	371
Expected to be recovered after 12 months	291	371

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

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

Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS), and are undertaken by independent RICS registered valuers. Valuations are based on the comparative method with reference to sales of other comparable buildings and take into account the nature, location and condition of the specific property together with factoring in the occupational lease terms and tenant covenant strength as appropriate. The valuations also include an income approach using discounted future cash flows, which uses unobservable inputs, such as discount rates, rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease. The valuations at 31 December 2022 reflects equivalent yield ranges between **5.0% and 10.8%** (2021: 3.6% and 11.5%).

26) Financial assets

The following tables analyse the Group's financial assets by classification as at 31 December 2022 and 31 December 2021.

As at 31 December 2022

				Expected to be recovered	
	Available for sale	Loans and receivables	Total	Within 12 months	After 12 months
	£m	£m	£m	£m	£m
Equity securities	212	-	212	-	212
Debt securities	4,689	-	4,689	656	4,033
Financial assets measured at fair value	4,901	-	4,901	656	4,245
Loans and receivables	-	433	433	-	433
Total financial assets	4,901	433	5,334	656	4,678

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

As at 31 December 2021

	Available for sale £m	Loans and receivables £m	Total £m	Expected to be recovered	
				Within 12 months £m	After 12 months £m
Equity securities	358	-	358	-	358
Debt securities	4,813	-	4,813	790	4,023
Financial assets measured at fair value	5,171	-	5,171	790	4,381
Loans and receivables	-	359	359	25	334
Total financial assets	5,171	359	5,530	815	4,715

The disposal of the group's operations in Scandinavia and Canada reduced financial assets by £6,603m in 2021. Refer to note 7 for further detail.

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

	2022			2021	
	Cost/amortised cost £m	Unrealised gains £m	Unrealised losses £m	Fair value £m	Fair value £m
Equity securities	208	13	(9)	212	358
Available for sale debt securities	5,028	15	(354)	4,689	4,813
FVTPL debt securities	118	-	(118)	-	-
Financial assets measured at fair value	5,354	28	(481)	4,901	5,171
Loans and receivables	433	-	-	433	359
Total financial assets	5,787	28	(481)	5,334	5,530

Collateral

At 31 December 2022, the Group had pledged **£359m** (2021: £355m) of financial assets as collateral for liabilities or contingent liabilities, consisting of government debt securities of **£40m** (2021: £151m), non-government debt securities of **£313m** (2021: £192m), and cash and cash equivalents of **£6m** (2021: £12m). The debt securities of **£353m** (2021: £343m) are included in the balance sheet as available for sale debt securities and the Group's right to recover the cash pledged of **£7m** (2021: £12m) 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.

The total collateral pledged is **£1,319m** (2021: £1,237m) including the collateral pledged pertinent to reinsurance arrangements with related parties (note 17).

At 31 December 2022, the Group has accepted **£446m** (2021: £642m) in collateral, consisting of government and non-government debt securities of **£416m** (2021: £631m), which the Group is permitted to sell or repledge in the event of default by the owner, and cash and cash equivalents of **£30m** (2021: £11m). The obligation to repay the cash is included in the balance sheet in other liabilities and the corresponding cash received is recognised as an asset. The fair value of the collateral accepted is **£446m** (2021: £642m). The terms and conditions of the collateral held are market standard. The assets held as collateral are readily convertible into cash.

Derivative financial instruments

The following table presents the fair value and notional amount of derivatives by term to maturity and nature of risk.

As at 31 December 2022

	Notional Amount				Fair Value	
	Less than 1 year £m	From 1 to 5 years £m	Over 5 years £m	Total £m	Asset £m	Liability £m
Designated as hedging instruments						
Currency risk (net investment in foreign operation)	168	-	-	168	-	5
Cross currency interest swaps (fair value/cash flow)	-	34	16	50	18	9
Total (note 32 / 43)					18	14
At FVTPL						
Currency risk mitigation	304	-	16	320	4	11
Inflation risk mitigation	-	-	104	104	28	-
Total (note 32 / 43)					32	11
Total derivatives					50	25

As at 31 December 2021

	Notional Amount				Fair Value	
	Less than 1 year £m	From 1 to 5 years £m	Over 5 years £m	Total £m	Asset £m	Liability £m
Designated as hedging instruments						
Currency risk (net investment in foreign operation)	193	-	-	193	2	-
Currency risk (cash flow)	1	-	-	1	-	-
Cross currency interest swaps (fair value/cash flow)	-	63	74	137	2	15
Total (note 32 / 43)					4	15
At FVTPL						
Currency risk mitigation	343	-	-	343	1	9
Inflation risk mitigation	-	-	120	120	42	34
Total (note 32 / 43)					43	43
Total derivatives					47	58

The use of derivatives can result in accounting mismatches when gains and losses arising on the derivatives are presented in the income statement and corresponding losses and gains on the risks being mitigated are not included in the income statement. In such circumstances the Group may apply hedge accounting in accordance with IAS 39 and the Group accounting policy on hedging.

The Group applies hedge accounting to derivatives acquired to reduce foreign exchange risk in its net investment in certain overseas subsidiaries denominated in Euros. There was no ineffectiveness recognised in the income statement in respect of these hedges during 2022 or 2021.

The Group also applies hedge accounting to specified fixed interest assets in its investment portfolio. In order to remove exchange risk from these assets the Group may also acquire cross currency interest rate swaps to swap the cash flows from the portfolio into cash flows denominated in pounds sterling or the functional currency of the entity acquiring the asset. The Group applies fair value hedge accounting when using 'fixed to floating' interest rate swaps and cash flow hedge accounting when using 'fixed to fixed' interest rate swaps. The interest rate swaps exactly offset the timing and amounts expected to be received on the underlying investments. The investments have a remaining term of between 2 and 33 years, with the substantial majority having a term of less than 9 years. There have been no defaults and no defaults are expected on the hedged investments. The Group also applies cash flow hedge accounting to certain foreign currency operating expense contracts in order to reduce foreign exchange risk on these contracts.

The total losses on cash flow hedge instruments during 2022 were **£5m** (2021: £1m losses) in the consolidated statement of other comprehensive income, and the amount reclassified to the income statement was a gain of **£5m** (2021: £1m gain), recognised within foreign exchange losses in other operating expenses (see note 13). There was no ineffectiveness recognised in the income statement in respect of these hedges during 2022 or 2021.

The total losses on the fair value hedge instruments recognised in the income statement were **£87m** (2021: £61m losses) and the offsetting gains related to the hedged risk were **£61m** (2021: £53m gains).

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

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

In addition, as at 31 December 2022, the Group has **£nil** borrowings from credit institutions under repurchase agreements (2021: £nil) (note 38). The Group continues to recognise debt securities in the statement of financial position as the Group remains exposed to the risks and rewards of ownership.

As at 31 December 2022

	Amounts subject to enforceable netting arrangements					
	Effect of offsetting in statement of financial position			Related items not offset		
	Gross amounts	Amounts offset	Net amounts reported	Financial instruments	Financial collateral	Net amount
	£m	£m	£m	£m	£m	£m
Derivative financial assets	50	-	50	(19)	(31)	-
Cash received under repurchase arrangements	-	-	-	-	-	-
Total assets	50	-	50	(19)	(31)	-
Derivative financial liabilities	25	-	25	(19)	(6)	-
Repurchase arrangements and other similar secured borrowing	-	-	-	-	-	-
Total liabilities	25	-	25	(19)	(6)	-

As at 31 December 2021

	Amounts subject to enforceable netting arrangements					
	Effect of offsetting in statement of financial position			Related items not offset		
	Gross amounts	Amounts offset	Net amounts reported	Financial instruments	Financial collateral	Net amount
	£m	£m	£m	£m	£m	£m
Derivative financial assets	47	-	47	(38)	(9)	-
Cash received under repurchase arrangements	-	-	-	-	-	-
Total assets	47	-	47	(38)	(9)	-
Derivative financial liabilities	58	-	58	(38)	(11)	9
Repurchase arrangements and other similar secured borrowing	-	-	-	-	-	-
Total liabilities	58	-	58	(38)	(11)	9

Repurchase arrangements are settled "delivery versus principal" and so are disclosed in the above table net of associated debt securities.

IFRS 9 'Financial Instruments'

The Group qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 and debt instruments included within regulatory capital being greater than 90% of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value at 31 December 2022 and change during the year of financial assets that are held to collect cash flows on specified dates that are solely for payment of principal and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for other financial assets:

As at 31 December 2022

	SPPI financial assets	Other financial assets	Total
	£m	£m	£m
Available for sale equity securities	-	212	212
Available for sale debt securities	4,385	304	4,689
Loans and receivables	433	-	433
Derivative assets held for trading	-	50	50
Fair value at 31 December 2022	4,818	566	5,384

As at 31 December 2021

	SPPI financial assets	Other financial assets	Total
	£m	£m	£m
Available for sale equity securities	-	358	358
Available for sale debt securities	4,501	312	4,813
Loans and receivables	359	-	359
Derivative assets held for trading	-	43	43
Fair value at 31 December 2021	4,860	713	5,573

The fair value losses on SPPI financial assets and other financial assets during the year are **£482m losses** (2021: £141m losses) and **£10m gains** (2021: £11m losses) respectively.

Information on credit ratings relating to SPPI debt securities and loans and receivables can be found in note 6.

When IFRS 9 is adopted by the Group in 2023 an expected credit loss provision will be recognised, replacing the incurred credit loss provision under IAS 39, the impact of which will be determined by the financial instruments held at that time.

Further information in respect of the application and financial impact of IFRS 9 is provided in the new accounting standards, interpretations and amendments yet to be adopted note (note 4). Companies within the Group that are applying IFRS 9 and disclose relevant information in their own published financial statements in addition to that already included in these consolidated financial statements are indicated in Appendix C.

27) Fair value measurement

Fair value is used to value a number of assets within the statement of financial position and represents their market value at the reporting date.

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

For cash and cash equivalents, loans and receivables, commercial paper, other assets, liabilities and accruals, their carrying amounts are considered to be as approximate fair values.

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 indices.

Issued debt

The fair value measurement of the Group's issued debt instruments, with the exception of the subordinated guaranteed US\$ bonds, are based on pricing obtained from a range of financial intermediaries who base their valuations on recent transactions of the Group's issued debt instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

The fair value measurement of the subordinated guaranteed US\$ bonds is also obtained from an indicative valuation based on the applicable risk free rate and appropriate credit risk spread.

Fair value hierarchy

Fair value for all assets and liabilities which are either measured or disclosed is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

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

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

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

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

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

Investment Property

Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS), and are undertaken by independent RICS registered valuers. Valuations are based on the comparative method with reference to sales of other comparable buildings and take into account the nature, location and condition of the specific property together with factoring in the occupational lease terms and tenant covenant strength as appropriate. The valuations also include an income approach using discounted future cash flows, which uses unobservable inputs, such as discount rates, rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease. The valuations at 31 December 2022 reflects equivalent yield ranges between **5.0% and 10.8%** (2021: 3.6% and 11.5%).

Private fund structures

Loan funds are principally valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 31 December 2022 range from **3.0% to 11.6%** (2021: 0.2% to 4.8%). If necessary the Group will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Fair value hierarchy			
	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Group occupied property - land and buildings	-	-	18	18
Investment properties	-	-	291	291
Available for sale financial assets:				
Equity securities	122	-	90	212
Debt securities	806	3,598	285	4,689
	928	3,598	684	5,210
Derivative assets:				
At FVTPL	-	32	-	32
Designated as hedging instruments	-	18	-	18
Total assets measured at fair value	928	3,648	684	5,260
Derivative liabilities:				
At FVTPL	-	11	-	11
Designated as hedging instruments	-	14	-	14
Total liabilities measured at fair value	-	25	-	25
Issued debt	-	162	-	162
Total value of liabilities not measured at fair value	-	162	-	162

	Fair value hierarchy			
	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Group occupied property - land and buildings	-	-	18	18
Investment properties	-	-	371	371
Available for sale financial assets:				
Equity securities	246	1	111	358
Debt securities	1,453	3,110	250	4,813
	1,699	3,111	750	5,560
Derivative assets:				
At FVTPL	-	43	-	43
Designated as hedging instruments	-	4	-	4
Total assets measured at fair value	1,699	3,158	750	5,607
Derivative liabilities:				
At FVTPL	-	43	-	43
Designated as hedging instruments	-	15	-	15
Total liabilities measured at fair value	-	58	-	58
Issued debt	-	187	-	187
Total value of liabilities not measured at fair value	-	187	-	187

The movement in the fair value measurements of level 3 financial assets is shown in the table below:

	Available for sale investments		Debt securities at FVTPL	Investment property	Group occupied property	Total
	Equity securities £m	Debt securities £m	£m	£m	£m	£m
At 1 January 2021	309	422	12	285	19	1,047
Total gains/(losses) recognised in:						
Income statement	(4)	(4)	(12)	44	-	24
Other comprehensive income	4	(7)	-	-	-	(3)
Purchases	19	160	-	50	-	229
Disposals ¹	(208)	(319)	-	(8)	(1)	(536)
Exchange adjustment	(9)	(2)	-	-	-	(11)
At 1 January 2022	111	250	-	371	18	750
Total gains/(losses) recognised in:						
Income statement	2	8	-	(27)	-	(17)
Other comprehensive income	5	(3)	-	-	(3)	(1)
Purchases	12	142	-	7	3	164
Disposals	(41)	(129)	-	(60)	-	(230)
Exchange adjustment	1	17	-	-	-	18
Level 3 financial assets at 31 December 2022	90	285	-	291	18	684

¹ AFS equity and AFS debt securities disposals in 2021 included **£160m** and **£218m** respectively in relation to the disposals of Codan A/S and Roins Holdings Limited.

In 2022, unrealised losses of **£nil** (2021: £12m) attributable to FVTPL debt securities were recognised in the consolidated income statement in relation to an asset that is still held at the end of the year fully written down.

The following table shows the level 3 available for sale financial assets, investment properties and Group occupied property 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			
		2022		2021	
	Main assumptions	Current fair value £m	Decrease in fair value £m	Current fair value £m	Decrease in fair value £m
Available for sale financial assets and property					
Group occupied property - land and buildings ¹	Property valuation	18	(1)	18	(1)
Investment properties ¹	Cash flows; discount rate	291	(20)	371	(19)
Level 3 available for sale financial assets:					
Equity securities ¹	Cash flows; discount rate	90	(1)	111	(1)
Debt securities ¹	Cash flows; discount rate	285	(3)	250	(2)
Total		684	(25)	750	(23)

¹ The Group's investments in financial assets classified at level 3 in the hierarchy are primarily investments in various private fund structures investing in debt instruments where the valuation includes estimates of the credit spreads on the underlying holdings. The estimates of the credit spread are based upon market observable credit spreads for what are considered to be assets with similar credit risk. Reasonably possible alternative valuations have been determined using an increase of 50bps in the credit spread used in the valuation (31 December 2021: 25bps).

28) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group does not securitise any of its investments in financial instruments and does not create, promote or administer structured entities on behalf of third party investors. The Group therefore considers that it does not act as a sponsor for any structured entity.

However, the Group invests in entities created by and managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments. The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Group is exposed to the risks of the underlying investments of the investment vehicles. The investment return from the structured entities is expected to reflect the returns from the underlying investments of the entity.

In addition, the Group has commitments for future undrawn subscriptions limited to the amounts set out in the subscription agreements. The Group has no obligations to provide any other additional funding or other financial support to these entities. The Group has determined that its maximum exposure to structured entities is the sum of the carrying value and the undrawn commitments. These exposures at 31 December 2022 are summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Carrying value	Undrawn commitments	Exposure	Carrying value	Undrawn commitments	Exposure
		2022	2022	2022	2021	2021	2021
		£m	£m	£m	£m	£m	£m
Mortgage backed securities	Mainly consists of domestic mortgage backed securities	3	-	3	45	-	45
Collateralised debt obligations	Structured debt security backed by bonds	234	16	250	243	4	247
Cash money market funds	Short term cash deposits	84	-	84	298	-	298
Collective investment undertakings	Mainly consists of property funds	97	2	99	109	20	129
Other	Mainly consists of property funds	9	-	9	64	-	64
		427	18	445	759	24	783

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

	2022	2021
	£m	£m
Investments - financial assets - equity securities	97	109
Investments - financial assets - debt securities	246	352
Cash and cash equivalents	84	298
	427	759

29) Reinsurers' share of insurance contract liabilities

	2022	2021
	£m	£m
Reinsurers' share of provisions for unearned premiums	735	643
Reinsurers' share of provisions for losses and loss adjustment expenses	1,781	1,648
Total reinsurers' share of insurance contract liabilities	2,516	2,291
To be settled within 12 months	1,140	892
To be settled after 12 months	1,376	1,399

The following changes have occurred in the reinsurers' share of provision for unearned premiums during the year:

	2022	2021
	£m	£m
Reinsurers' share of provision for unearned premiums at 1 January	643	716
Premiums ceded to reinsurers	1,071	1,089
Reinsurers' share of premiums earned	(978)	(1,092)
Changes in reinsurance asset	93	(3)
Reinsurers' share of disposal of subsidiaries	(9)	(70)
Exchange adjustment	8	-
Total reinsurers' share of provision for unearned premiums at 31 December	735	643

The following changes have occurred in the reinsurers' share of provision for losses and loss adjustment expenses during the year:

	2022	2021
	£m	£m
Reinsurers' share of provisions for losses and loss adjustment expenses at 1 January	1,648	1,624
Reinsurers' share of total claims incurred	740	761
Total reinsurance recoveries received	(613)	(558)
Disposal of subsidiaries	(29)	(172)
Exchange adjustment	30	(12)
Other movements	5	5
Reinsurers' share of provisions for losses and loss adjustment expenses at 31 December	1,781	1,648

30) Insurance and reinsurance debtors

	2022	2021
	£m	£m
Insurance debtors comprise:		
Due from policyholders	362	390
Due from intermediaries	1,404	1,343
Total insurance debtors	1,766	1,733
Reinsurance debtors	163	183
Total insurance and reinsurance debtors	1,929	1,916
To be settled within 12 months	1,589	1,698
To be settled after 12 months	340	218

The disposal of the Group's operations in the Middle East reduced insurance and reinsurance debtors by £54m in 2022.

The disposal of the Group's operations in Scandinavia and Canada reduced insurance and reinsurance debtors by £1,194m in 2021. Refer to note 7 for further detail.

31) Current and deferred tax

Current tax

	Asset		Liability	
	2022	2021	2022	2021
	£m	£m	£m	£m
To be settled within 12 months	1	2	1	4
To be settled after 12 months	-	-	-	-
Current tax position at 31 December	1	2	1	4

Deferred tax

	Asset		Liability	
	2022	2021	2022	2021
	£m	£m	£m	£m
Deferred tax position at 31 December	267	148	-	-

Of the **£267m** (31 December 2021: £148m) deferred tax asset recognised by the Group, **£261m** (31 December 2021: £146m) relates to the UK. The **£119m** increase in deferred tax assets during the period is predominantly due to the recognition of a deferred tax asset in respect of the unrealised loss on the available-for-sale bond portfolio of **£83m**, of which **£80m** relates to the UK, and an increase due to the latest view of taxable profits of **£36m**. During 2022 there has been a significant negative movement in the value of the bond portfolio due to market volatility and interest rate changes which has resulted in the recognition of a deferred tax asset of **£83m** (31 December 2021: deferred tax liability £25m).

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 majority of the deferred tax asset recognised based on future profits is that in respect of the UK. The evidence for the future taxable profits is a five-year forecast (2021: seven-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. The two years of extrapolation assumes average premium growth of 4.0% per annum across UK business lines and no overseas premium growth where relevant to UK profit projections. The forecasts incorporate a contingency of £35m per annum as well as prudent COR assumptions, the impact of the transition to IFRS17 and the impact of forecast future transactions where appropriate. The three year operational plans prepared by the relevant businesses and a further two years of extrapolation is the basis of the future taxable profits in all jurisdictions in which a deferred tax asset is recognised.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below. 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.

	2022	2021
	£m	£m
1% increase in combined operating ratio ¹ across all 5 years (2021: 7 years)	(18)	(40)
1 year reduction in the forecast modelling period	(47)	(47)
50 basis points decrease in bond yields	(7)	(18)
No annual premium growth ²	(7)	(3)

¹ Combined operating ratio (COR) is a measure of underwriting performance and is the ratio of underwriting costs expressed in relation to earned premiums.

² In respect of the extrapolated years four to five only (2021: four to seven only).

The following table summarises the main categories of deferred tax assets/(liabilities) recognised by the Group:

	2022	2021
	£m	£m
Net unrealised losses/(gains) on investments	83	(25)
Tax losses and unused tax credits	15	15
Other deferred tax reliefs	95	76
Net insurance contract liabilities	2	(1)
Retirement benefit obligations	(1)	(1)
Capital allowances	82	82
Provisions and other temporary differences	(9)	2
Net deferred tax asset at 31 December	267	148

The movement in the net deferred tax assets recognised by the Group is as follows:

	2022	2021
	£m	£m
Net deferred tax asset at 1 January	148	94
Amounts credited/(charged) to income statement	13	(72)
Amounts credited/(charged) to other comprehensive income	99	(12)
Net amount arising on disposal/acquisition of subsidiaries and other transfers	-	88
Effect of change in tax rates - income statement	7	50
Net deferred tax asset at 31 December	267	148

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

	2022		2021	
	Gross amount	Tax effect	Gross amount	Tax effect
	£m	£m	£m	£m
Trading tax losses	2,119	496	2,018	455
Capital tax losses	1,285	321	1,285	308
Deductible temporary differences	272	68	381	91
Unrecognised tax assets as at 31 December	3,676	885	3,684	854

The Group's unrecognised trading losses are predominantly located in the UK, France and Ireland and represent losses which are not expected to be utilised within the forecast profit period. Unrecognised capital losses mainly relate to the UK and have not been recognised as it is not considered probable that they will be utilised in the future as most UK capital gains are exempt from tax. £2m (2021: £2m) of the gross trading tax losses are attributable to Luxembourg and will expire in 2036.

32) Other debtors and other assets

	2022	2021
	£m	£m
Derivatives designated as accounting hedging instruments (note 26)	18	4
Other derivatives (note 26)	32	43
Other debtors	86	99
Pension scheme surplus (note 41)	225	490
Accrued interest and rent	51	60
Prepayments	36	41
Total other debtors and assets	448	737
To be settled within 12 months	160	173
To be settled after 12 months	288	564

The disposal of the Group's operations in Scandinavia and Canada reduced other debtors and other assets by **£182m** in 2021. Refer to note 7 for further detail.

33) Cash and cash equivalents

	2022	2021
	£m	£m
Cash and cash equivalents, and bank overdrafts (consolidated statement of cash flows)	354	492
Add: Overdrafts reported in other borrowings (note 38)	8	8
Total cash and cash equivalents (consolidated statement of financial position)	362	500

The disposal of the Group's operations in the Middle East reduced cash and cash equivalents by **£41m** in 2022.

The disposal of the Group's operations in Scandinavia and Canada reduced cash and cash equivalents by **£357m** in 2021. Refer to note 7 for further detail.

No cash and cash equivalents are restricted for operational RSA Group use at 31 December 2022 (31 December 2021: £nil).

34) Share capital

The issued share capital of the Parent Company is fully paid and consists of two classes: Ordinary Shares with a nominal value of £1 each and Preference Shares with a nominal value of £1 each. The issued share capital at 31 December 2022 is:

	2022	2021
	£m	£m
Issued and fully paid		
1,563,286,973 Ordinary Shares of £1 each (31 December 2021: 1,269,484,814 Ordinary Shares of £1 each)	1,563	1,269
125,000,000 Preference Shares of £1 each (2021: 125,000,000 Preference Shares of £1 each)	125	125
	1,688	1,394

The movement of Ordinary Shares in issue, their nominal value and the associated share premiums during 2022 are as follows:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2021	1,035,267,610	1,035	1,095
Issued in respect of employee share options and employee share awards ¹	13,217,203	13	7
Capital injection from Regent Bidco Limited ¹	1,021,000,001	1,021	275
Capital reduction	(800,000,000)	(800)	(1,095)
At 1 January 2022	1,269,484,814	1,269	282
Issued in respect of employee share options and employee share awards	183	-	-
Capital injection from Regent Bidco Limited ¹	293,801,976	294	-
At 31 December 2022	1,563,286,973	1,563	282

¹ The consolidated statement of changes in equity show shares issued for cash from Bidco for **£294m**.

Ordinary Shares of £1 each

Each member holding an Ordinary Share shall be entitled to vote on all matters at a general meeting of the Company, be entitled to receive dividend payments declared in accordance with the Articles of Association, and have the right to participate in any distribution of capital of the Company including on a winding up of the Company.

Preference Shares of £1 each

The Preference Shares are not redeemable but the holders of the Preference Shares have preferential rights over the holders of Ordinary Shares in respect of dividends and of the return of capital in the event of the winding up of the Company.

Provided a resolution of the Board exists, holders of Preference Shares are entitled to a cumulative preferential dividend of 7.375% per annum, payable out of the profits available for distribution, to be distributed in half yearly instalments. Preference shareholders have no further right to participate in the profits of the Company.

Full information on the rights attaching to shares is in the RSA Insurance Group Limited Articles of Association which are available on the Group's website.

Employee share schemes

Shares issued in respect of employee share options and employee share awards included 183 shares issued under the Group employee share option plan.

35) Other equity instruments - Tier 1 notes

On 27 March 2022, the group redeemed the restricted Tier 1 notes at their principal amount (**£275m**) together with accrued and unpaid interest. The Tier 1 notes had a carrying value of **£297m** with the resulting gain of **£22m** being recognised directly in retained earnings.

The redemption of the Tier 1 notes was financed by a capital injection from the Group's parent company (see note 34 Share capital).

36) Non-controlling interests

The non-controlling interests (NCI) of the Group included the interest in the following Group entity:

	NCI shares at 31 December 2022		NCI shares at 31 December 2021	
	Share of net assets		Share of net assets	
	%	£m	%	£m
Royal & Sun Alliance Insurance (Middle East) BSC (c)	-	-	50	156

Royal & Sun Alliance Insurance (Middle East) BSC (c) owned 50% of the ordinary share capital of Al Alamiya for Cooperative Insurance Company, a company operating in the Kingdom of Saudi Arabia and 52.5% of Al Ahlia Insurance Company SAOG, a company operating in the Sultanate of Oman. These shareholdings were sold on 7 July 2022 (see note 8). They were valued in the statement of financial position at share of net assets in 2021 as follows:

	2022	2021
	Share of net assets	Share of net assets
	£m	£m
Al Alamiya for Cooperative Insurance Company	-	36
Al Ahlia Insurance Company SAOG	-	32

During 2022 the dividends paid to the non-controlling interests in the Middle East were **£2m** (2021: £10m).

37) Issued debt

	2022	2021
	£m	£m
Subordinated guaranteed US\$ bonds	7	6
Guaranteed subordinated notes due 2045	159	159
Total loan capital	166	165
Total issued debt	166	165

Loan capital

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

The dated guaranteed subordinated notes were issued on 10 October 2014 at a fixed rate of 5.125%. The original nominal £400m bonds have a redemption date of 10 October 2045. The Group has the right to repay the notes on specific dates from 10 October 2025. If the bonds are not repaid on that date, the applicable rate of interest would be reset at a rate of 3.852% plus the appropriate benchmark gilt for a further five year period. **£240m** of these bonds (nominal value) were repurchased and cancelled in September 2021 (remaining nominal £160m). Premium and amortisation costs of **£37m** were incurred in 2021, and are presented in finance costs in the prior year consolidated income statement. The Group has the option to defer interest payments on the bonds and notes, but has to date not exercised this right.

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

All issued debt

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

38) Other borrowings

The 2022 other borrowings relate to bank accounts in overdraft **£8m** (2021: £8m).

The disposal of the Group's operations in Scandinavia and Canada reduced borrowings by **£46m** in 2021. Refer to note 7 for further detail.

39) Insurance contract liabilities

Estimation techniques and uncertainties

Provisions for losses and loss adjustment expenses are subject to a robust reserving process by each of the Group's regional operating segments and by Corporate Actuarial, as detailed in the Risk and capital management note (note 6). The Group has strong independent oversight governance arrangements in place to provide assurance over the reasonableness of reserve estimates.

There is considerable uncertainty with regard to the eventual outcome of the claims that have occurred but remain unsettled by the end of the reporting period. This includes claims that may have occurred but have not yet been notified to the Group and those that are not yet apparent to the insured.

The provisions for losses and loss adjustment expenses are estimated using relevant previous claims experience, historical payment and incurred claims trends, the volume and nature of the insurance underwritten by the Group and current specific case reserves. Also considered are developing loss trends, the potential longer-term significance of large events, the levels of unpaid claims, qualitative information that may be relevant to our loss experience, and relevant external information such as legislative changes, judicial decisions and economic, political and regulatory conditions.

The Group uses a number of commonly accepted actuarial projection methodologies to determine the appropriate provision to recognise. These include methods based upon the following:

- Historic claims development trends are assessed and used to inform extrapolation of the latest payments and reported claims cost for each prior period to their ultimate value. Incurred or paid claims to date for each year are extrapolated to estimate the ultimate cost using these assessed trends which are based upon the observed development of earlier periods.
- Estimates based upon a projection of claims numbers and average cost
- Expected loss ratios
- The Bornhuetter-Ferguson method, which combines features of the above methods
- Bespoke methods for specialist classes of business or types of claims, for example, for Periodic Payment Orders in the UK where a detailed cash flow model is used with specific assumptions on future indexation and longevity given the individual characteristics of these claims.

In selecting the method and estimate appropriate to any one class of insurance business, the Group considers the appropriateness of the methods and bases to the individual circumstances of the class and accident period or underwriting year. A key assumption common to many classes of business is that historic experience is a good guide to what we can expect to see in the future. This depends on a variety of considerations such as consistent claims handling practise and mix of business, which is tested as part of the Group's analytic process to ensure that assumptions are reasonable.

Individual large and significant claims are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Insurance contract liability estimates remain subject to heightened uncertainty relative to normal circumstances due to the impact of the Covid-19 pandemic. The Group monitors evolving experience and regularly reviews the key assumptions and sources of uncertainty. The current assessment of claims liabilities reflects court judgements across the jurisdictions that business operates in, including those recently announced in the UK in October 2022. These most recent judgements are complex and create a number of uncertainties and the Group will continue to monitor the progression of these judgements, including the appeals. Based on information currently known and management's assumptions, the Group has made adequate provisions for, or has adequate reinsurance to cover all insurance claims and legal proceedings.

BI claims are the main direct Covid-19 claim type that remain subject to significant ongoing uncertainty. These estimates have been fully reviewed during 2022 and reflect the latest experience, judgements, legal advice and qualitative assessments. Small changes in gross and reinsurance estimates offset one another resulting in neutral net impact from the Covid BI review.

Whilst the gross estimate remains uncertain due to issues such as the noted ongoing litigation in the industry, in the event unexpected change arise from the various uncertainties, the Group expects that the reinsurance cover would respond in many of the scenarios that could evolve and as such the net position has meaningful protection against material adverse development. The catastrophe reinsurance treaty, the group volatility cover (GVC) and the property risk excess of loss treaty are the relevant reinsurance covers the Group has in place that provide this protection. Reinsurance recoveries on both catastrophe cover and GVC are dependent on the identification and timing of events which trigger a reinsurance recovery claim, and the aggregation of all relevant claims against the retention level. Key reinsurance assumptions made, include how reinsurance contracts respond to Covid-19 losses, the date of loss that will apply to Covid-19 claims, how losses are attributed by date, and how aggregation applies across different businesses and territories which share common reinsurance treaties. All key assumptions were reviewed and updated during 2022. Reinsurance recoveries to date are in line with the Group's expectation. Failure to recover outstanding assumed reinsurance recoveries in line with the expectations could lead to a material increase in the reported net liability.

Different outcomes to those we assume are possible, driven by either direct Covid-19 claims movements or from indirect Covid-19 impacts which make reliable identification of trends more difficult and uncertain than under normal circumstances.

The increasing inflationary pressure arising from the wider economic environment during 2022, combined with the post-pandemic distortions over the same period, complicates assessment of the ultimate claims costs. Different factors are contributing to severity changes such as settlement delays and supply chain issues which are likely to have been impacted by Covid-19 and geo-political issues. Inflation increases are the largest in a generation and impact elements of the claims cost in different ways. For some claim types, it will take time before the full impact of increased inflation becomes apparent. In the meantime our estimates require increased reliance on our assumptions compared to the previous stable inflation environment.

The level of provision carried by the Group includes a margin over and above the actuarial indication. The appropriateness of the margin held is subject to regular review as part of our reserving process which considers the risk characteristics of our liability profile, and the sensitivity of our actuarial indication estimates to key uncertainties.

Sensitivities

Sensitivities in the table below show the impact on the net claims reserves of changes to key assumptions in relation to reserving risk and underwriting and claims risk as described in note 6.

	2022	2021
	£m	£m
Impact on net claims reserves		
Current year attritional loss ratios frequency or severity assumptions +5%	65-75	60-70
Current year large loss ratios frequency or severity assumptions +5%	15-25	15-25
Inflation being 1% higher than expected for the next 2 years (excluding annuities)	50-60	50-60
UK Annuities (PPOs) discount rate being 0.5% lower than expected	10-15	10-15

Discount assumptions

The total value of provisions for losses and loss adjustment expenses less related reinsurance recoveries before discounting is **£4,102m** (2021: £3,844m related to continuing operations).

Key discount rates on certain classes of business are as follows:

	Category	Discount rate		Average number of years to settlement from reporting date	
		2022	2021	2022	2021
		%	%	Years	Years
UK	Periodic Payment Orders	4.0	4.0	18	18

In determining the average number of years to ultimate claims settlement, estimates have been made based on the underlying claims settlement patterns.

As at 31 December 2022, the value of the discount on net claims liability reserves is **£15m** (2021: £15m) excluding UK annuities (PPOs). All other factors remaining constant, a decrease of 0.5% in the discount rates would reduce the value of the discount by approximately **£2m** (2021: £2m).

As at 31 December 2022, the net of reinsurance value of the discount on UK annuities (PPOs) is **£199m** (2021: £201m). The impact of a change in discount rate for the UK annuities is given in the above sensitivities table.

Gross insurance contract liabilities and the reinsurers' share of insurance contract liabilities

The Group accounting policies in respect of insurance contract liabilities are described in note 5. The gross insurance contract liabilities and the reinsurers' (RI) share of insurance contract liabilities presented in the consolidated statement of financial position comprise the following:

	Gross	RI	Net
	2022	2022	2022
	£m	£m	£m
Provision for unearned premiums	1,936	(735)	1,201
Provision for losses and loss adjustment expenses	5,671	(1,781)	3,890
Total insurance contract liabilities	7,607	(2,516)	5,091

	Gross	RI	Net
	2021	2021	2021
	£m	£m	£m
Provision for unearned premiums	1,909	(643)	1,266
Provision for losses and loss adjustment expenses	5,276	(1,648)	3,628
Total insurance contract liabilities	7,185	(2,291)	4,894

The disposal of the Group's operations in the Middle East reduced gross insurance contract liabilities by **£89m** and reinsurers' (RI) share of insurance contract liabilities by **£47m** in 2022.

The disposal of the Group's operations in Scandinavia and Canada reduced gross insurance contract liabilities by **£6,659m** and reinsurers' (RI) share of insurance contract liabilities by **£1,073m** in 2021. Refer to note 7 for further detail.

Provision for unearned premiums, gross of acquisition costs

	2022 £m	2021 £m
Provision for unearned premiums (gross of acquisition costs) at 1 January	2,335	3,860
Premiums written	4,181	5,563
Less: Premiums earned	(4,103)	(5,423)
Changes in provision for unearned premiums	78	140
Disposal of subsidiaries	(99)	(1,628)
Exchange adjustment	50	(37)
Provision for unearned premiums (gross of acquisition costs) at 31 December	2,364	2,335

The provision for unearned premiums is shown net of deferred acquisition costs of **£426m** (2021: £426m). Movements in deferred acquisition costs during the year are as follows:

	2022 £m	2021 £m
Deferred acquisition costs at 1 January	426	625
Acquisition costs deferred during the year	73	55
Amortisation charged during the year	(55)	(59)
Exchange gains	5	(2)
Disposal of subsidiaries	(23)	(193)
Deferred acquisition costs at 31 December	426	426

The reinsurers' share of deferred acquisition costs is included within accruals and deferred income.

Provisions for losses and loss adjustment expenses

The following changes have occurred in the provisions for losses and loss adjustment expenses during the year:

	2022 £m	2021 ¹ £m
Provisions for losses and loss adjustment expenses at 1 January	5,276	9,379
Gross claims incurred and loss adjustment expenses	2,817	3,670
Total claims payments made in the year net of salvage and other recoveries	(2,477)	(3,189)
Disposal of subsidiary	(84)	(4,451)
Exchange adjustment	138	(154)
Unwind of discount and change in economic assumptions	9	16
Other movements	(8)	5
Provisions for losses and loss adjustment expenses at 31 December	5,671	5,276

¹Including discontinued operations.

Claims development tables

The tables on the following pages present changes in the historical provisions for losses and loss adjustment expenses that were established in 2012 and prior, and the provisions for losses and loss adjustment expenses arising in each subsequent accident year. The tables are presented at current year average exchange rates on an undiscounted basis and have been adjusted for operations that have been disposed of.

The triangle on the top of the table presents the estimated provisions for ultimate incurred losses and loss adjustment expenses for each accident year as at the end of each reporting period.

The estimated provisions for ultimate incurred losses change as more information becomes known about the actual losses for which the initial provisions were set up and as the rates of exchange change.

Consolidated claims development table gross of reinsurance

	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims												
At end of accident year		1,501	1,457	1,494	1,403	1,897	1,670	1,529	1,374	1,488	1,795	
One year later		1,599	1,587	1,555	1,449	1,897	1,751	1,543	1,515	1,386		
Two years later		1,563	1,545	1,579	1,423	1,895	1,730	1,599	1,494			
Three years later		1,529	1,552	1,519	1,421	1,899	1,763	1,599				
Four years later		1,548	1,518	1,518	1,421	1,954	1,744					
Five years later		1,525	1,504	1,519	1,432	1,943						
Six years later		1,515	1,499	1,574	1,424							
Seven years later		1,504	1,505	1,560								
Eight years later		1,505	1,492									
Nine years later		1,494										
Ten years later												
Current estimate of cumulative claims		1,494	1,492	1,560	1,424	1,943	1,744	1,599	1,494	1,386	1,795	
Claims paid to date		1,397	1,372	1,545	1,248	1,621	1,356	1,112	699	448	-	
Reconciliation to the statement of financial position												
Current year provision before discounting	265	97	120	15	176	322	388	487	795	938	1,795	5,398
Exchange adjustment to closing rates												60
Discounting												(23)
Annuities												236
Present value recognised in the consolidated statement of financial position												5,671
2022 movement	(30)	11	13	14	8	11	19	-	21	102		169

Consolidated claims development table net of reinsurance

	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims												
At end of accident year		1,454	1,233	1,198	1,048	1,368	1,221	958	984	1,182	1,276	
One year later		1,552	1,305	1,152	1,089	1,423	1,274	1,017	1,044	1,089		
Two years later		1,524	1,296	1,137	1,074	1,405	1,255	1,030	1,035			
Three years later		1,506	1,265	1,087	1,076	1,407	1,273	1,029				
Four years later		1,478	1,249	1,083	1,075	1,449	1,266					
Five years later		1,471	1,245	1,084	1,073	1,444						
Six years later		1,463	1,242	1,132	1,068							
Seven years later		1,461	1,245	1,128								
Eight years later		1,457	1,236									
Nine years later		1,454										
Ten years later												
Current estimate of cumulative claims		1,454	1,236	1,128	1,068	1,444	1,266	1,029	1,035	1,089	1,276	
Claims paid to date		1,387	1,128	1,154	956	1,222	1,019	689	521	423	-	
Reconciliation to the statement of financial position												
Current year provision before discounting	219	67	108	(26)	112	222	247	340	514	666	1,276	3,745
Exchange adjustment to closing rates												32
Discounting												(15)
Annuities												128
Present value recognised in the consolidated statement of financial position												3,890
2021 movement	(10)	3	9	4	5	5	7	1	9	93		126

40) Insurance and reinsurance liabilities

	2022 £m	2021 £m
Direct insurance creditors	59	79
Reinsurance creditors	845	763
Total insurance and reinsurance liabilities	904	842

The disposal of the Group's operations in the Middle East reduced insurance and reinsurance liabilities by **£27m** in 2022.

The disposal of the Group's operations in Scandinavia and Canada reduced insurance and reinsurance liabilities by **£159m** in 2021. Refer to note 7 for further detail.

41) Post-employment benefits and obligations

Defined contribution pension schemes

Costs of **£36m** (2021: £47m) were recognised in respect of defined contribution schemes by the Group.

Defined benefit pension schemes and other post-employment benefits

The amounts recognised in the consolidated statement of financial position are as follows:

	2022			2021		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Present value of funded obligations	(5,404)	(53)	(5,457)	(8,583)	(83)	(8,666)
Present value of unfunded obligations	(4)		(4)	(5)	(8)	(13)
Fair value of plan assets	5,719	73	5,792	9,310	100	9,410
Other net surplus remeasurements	(110)		(110)	(254)	-	(254)
Net IAS 19 surplus in the schemes	201	20	221	468	9	477
Defined benefit pension schemes	201	20	221	468	17	485
Other post-employment benefits	-	-	-	-	(8)	(8)
Schemes in surplus (note 32)	205	20	225	473	17	490
Schemes in deficit (note 42)	(4)	-	(4)	(5)	(8)	(13)

The disposal of the Group's operations in the Middle East reduced pensions and post-employment net obligations by **£9m** in 2022. The disposal of the Group's operations in Scandinavia and Canada reduced pensions and post-employment net obligations by **£44m** in 2021.

Independent actuaries calculate the value of the defined benefit obligations for the larger schemes 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.

UK Schemes

The major defined benefit pension schemes are located in the UK. The assets of these schemes are mainly held in separate trustee administered funds. The UK defined benefit schemes were effectively closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017. UK schemes 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.

The profile of the members of the two main UK schemes 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

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 schemes are managed through trusts with independent trustees responsible for safeguarding the interests of all members. The trustees meet regularly with Group management to discuss the funding position and any proposed changes to the schemes. The schemes are regulated by The Pensions Regulator.

The Group is exposed to risks through its obligation to fund the schemes. These risks include market risk (assets not performing as well as expected), inflation risk and longevity risk over the lives of the members. The Group and the trustees of the schemes work together to reduce these risks through agreement of investment policy including the use of interest rate, inflation rate and longevity swaps.

During 2009 the Group entered into an arrangement that provides coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment of the two largest UK schemes at that time (c.30% coverage based on current pensioner population). The arrangement provides for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt and swaps) held by the pension funds at the inception of the arrangement and which have continued to be held by the schemes. The swaps held are accounted for as a longevity swap, measured at fair value under IFRS by discounting all expected future cash flows using a discount rate consistent with the term of the relevant cash flow. The discount rate used is subject to a degree of judgement, due to the unique characteristics of the swap, and the rate is selected to most closely reflect the economic matching nature of the arrangement within a range of acceptable values obtained from external sources. The total value of the arrangement, including government debt measured at prices quoted in an active market, at 31 December 2022 is **£1,073m** (2021: £1,523m). Management do not believe that there is a significant risk of a material change to the balance in the consolidated statement of financial position net of the associated pension liabilities subject to the arrangement within the next financial year.

The schemes use a range of physical assets and derivative instruments to protect against adverse movements in interest rates and inflation. In the case of interest rates, these provide protection against falls in rates which increase the value of a scheme's liabilities. However, when interest rates rise, the schemes are required to post collateral against the derivatives in order to maintain the same level of interest rate protection.

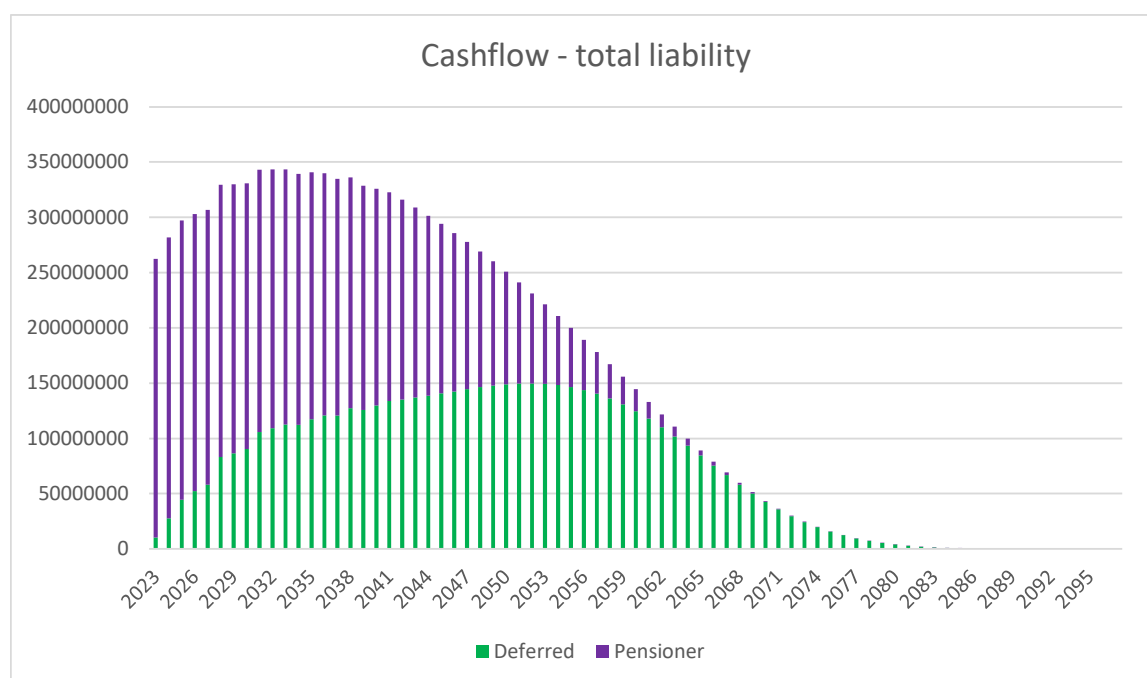
The schemes' liquidity position is closely monitored with a well-developed liquidity management plan to ensure that sufficient liquidity is available to meet any such collateral calls. As at 31 December 2022, the schemes are estimated to have sufficient immediately available liquidity (i.e. collateral headroom) to meet further rises in interest rates of more than **4%**. The schemes also hold other assets that could be liquidated within a week if needed.

Each scheme is subject to triennial valuations, which are used to determine the future funding of the schemes by the Group including funding to repair any funding deficit. The funding valuations, which determine the level of cash contributions payable into the schemes and which must be agreed between the Trustees and the Group, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, following completion of the triennial funding valuations. The effective date of the most recent valuations of the main UK funds is 31 March 2021.

At the most recent funding valuations, the main UK funds had an aggregate funding deficit of **£138m**, equivalent to a funding level of **98%**. The Group and the Trustees have agreed funding plans to eliminate the funding deficits by 2025. Details of the deficit contributions paid in 2022 and that are due to be paid in 2023 under these plans are disclosed below. The funding plans are being reviewed as part of the next triennial valuations which have an effective date of 31 March 2024.

For the two main UK defined benefit schemes, the level of contributions in 2022 was **£84m** (2021: £160m) of which **£75m** (2021: £150m) were additional contributions to reduce funding deficits. Expected contributions to the two schemes for the year ending 31 December 2023 are approximately **£83m** including **£75m** of additional contributions to reduce the deficit.

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



The weighted average duration of the defined benefit obligation of the two main UK schemes at the end of the reporting period is **13.5 years** (2021: 17.5 years). The reduction since 2021 is a result of the significant rise in interest rates over the year which results in heavier discounting of cashflows to determine the defined benefit obligation at 31 December 2022.

Non-UK schemes

The Group also operates a defined benefits scheme in Ireland.

All schemes

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

Movement during the year:

	2022			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus/ (deficit)
	£m	£m	£m	£m
At 1 January	(8,679)	9,410	(254)	477
Termination payments	-	-	-	-
Interest (expense)/income	(156)	171	-	15
Administration costs	-	(8)	-	(8)
Total (expenses)/income recognised in income statement	(156)	163	-	7
Return on scheme assets less amounts in interest income	-	(3,546)	-	(3,546)
Effect of changes in financial assumptions	3,233	-	-	3,233
Effect of changes in demographic assumptions	17	-	-	17
Experience losses	(188)	-	-	(188)
Investment expenses	-	(15)	-	(15)
Other net surplus remeasurements	-	-	144	144
Remeasurements recognised in other comprehensive income	3,062	(3,561)	144	(355)
Employer contribution	-	84	-	84
Benefit payments	309	(309)	-	-
Increase due to disposals	8	-	-	8
Exchange adjustment	(5)	5	-	-
At 31 December	(5,461)	5,792	(110)	221
Deferred tax				(1)
IAS 19 net surplus net of deferred tax				220

	2021			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus/ (deficit)
	£m	£m	£m	£m
At 1 January	(9,401)	9,855	(179)	275
Current service costs	(3)	-	-	(3)
Termination payments	(1)	-	-	(1)
Interest (expense)/income	(126)	134	-	8
Administration costs	-	(6)	-	(6)
Total (expenses)/income recognised in income statement	(130)	128	-	(2)
Return on scheme assets less amounts in interest income	-	(4)	-	(4)
Effect of changes in financial assumptions	367	-	-	367
Effect of changes in demographic assumptions	(45)	-	-	(45)
Experience losses	(237)	-	-	(237)
Investment expenses	-	(10)	-	(10)
Other net surplus remeasurements	-	-	(75)	(75)
Remeasurements recognised in other comprehensive income	85	(14)	(75)	(4)
Employer contribution	-	164	-	164
Benefit payments	340	(340)	-	-
Increase/(decrease) due to disposals	428	(383)	-	45
Exchange adjustment	(1)	-	-	(1)
At 31 December	(8,679)	9,410	(254)	477
Deferred tax				(1)
IAS 19 net surplus net of deferred tax				476

Employer contributions include **£75m** of deficit funding paid in the year to 31 December 2022.

In 2021 the **£44m** disposal of subsidiary relates to the sale of the Group's Canadian operations and is included in the net assets disposed of in note 7 as **£35m** within other debtors and other assets and **£79m** within provisions.

The values of scheme assets are as follows:

	2022			2021		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Equities	9	14	23	579	17	596
Government debt	4,010	38	4,048	6,567	49	6,616
Non-government debt	1,777	4	1,781	3,651	5	3,656
Derivatives	(13)	(5)	(18)	1,041	12	1,053
Property	421	-	421	659	-	659
Cash	1,256	22	1,278	86	-	86
Other (including annuity contracts, infrastructure and growth alternatives)	303		303	363	17	380
Investments	7,763	73	7,836	12,946	100	13,046
Value of asset and longevity swaps	(2,044)		(2,044)	(3,636)	-	(3,636)
Total assets in the schemes	5,719	73	5,792	9,310	100	9,410

The scheme assets analysed by those that have a quoted market price in active markets and unquoted are as follows:

	2022			2021		
	Total Quoted £m	Total Unquoted £m	Total £m	Total Quoted £m	Total Unquoted £m	Total £m
Equities	20	3	23	568	28	596
Government debt	4,048	-	4,048	6,616	-	6,616
Non-government debt	996	785	1,781	2,482	1,174	3,656
Derivatives	-	(18)	(18)	-	1,053	1,053
Property	1	420	421	1	658	659
Cash	1,278	-	1,278	86	-	86
Other (including annuity contracts, infrastructure and growth alternatives)	-	303	303	-	380	380
Investments	6,343	1,493	7,836	9,753	3,293	13,046
Value of asset and longevity swaps		(2,044)	(2,044)	-	(3,636)	(3,636)
Total assets in the schemes	6,343	(551)	5,792	9,753	(343)	9,410

Where assets are classified as unquoted the valuations are firstly:

- Taken from the underlying managers in the case of non-developed market equity, non-UK sovereign debt, pooled non-government debt and other pooled funds – these funds themselves will be subject to annual (or more frequent) audit
- Provided by an independent surveyor (in the case of direct property)
- Taken at the mark to market valuation used for collateral purposes in the case of derivative contracts

During Q4 2022 firm bids were received for some of the unquoted and more illiquid assets at a discount to the valuations provided by the managers. While no final decision has been taken to sell these assets at the bid levels, these discounts have been applied in the valuations above based on a view that the bids reflect a more appropriate measurement technique for determining fair value under IFRS 13 at 31 December 2022. This reflects a change in accounting estimate under IAS 8 for the assets where bids have been received.

Assumptions

The weighted average principal actuarial assumptions used are:

	UK		Other	
	2022	2021	2022	2021
	%	%	%	%
Assumptions used in calculation of retirement benefit obligations:				
Discount rate	4.86	1.84	4.25	1.63
Annual rate of inflation (RPI)	3.11	3.35	-	-
Annual rate of inflation (CPI)	2.46	2.71	2.60	2.19
Annual rate of increase in salaries ¹	n/a	n/a	n/a	4.00
Annual rate of increase in pensions ²	2.96	3.14	2.60	2.20
Assumptions used in calculation of pension net interest costs for the year:				
Discount rate	1.84	1.38	1.60	1.42

¹ 2021 average weighted assumptions included Middle East.

² 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 schemes' recent experience carried out by independent actuaries as part of the most recent funding valuations. The core mortality rates assumed for the main UK schemes follow industry-standard tables with percentage adjustments to reflect the schemes' recent experience compared with that expected under these tables.

Reductions in future mortality rates are allowed for by using the CMI 2021 tables (2021: CMI 2020 tables) with a long term improvement rate of **1.25%** (2021: 1.25%). For the year ending 31 December 2022, reductions in future mortality rates have been assumed to slowdown temporarily as a result of Covid-19, this broadly reduces liabilities by around 0.7%. The weighted average assumptions imply that a current pensioner aged 60 has an expected future lifetime of **26.9** (2021: 27.1) years for males and **28.7** (2021: 28.9) years for females and a future pensioner aged 60 in 15 years' time has a future expected lifetime from age 60 of **27.8** (2021: 28.0) years for males and **29.7** (2021: 29.8) years for females.

Sensitivity analysis

Sensitivities for the defined benefit obligations of the two main UK schemes are shown below:

		2022	2021
	Changes in assumption	£m	£m
Discount rate	Increase by 0.25%	(168)	(356)
	Decrease by 0.25%	178	380
	Increase by 1.00%	(624)	(1,298)
	Decrease by 1.00%	772	1,684
RPI/CPI ¹	Increase by 0.25%	112	228
	Decrease by 0.25%	(110)	(226)
Core mortality rates ²	Decrease by 13% (2021: 12%)	191	355
	Increase by 13% (2021: 12%)	(172)	(325)
Long-term future improvements to mortality rates	Increase by 0.25%	29	82
	Decrease by 0.25%	(29)	(81)

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 2022.

42) Provisions

	2022	2021
	£m	£m
Pensions and post-employment obligations (note 41)	4	13
Reorganisation provisions	3	8
Other provisions	24	29
Total provisions at 31 December	31	50
To be settled within 12 months	12	19
To be settled after 12 months	19	31

Other provisions include **£13m** (2021: £11m) held relating to property dilapidations and refurbishments, the costs relating to which will be borne across the period over which the leases expire, which is up to 19 years. The balance consists of a number of provisions none of which are individually significant.

See note 41 for further information regarding the pensions and post-employment benefit obligations.

Movements during the year on reorganisation and other provisions

	Reorganisation provisions	Other provisions
	2022	2022
	£m	£m
Provisions at 1 January 2022	8	29
Exchange adjustment	-	-
Additional provisions during the year	2	5
Utilised	(7)	(6)
Released	-	(4)
Disposals	-	-
Provisions at 31 December 2022	3	24

43) Other liabilities

	2022	2021
	£m	£m
Derivatives designated as accounting hedges (note 26)	14	15
Other derivatives (note 26)	11	43
Payroll and Indirect taxes	84	85
Outstanding settlements for investment purchases	1	-
Other creditors	78	57
Accruals	257	283
Deferred income	22	15
Lease liabilities (note 44)	71	55
Total other liabilities	538	553
To be settled within 12 months	441	447
To be settled after 12 months	97	106

44) Leases

Leases as a lessee

The Group leases land and buildings and other assets such as vehicles, IT equipment, servers and mainframes (reported as other) to operate its business in each of its core regions. The remaining lease terms for the main office premises range from 1 to 17 years.

The Group also leases office equipment such as laptops and printers and for which certain leases are short term (1 year or less) and/or for low value items. The Group has elected to apply recognition exemptions as permitted by IFRS 16 for these leases (see Appendix A for accounting policy).

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

Right-of-use assets

	Land and buildings	Other	Total
	£m	£m	£m
Amounts recognised at transition on 1 January 2021	143	8	151
Depreciation charge for the year	(16)	(3)	(19)
Additions to right-of-use assets	4	1	5
Remeasurements	(3)	-	(3)
Disposals	(91)	(4)	(95)
Other	(2)	-	(2)
Balance at 31 December 2021	35	2	37
Depreciation charge for the year	(9)	(1)	(10)
Additions to right-of-use assets	25	1	26
Remeasurements	4	-	4
Impairments	(2)	-	(2)
Disposals	(1)	-	(1)
Other	1	-	1
Balance at 31 December 2022	53	2	55

Impairment assessment

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

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

There were no impairments identified in 2022. 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 **£71m** (2021: £55m) are included within other liabilities in the consolidated statement of financial position (see note 43). The maturity analysis of this balance can be found in note 6.

A reconciliation of lease liabilities is presented below.

	2022	2021
	£m	£m
Balance at 1 January	55	204
Lease payments	(15)	(27)
Additions to lease liabilities	26	5
Remeasurements	3	(12)
Interest on lease liabilities	2	3
Disposals	(1)	(116)
Foreign exchange	1	(2)
Balance at 31 December	71	55

Other amounts recognised in profit or loss from continuing operations

	2022	2021
	£m	£m
Leases under IFRS 16		
Interest on lease liabilities	1	3
Expenses relating to variable lease payments	18	8

Amounts recognised in statement of cash flows

	2022	2021
	£m	£m
Total cash outflow for leases	33	35

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

Leases as a lessor

The Group leases out its investment property consisting of freehold and leasehold land and buildings, as disclosed in note 25. All leases are classified as operating leases from a lessor perspective with the exception of sub-leases, which the Group has classified as finance sub-leases.

Finance leases

The Group has sub-let office floor space in the UK for which the head leases have been presented as part of the land and buildings right-of-use asset. The sub-leases have been classified as finance leases because the sub-lease is for the whole remaining term of the head lease. The net investments in the subleases have been reported within other debtors.

During 2022, on a continuing basis the Group recognised interest income on lease receivables of **£nil** (2021: £nil).

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	
	2022	2021
	£m	£m
Less than one year	2	2
One to two years	2	2
Two to three years	2	2
Three to four years	-	2
Total undiscounted lease receivable	6	8
Unearned finance income	-	-
Net investment in the lease	6	8

Operating leases

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

During 2022, the Group recognised **£14m** of rental income within its net investment return (2021: £17m).

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	
	2022	2021
	£m	£m
Less than one year	15	17
One to two years	14	16
Two to three years	14	15
Three to four years	12	15
Four to five years	12	13
More than five years	65	73
Total	132	149

Notes to the consolidated statement of cash flows

45) Reconciliation of cash flows from operating activities

The reconciliation of net profit before tax to cash flows from operating activities is as follows:

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year before tax	9	65	4,332
Adjustments for non-cash movements in net profit for the year			
Amortisation of available for sale assets		26	37
Depreciation and impairment of tangible assets	24/44	22	35
Amortisation and impairment of intangible assets and goodwill	23	39	60
Fair value losses/(gains) on financial assets		75	(46)
Impairment charge on available for sale financial assets		10	18
Gain on disposal of businesses	8	(39)	(4,395)
Derecognition of intangibles		32	73
Share based payments		-	28
Foreign exchange loss		(31)	-
Other non-cash movements		-	13
Changes in operating assets/liabilities			
Loss and loss adjustment expenses		209	293
Unearned premiums		(25)	140
Movement in working capital		48	(160)
Reclassification of investment income and interest paid		(159)	(122)
Pension deficit funding	41	(75)	(150)
Cash generated from investment of insurance assets			
Dividend income		14	16
Interest and other investment income		155	185
Cash flows from operating activities		366	357

46) Reconciliation of movements of liabilities arising from financing activities

The table below details changes in liabilities arising from the Group's financing activities.

	Issued debt	Accrued interest payable on issued debt	Lease liabilities	Borrowings from credit institutions under repurchase agreements	Tier 1 Notes	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	165	2	55	-	297	519
Changes from financing cash flows						
Redemption of debt instruments	-	-	-	-	(275)	(275)
Gain on redemption of debt instruments	-	-	-	-	(22)	(22)
Payment of lease liabilities	-	-	(13)	-	-	(13)
Interest paid	-	(9)	(2)	-	-	(11)
Total changes from financing cash flows	-	(9)	(15)	-	(297)	(321)
Acquisition / Disposal of subsidiary	-	-	(1)	-	-	(1)
The effect of changes in foreign exchange rates	1	-	2	-	-	3
Interest Charge	-	-	1	-	-	1
Other changes	-	9	29	-	-	38
Balance at 31 December 2022	166	2	71	-	-	239

	Issued debt	Accrued interest payable on issued debt	Lease liabilities	Borrowings from credit institutions under repurchase agreements	Tier 1 Notes	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	751	7	204	121	297	1,380
Changes from financing cash flows						
Redemption of debt instruments	(642)	-	-	-	-	(642)
Payment of lease liabilities	-	-	(24)	-	-	(24)
Net movement in other borrowings	-	-	-	(71)	-	(71)
Interest paid	-	(23)	(3)	-	-	(26)
Total changes from financing cash flows	(642)	(23)	(27)	(71)	-	(763)
Acquisition / Disposal of subsidiary	-	-	(116)	(46)	-	(162)
The effect of changes in foreign exchange rates	-	-	(2)	(4)	-	(6)
Interest Charge	56	18	3	-	-	77
Other changes	-	-	(7)	-	-	(7)
Balance at 31 December 2021	165	2	55	-	297	519

Other commitments, contingent liabilities and events after the reporting period

47) Other commitments

Capital commitments

The Group's significant capital commitments in respect of investment property, property and equipment and intangible assets are detailed in the table below:

	2022	2021
	£m	£m
Investment Property	5	3
Property and equipment	8	7
Intangible assets	16	9
Total	29	19

Funding commitments to structured entities and invested assets

The future commitments to structured entities are disclosed in note 28 of these financial statements. In addition, the Group has committed to invest **£149m** (2021: £464m) in other classes of investments.

48) Other contingent liabilities

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

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

A small number of litigation claims for unpaid BI claims have been filed outside of the UK FCA test case in other regions. RSA conducts a thorough claims assessment process for all BI claims received. Most BI coverages are not expected to be eligible under their terms for Covid-19 claims. Consequently claims reserves are held in accordance with our view of prospects of success.

49) Events after the reporting period

Subsequent to the year-end, on 27 February 2023, the Trustees of the two major defined benefit pension schemes in the UK, the Royal Insurance Group Pension Scheme and the Sal Pension Scheme ("the Schemes"), entered into an agreement with Pension Insurance Corporation plc ("PIC") to purchase bulk annuity insurance policies that operate as investment assets. Such arrangements are commonly referred to as a "buy-in". The Schemes made up around 99% of total defined benefit assets and obligations on the balance sheet at 31 December 2022. The buy-in removes all remaining material pension exposure from the balance sheet, while maintaining the security of benefits to the Scheme members. The buy-in premium has initially been funded through the transfer of the majority of the Schemes' assets to PIC, as well as by an upfront contribution from the Company of approximately £480m. The Schemes have retained ownership of various assets, including some less liquid investments, which will be liquidated over the next 12-18 months in order to settle the remainder of the buy-in premium, and cash, some of which will be required to meet ongoing expenses. In addition, the annual pension deficit funding contribution of £75m was paid in January 2023.

The upfront contribution of the Company was part funded through a capital injection by IFC, via a subscription of one share in the Company at a premium of approximately £480m.

The Schemes already had coverage against longevity risk for around 30% of the existing pensioner population through an insurance policy entered into in 2009 with Rothesay Life. Together with the newly purchased PIC annuity assurance policies, the Schemes will now have protection against longevity risk and market risk for the material obligations of all deferred and pensioner members. As a result, the pension surplus included within the Balance Sheet at 31 December 2022 of £200m net of tax, is expected to be largely removed as the fair value of these insurance policies, held as assets of the Schemes, will be set equal to the value of the defined benefit obligations covered under IAS 19. An initial net loss of approximately £700m, based on recent fluctuate going forward based on changes in the value of the defined benefit obligations covered. The transaction will temporarily increase the income tax expense as the deductibility of the upfront contribution will be spread out over three years. This results in deferred tax assets being reclassified to Other Comprehensive Income from income tax expense, with a neutral net impact on shareholder's equity.

Appendices

Appendix A: Other accounting policies

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls a subsidiary if the Group has all of the following:

- Power over the subsidiary
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the subsidiary to affect its returns

Subsidiaries are fully consolidated from the date on which control is entitled by the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition.

For business combinations completed on or after 1 January 2010 the cost of acquisition includes the fair value of deferred and contingent consideration at the acquisition date and subsequent changes in the carrying value of the consideration are recognised in the consolidated income statement. For business combinations completed prior to 31 December 2009, the cost also includes costs directly attributable to the acquisition and the value of contingent consideration on settlement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Changes in the ownership interests of a subsidiary between shareholders of the Group and shareholders holding a non-controlling interest are accounted for as transactions between equity holders of the Group. Any difference between the fair value of the consideration given by the transferee and the carrying value of the ownership interest transferred is recognised directly in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries are aligned to ensure consistency with the policies adopted by the Group.

Translation of foreign operations

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

- Assets and liabilities for each statement of financial position presented are translated at closing exchange rates at the end of the period
- Income and expenses for each income statement are translated at average exchange rates during each period
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income within the foreign currency translation reserve. Further information can be found in note 22. When a foreign entity is sold, the cumulative exchange differences relating to that foreign entity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group's business operations using the exchange rates prevailing at the time of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Internal loans

Where non-Sterling loans are provided by RSA Insurance Group Limited to its subsidiaries, the settlement of which is neither planned nor likely to occur in the foreseeable future, they are treated as part of its net investment in subsidiary in the consolidated financial statements which results in foreign exchange gains and losses being recognised in revaluation reserves.

Hedge accounting

Transactions are classified as hedging transactions when the following conditions for hedge accounting are met:

- There is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship
- The effectiveness of the hedge can be reliably measured
- The hedge is assessed on an ongoing basis and determined to have been highly effective

Hedge of a net investment in a foreign operation

Where a foreign exchange derivative is designated as a hedging instrument against a net investment in foreign operations, the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. At the point at which the net investment in the foreign operation is derecognised, the gains and losses accumulated in other comprehensive income are transferred to the consolidated income statement.

On designation of forward foreign exchange contracts the interest element is separated from the forward exchange rate and is excluded from the hedge relationship. Effectiveness of the hedge is then measured using the spot rate, which is also the exchange rate used when measuring the net investment in the designated subsidiaries.

For foreign exchange options the hedge designation is to hedge the value of the foreign operations at the strike price at the exercise date of the option.

Hedge of future cash flows

Where a derivative is designated as a hedging instrument against the cash flows from a fixed interest security, the gains and losses arising from the change in fair value of the derivative are recognised initially in other comprehensive income in the cash flow hedge reserve. This amount is adjusted to be the lesser of the cumulative gain or loss on the derivative and the cumulative change in fair value of the expected future cash flows of the security, both since the inception of the hedge.

The accumulated amount in the cash flow hedge reserve, is reclassified to the consolidated income statement in the period in which the hedged cash flows affect profit or loss.

Hedge of changes in fair value

Where a derivative is designated as a hedging instrument in a fair value hedge of the changes in value of a fixed interest security, the gains and losses arising from the change in fair value of the derivative are recognised in the consolidated income statement. The change in fair value of the hedged investments (classified as available for sale) that are attributable to the hedged risk is transferred from the revaluation reserve to the consolidated income statement.

Property and equipment

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

Group occupied property is stated at fair value, less subsequent depreciation for buildings. The fair value methodology is set out in note 27. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to a separate revaluation reserve within equity. Decreases in the carrying amount arising on revaluation are recognised in other comprehensive income and reduce the revaluation reserve, to the extent they offset previous revaluation increases; further decreases are charged to the consolidated income statement. Buildings are depreciated to their residual value on a straight line basis over the useful economic life of the building; depreciation is charged to the consolidated income statement except where a building has been revalued upwards, in which case the amount of the depreciation relating to the difference between the buildings revalued amount and the original cost is transferred from revaluation reserve to retained earnings. Land is not depreciated.

All other equipment is stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset only when it is probable that the expenditure will result directly in future economic benefits to the Group, and the cost can be measured reliably.

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

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

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

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

Investment property and rental income

Investment property is stated at fair value. The fair value methodology is set out in more detail in note 27. Unrealised gains and unrealised losses are recognised in net investment return in the consolidated income statement. Rental income from operating leases on investment property is recognised in the consolidated income statement on a straight line basis over the length of the lease.

Policy acquisition costs

Policy acquisition costs incurred in acquiring insurance contracts include commissions and premium levies directly related to the writing or renewal of insurance policies. These acquisition costs are deducted from unearned premiums and recognised in the consolidated income statement on the same basis as the unearned premiums.

Issued debt

Issued debt comprises subordinated bonds and senior notes which are initially measured at the consideration received less transaction costs. Subsequently, issued debt is measured at amortised cost using the effective interest rate method.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events that are more likely than not to result in an outflow of economic resources in order to settle the obligation, and the amount of that outflow can be reliably estimated.

Contingent liabilities

A contingent liability is disclosed if the Group has a possible future obligation as a result of past events, and either the amount of the expected future outflow of economic resources or the likelihood of payment cannot be reliably estimated.

Termination benefits

Termination benefits are payable when either employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefit expenses are recognised in the income statement at the earlier of the date when the Group can no longer withdraw the offer and the date when any related restructuring costs are recognised. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Own shares

Own shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of shares. Any consideration paid or received is recognised directly in equity.

Other operating income

Other operating income is comprised principally of:

- Administration fee income: is received from policyholders in order for certain changes to their policy or policyholder details within their period of cover and is recognised in full on the date that the change is made.
- Premium policy instalment fee income: is received from policyholders as a finance charge on premiums paid in instalments and is recognised over the period that the instalments are made on a straight line basis.
- Introductory commission income is received from third parties for introducing business to them and is recognised when the introduction is made.
- Service income refers to income received for operating a settlement function primarily for the Group and its Global Network Partners which is recognised over the period in which service is provided whilst the relevant business is earned.
- Reinsurance commissions are recognised over the same period in which relevant expenses are recognised.

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 proceeds received by RSA upon exercise of share options are credited to share capital (nominal value) and share premium, with a corresponding increase in equity.

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

Further information on the share schemes the Group operates can be found in note 20.

Dividends

The final dividend is recognised as a liability when approved at the Annual General Meeting.

Leases

The Group as lessee

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

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

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

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

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

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

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

The Group as lessor

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

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

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

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

Appendix B: Exchange rates

The rates of exchange used in these accounts in respect of the major overseas currency are:

Local currency/£	2022		2021	
	Average	Closing	Average	Closing
United States Dollar	1.23	1.20	1.37	1.35
Canadian Dollar	1.61	1.64	1.72	1.71
Euro	1.17	1.13	1.16	1.19
Swedish Krona	12.46	12.61	11.80	12.26
Danish Krone	8.72	8.38	8.65	8.86

Appendix C: Subsidiaries and associates

Unless otherwise stated, the share capital disclosed comprises ordinary shares (or equivalent) which are 100% held within the Group. All of the subsidiaries listed are wholly owned within the Group and included in the consolidated accounts.

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

Name and country of incorporation	Registered office addresses	Class of shares held	Percentage Holding (%)
Brazil			
Royal & Sun Alliance Insurance Limited - Escritório de Representação no Brasil Ltda.	Avenida Doutor Chucuri Zaidan, 296, 23º andar, parte, City of São Paulo, State of São Paulo, 04583-110, Brazil		
Guernsey			
Insurance Corporation of the Channel Islands Limited	Dixcart House, Sir William Place, St. Peter Port, Guernsey, GY1 4EY		
Insurance Corporation Service Company Limited	Dixcart House, Sir William Place, St. Peter Port, Guernsey, GY1 4EY		
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		
123 Money Limited	RSA House, Dundrum Town Centre, Sandyford Road, Dublin 16, Ireland	€1 redeemable shares	
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 Reinsurance Ireland Limited	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 ⁷	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		
Netherlands			
IDIP Direct Insurance B.V.	22 Bishopsgate, London, EC2N 4BQ		
Intouch Insurance Group B.V.	22 Bishopsgate, London, EC2N 4BQ		
RSA Overseas (Netherlands) B.V.	22 Bishopsgate, London, EC2N 4BQ		
RSA Overseas Holdings B.V.	22 Bishopsgate, London, EC2N 4BQ		
GDII - Global Direct Insurance Investments V.O.F.	Wilhelminakade 97-99, 3072 AP Rotterdam, Netherlands	Partnership Interest	
Royal Insurance Global B.V. ⁹	Wilhelminakade 97-99, 3072 AP Rotterdam, Netherlands		

United Kingdom			
Centrium Management Company Limited ³	5th Floor, United Kingdom House, 180 Oxford Street, London, W1D 1NN, United Kingdom		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 ⁷	Artola House, 91-97 Victoria Street, Belfast, BT1 4PB, Northern Ireland		
Emersons Green Management Company	The Old Council Chambers, Halford Street, Tamworth, England		33.00
Aztec West Management Company	Minton Place, Station Road, Swindon, SN1 1DA		3.00
Hempton Court Manco Limited ^{3, 5}	7 Seymour Street, London, W1H 7JW		62.50
Alliance Assurance Company Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Regent Subco Limited ⁸	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Non-Destructive Testers Limited ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
R&SA Marketing Services Limited ⁷	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 ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Royal & Sun Alliance Property Services Limited ⁷	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, 8}	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, 8}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	£1.00 Ordinary	
Royal International Insurance Holdings Limited ^{7, 8}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom	US\$1.00 Ordinary	
Roysun Limited ⁷	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, 8}	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		
RSA Pension Funding LP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Partnership Interest	
Sal Pension Fund Limited ^{1, 7}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		99.99
Sun Alliance and London Insurance Limited ^{7, 8}	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, 8}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
Sun Insurance Office Limited ^{7, 8}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The London Assurance ⁷	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		
The Globe Insurance Company Limited ^{7, 8}	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, 8}	St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom		

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

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

3. Indicates that the holding represents an Investment or is an Associate of the Group.
4. Indicates ownership of non-voting shares.
5. There is no subsidiary where the Group holds less than 50% of the voting rights. There are no entities where the Group holds more than 50% of the voting rights which are not subsidiaries other than Punchbowl and Hempton Court Manco.
6. IFC hold 73.54% of the share capital of Royal & Sun Alliance Insurance Limited in non-voting "nil-paid" shares.
7. Indicates companies within the Group that apply IFRS 9 and disclose relevant information in their own published financial statements in addition to that already included in these consolidated financial statements.
8. 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 2022.
9. On 1 January 2023 Royal Insurance Group B.V. was merged into RSA Luxembourg S.A. by means of a cross-border merger and no longer exists as a separate entity.

**Jargon Buster
(unaudited)**

Term	Definition
Affinity	Selling insurance through a partner's distribution network, usually to a group of similar customers e.g. store-card holders, alumni groups, unions and utility company customers.
Attritional Loss Ratio	This is the claims ratio (net incurred claims and claims handling expense as a proportion of net earned premium) of our business prior to volatile impacts from weather, large losses and prior-year reserve developments.
Available for Sale (AFS)	A class of financial asset that is neither held for trading nor held to maturity.
Business Operating Result	Business operating result represents profit before tax adjusted to add back other charges.
Claims Frequency	Average number of claims per policy over the year.
Claims Handling Expenses	The administrative cost of processing a claim (such as salary costs, costs of running claims centres, allocated share of the costs of head office units) which are separate to the cost of settling the claim itself with the policyholder.
Claims Ratio (Loss Ratio)	Percentage of net earned premiums that is paid out in claims and claims handling expenses.
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	A provision established to cover the estimated cost of claims payments and claims handling expenses that are still to be settled and incurred in respect of insurance cover provided to policyholders up to the reporting date.
Claims Severity	Average cost of claims incurred over the period.
Combined Operating Ratio (COR)	A measure of underwriting performance being the ratio of underwriting expenses (claims, commissions and expenses) expressed in relation to earned premiums: COR = loss ratio + commission ratio + expense ratio, where Loss ratio = net incurred claims / net earned premiums Commission ratio = commissions / net earned premiums Expense ratio = underwriting and policy acquisition costs less other insurance income / net earned premiums
Commission	An amount paid to an intermediary such as a broker for introducing business to the Group.
Contractual Service Margin (CSM)	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides services under the insurance contracts in the group
Current Year Loss Ratio	The claims ratio relating to business for which insurance cover has been provided during the current financial period. This does not include claims development recognised in the current reporting period relating to prior accident years.
Current Year Underwriting Result	The profit or loss earned from business for which insurance cover has been provided during the current financial period. This does not include performance impacts recognised in the current reporting period relating to prior accident years.
Customer Retention	A measure of the amount of business that is renewed with us each year.
Expected Credit Loss (ECL)	An expected credit loss (ECL) is the estimated impairment of a loan, lease or other financial asset over its lifetime
Expense Ratio	Underwriting and policy acquisition expenses less other insurance income expressed as a percentage of net earned premium.
Fair Value Through Other Comprehensive Income (FVTOCI)	Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Gains and losses are recorded in Other Comprehensive Income and not in the Income Statement.
Financial Conduct Authority (FCA)	The regulatory authority with responsibility for the conduct of the UK financial services industry.
General Measurement Model (GMM)	The GMM is the standard model, for IFRS 17 insurance contracts, which involves measurement on initial recognition and subsequent measurement across 3 'building blocks': the NPV of Future Cashflows, the Non-Financial Risk Adjustment and the Contractual Service Margin (CSM). It requires measuring insurance and reinsurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance and reinsurance contracts. Under this model the LRC is the sum of discounted future cash flows, risk adjustment and CSM
Gross Written Premium (GWP)	Total revenue generated through sale of insurance products. This is before taking into account reinsurance and is stated irrespective of whether payment has been received.

Group Catastrophe programme (Cat)	Reinsurance purchased by the Group to protect against a catastrophic event, usually a large number of losses accumulating over a short period of time. Losses can arise worldwide from either natural peril, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example explosion, fire. Individual losses are aggregated and, when the respective Catastrophe retention is exceeded, a reinsurance recovery is made.	
Group Volatility Cover (GVC)	This is an aggregate reinsurance cover purchased by the Group to protect against the accumulation of "smaller/medium" single or event type losses. In 2020, individual large losses and catastrophe events were covered in full if they exceeded the £10m franchise level. In 2021, the qualifying criteria for catastrophe losses were unchanged but individual large losses qualified based on a £5m excess (the £10m in / out trigger no longer applied). GVC reinsurers get the inuring benefit of our main excess of loss programmes. Cover attaches once the aggregate deductible is breached. This reinsurance provides protection world-wide for all short tail classes of business other than marine large losses. The GVC cover was not renewed in 2022, and is now in runoff, only protecting on eligible claims up to and including 2021.	
Investment Result	Investment result is the money we make from our investments on a management basis. It comprises the major component of net investment return, investment income, in addition to unwind of discount and investment expenses.	
Large Losses	Single claim or all claims arising from a single loss event with a net cost of £0.5m or higher.	
Large Loss Ratio	The large loss ratio is an expression of claims incurred in the period with a net cost of £0.5m or higher as a percentage of current year net earned premium over the same period.	
Liability for Incurred Claims (LFIC)	Liability for incurred claims is an insurer's obligation to investigate and pay claims for insured events that have already occurred. This includes events that have occurred but have not been reported, and other incurred insurance expenses.	
Liability for Remaining Coverage (LFRC)	An entity's obligation to: (a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage); and (b) pay amounts under existing insurance contracts that are not included in (a) and that relate to insurance contract services not yet provided (i.e. the obligations that relate to future provision of insurance contract services).	
Net Earned Premium (NEP)	The proportion of premium written, net of the cost of associated reinsurance, which represents the consideration charged to policyholders for providing insurance cover during the reporting period.	
Net Incurred Claims (NIC)	The total claims cost incurred in the period less any share that is borne by reinsurers. It includes both claims payments and movements in claims reserves and claims handling expenses in the period.	
Net Written Premium (NWP)	Premium written or processed in the period, irrespective of whether it has been paid, less the amount shared with reinsurers.	
Other charges	Other charges represents items that are excluded to arrive at business operating result.	
	Item	Reason for classification
	Amortisation of intangible assets	To allow meaningful assessment of segmental performance where similar internally generated assets are not capitalised.
	Economic assumption changes	To allow assessment of performance excluding the impact of changes in the discount rate on long-term insurance liabilities.
	Gains and losses arising from the disposal of businesses	To allow assessment of the performance of ongoing business activities.
	Pension administration and net interest costs	Costs that are dependent on the level of defined benefit pension scheme plan funding and arise from servicing past pension commitments.
	Realised and unrealised gains and losses on investments/ foreign exchange gains and losses	To remove the impact of market volatility and investment rebalancing activity.
	Reorganisation, integration and transaction costs	To allow assessment of the performance of ongoing business activities.
Premium Allocation Approach (PAA)	The Premium Allocation Approach (PAA) is a method of valuing insurance contracts under IFRS17. It is an optional simplification approach of the GMM, which an entity may use as an approximation for measuring contracts over the remaining coverage period. To use PAA, a group of contracts has to have 1 year or less of coverage period or the measurement of the liability for the remaining coverage would not differ materially from the measurement that would result from applying the full GMM.	

Prudential Regulation Authority (PRA)	The regulatory authority with responsibility for the prudential regulation and supervision of the UK financial services industry.
Reinsurance	The practice whereby part or all of the risk accepted is transferred to another insurer (the reinsurer).
Solely Payments of Principal and Interest (SPPI)	Contractual cash flows from financial assets 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.
Solvency II / Coverage Ratio	Capital adequacy regime for the European insurance industry which commenced in 2016 and is based on a set of EU wide capital requirements and risk management standards. The coverage ratio represents total eligible capital as a proportion of the Solvency Capital Requirement (SCR) under Solvency II.
Tangible Net Asset Value (TNAV)	Tangible net asset value comprises equity attributable to owners of the Parent Company, less tier 1 notes, preference share capital and goodwill and intangible assets.
Underwriting Result	Net earned premium and other insurance income less net claims and underwriting and policy acquisition costs. Underwriting result is an internal measure of profitability of the operating segments and a key KPI used to assess performance of the Group. It is an alternative performance measure (APM) and is reconciled to the nearest IFRS measures in the APM reconciliations presented after the Jargon Buster.
Unearned Premium	The portion of a premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Weather Losses	Weather claims incurred with a net cost of £0.5m or higher and losses of less than £0.5m where extreme weather has been identified over an extended period.
Weather Loss Ratio	The weather loss ratio is an expression of weather losses in the period as a percentage of earned premium.
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.

Alternative Performance Measures Reconciliations (unaudited)

IFRS reconciliation to management P&L

For the year ended 31 December 2022

		Underwriting result	Investment result	Central costs	Business operating result	Other charges	Profit before tax from continuing operations
£m	IFRS	Management					
Continuing operations							
Income							
Gross written premiums	4,181	4,181					
Less: reinsurance written premiums	(1,071)	(1,071)					
Net written premiums	3,110	3,110					
Change in the gross provision for unearned premiums	(78)	(78)					
Change in provision for unearned reinsurance premiums	93	93					
Change in provision for net unearned premiums	15	15					
Net earned premiums	3,125	3,125					
Investment income	145	145					
Realised losses on investments	(5)					(5)	
Unrealised gains, impairments and foreign exchange	(51)					(51)	
Net investment return	89						
Other insurance income	77	77					
Foreign exchange gains	15					15	
Pension net interest and administration costs	7					7	
Other operating income	99						
Total income	3,313						
Expenses							
Gross claims incurred	(2,817)	(2,817)					
Less: claims recoveries from reinsurers	740	740					
Net claims	(2,077)	(2,077)					
Underwriting and policy acquisition costs	(1,109)	(1,109)					
Unwind of discount	3	3					
Investment expenses	(8)	(8)					
Central expenses	(24)			(24)			
Foreign exchange losses	-						
Integration costs	(61)					(61)	
Transaction costs	-						
Other operating expenses	(93)						
	(3,276)						
Finance costs	(11)					(11)	
Gain on disposal of businesses	39					39	
Profit/(loss) before tax from continuing operations	65	16	140	(24)	132	(67)	65
Income tax income	16						
Profit after tax from continuing operations	81						
Profit from discontinued operations	-						
Profit for the period	81						

IFRS reconciliation to management P&L
For the year ended 31 December 2021

							Loss before tax from continuing operations
£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other charges	
		Management					
Continuing operations							
Income							
Gross written premiums	4,294	4,294					
Less: reinsurance written premiums	(1,001)	(1,001)					
Net written premiums	3,293	3,293					
Change in the gross provision for unearned premiums	(44)	(44)					
Change in provision for unearned reinsurance premiums	(42)	(42)					
Change in provision for net unearned premiums	(86)	(86)					
Net earned premiums	3,207	3,207					
Investment income	139		139				
Realised losses on investments	(2)					(2)	
Unrealised losses, impairments and foreign exchange	23					23	
Net investment return	160						
Other insurance income	79	79					
Pension net interest and administration costs	3					3	
Other operating income	82						
Total income	3,449						
Expenses							
Gross claims incurred	(2,959)	(2,959)					
Less: claims recoveries from reinsurers	759	759					
Net claims	(2,200)	(2,200)					
Underwriting and policy acquisition costs	(1,223)	(1,223)					
Unwind of discount	(6)		(6)				
Investment expenses	(23)		(23)				
Central expenses	(11)			(11)			
Amortisation of intangibles	-					-	
Transaction costs	(96)					(96)	
Foreign exchange losses	(2)					(2)	
Integration costs	(40)					(40)	
Other operating expenses	(172)						
	(3,601)						
Finance costs	(76)					(76)	
(Loss)/profit before tax from continuing operations	(228)	(137)	110	(11)	(38)	(190)	(228)
Income tax expense	(33)						
Loss after tax from continuing operations	(261)						
Profit from discontinued operations	4,531						
Profit for the period	4,270						

Parent Company statement of comprehensive income
For the year ended 31 December 2022

	2022	2021
	£m	£m
Profit for the year net of tax	103	6,038
Items that may be reclassified to the income statement:		
Fair value losses on debt securities net of tax	-	(10)
Items that will not be reclassified to the income statement:		
Fair value losses on investment in subsidiaries	(1,087)	(4,876)
Total other comprehensive expense for the year	(1,087)	(4,886)
Total comprehensive (expense)/income for the year	(984)	1,152

The profit for the year net of tax includes dividend income of **£137m** received from Royal Insurance Holdings Limited (2021: £6,210m) and a tax credit of **£8m** (2021: £8m tax charge). Fair value losses on debt securities include a tax credit of **£nil** (2021: £2m tax credit).

Parent Company statement of changes in equity
For the year ended 31 December 2022

	Ordinary share capital	Ordinary share premium	Preference shares	Revaluation reserves	Capital redemption reserve	Retained earnings	Tier 1 notes	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	1,035	1,095	125	3,725	389	1,013	297	7,679
Total comprehensive income/(expense) for the year								
Profit for the year net of tax	-	-	-	-	-	6,038	-	6,038
Fair value gains net of tax	-	-	-	(3,721)	-	(1,165)	-	(4,886)
	-	-	-	(3,721)	-	4,873	-	1,152
Dividends – paid ² (note 7)	-	-	-	-	-	(6,938)	-	(6,938)
Shares issued for cash (note 11)	1,023	282	-	-	-	-	-	1,305
Share-based payments (note 10)	11	-	-	-	-	17	-	28
Capital reduction ¹	(800)	(1,095)	-	-	(389)	2,284	-	-
Balance at 1 January 2022	1,269	282	125	4	-	1,249	297	3,226
Total comprehensive income/(expense) for the year								
Profit for the year net of tax	-	-	-	-	-	103	-	103
Fair value losses net of tax	-	-	-	-	-	(1,087)	-	(1,087)
	-	-	-	-	-	(984)	-	(984)
Dividends – paid ² (note 7)	-	-	-	-	-	(12)	-	(12)
Tier 1 note redemption (note 11)	-	-	-	-	-	22	(297)	(275)
Shares issued for cash (note 10)	294	-	-	-	-	-	-	294
Balance at 31 December 2022	1,563	282	125	4	-	275	-	2,249

¹ A reduction of the Company's share capital of **£800m**, share premium of **£1,095m** and capital redemption reserve of **£389m** was effected in June 2021 by special resolution supported by a solvency statement which resulted in the creation of distributable reserves of **£2,284m**.

² For the dividends paid, please refer to the Group note 21.

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

Parent Company statement of financial position
As at 31 December 2022

Company number 02339826

	Note	2022 £m	2021 £m
Assets			
Investments in subsidiaries	8	2,595	2,405
Amounts owed by subsidiaries	6	63	1,408
Current tax assets	9	8	-
Other assets		71	1,408
Cash and cash equivalents		1	1
Total assets		2,667	3,814
Equity and liabilities			
Equity attributable to owners of the Parent Company		2,249	3,226
Liabilities			
Amounts owed to subsidiaries	6	234	403
Issued debt	12	166	165
Current tax liabilities	9	-	2
Accruals and other liabilities		18	18
Total liabilities		418	588
Total equity and liabilities		2,667	3,814

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

The profit for the year net of tax was **£103m** (2021: £6,038m profit).

The Parent Company financial statements were approved on 02 March 2023 by the Board of Directors and are signed on its behalf by:



Ken Anderson
Chief Financial Officer

Parent Company statement of cash flows
For the year ended 31 December 2022

	2022 £m	2021 £m
Cash flows from operating activities		
Profit for the year before tax	95	6,046
Adjustments for non-cash movements in net profit for the year		
Share-based payments	-	28
Other non-cash movements	10	10
Changes in operating assets/liabilities		
Movement in working capital	(10)	(31)
Reclassification of investment income and interest paid	(244)	(6,251)
Cash generated from investments		
Dividend income	137	6,210
Interest and other investment income	116	117
Tax (paid)/recovered	(2)	3
Net cash flows from operating activities	102	6,132
Cash flows from investing activities		
Purchase of shares in subsidiaries	(1,277)	(652)
Proceeds from sales of financial assets	-	3
Net movement in amounts owed by subsidiaries	16	121
Repayment of issued debt from subsidiaries	1,161	693
Net cash flows from investing activities	(100)	165
Cash flows from financing activities		
Proceeds from issue of share capital	294	1,304
Dividends paid to ordinary shareholders	-	(6,914)
Coupon payment on Tier 1 notes	(3)	(15)
Dividends paid to preference shareholders	(9)	(9)
Redemption of debt instruments	(275)	(642)
Interest paid	(9)	(23)
Net cash flows from financing activities	(2)	(6,299)
Net decrease in cash and cash equivalents	-	(2)
Cash and cash equivalents at the beginning of the year	1	3
Cash and cash equivalents at the end of the year	1	1

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

Notes to the Parent Company financial statements

1) Basis of preparation

RSA Insurance Group Limited (the Company) is incorporated in England and Wales and is the intermediate Parent Company of the RSA Group of companies with IFC being the ultimate Parent Company. The principal activity of the Company is to hold investments in its subsidiaries and the receipt and payment of dividends.

These Parent Company financial statements have been prepared on a going concern basis and in accordance with the UK-adopted IAS and the requirements of the Companies Act 2006.

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

In accordance with section 408 of the Companies Act 2006, the Company's income statement and related notes have not been presented in these Parent Company financial statements.

2) Significant accounting estimates and judgements

In preparing these Parent Company financial statements, management has made judgements in determining estimates in accordance with the Group's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The most significant estimate is in connection with fair valuing the investment in 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 economic benefits. Key assumptions relate to discount rate, growth rate and cash flows. Cash flows are based on the latest Board approved operational plan. Sensitivities have been used to assess the impact of changes in key assumptions on fair value, details of which can be found in note 8.

3) Adoption of new and revised accounting standards

There are no new and revised accounting standards that have or are expected to have an impact on the Company.

4) Significant accounting policies

The accounting policies that are used in the preparation of these Parent Company financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in the consolidated financial statements, with the exception of financial instruments where the Company is not permitted to defer the application of IFRS 9 'Financial Instruments'.

The accounting policies that are specific to the Parent Company financial statements are set out below.

Investments in subsidiaries

The Company designates its investments in directly owned subsidiaries at FVOCI as they are considered strategic in nature. The fair value is determined by applying the income approach which uses discounted cashflow valuation models for major operating entities and the net asset value for other smaller entities.

Changes in the fair value of the investments in subsidiaries are recognised directly in equity through the statement of OCI and are not reclassified through profit or loss on derecognition.

Amounts owed from subsidiaries

The Company accounts for amounts owed from subsidiaries at amortised cost and determines an ECL based on those default events that are possible within 12 months after the reporting date, or where the credit risk has increased significantly since initial recognition on the basis of all possible default events over the life of debt. Specifically, the probability of default is considered together with the expected subsequent loss. It has been concluded that the value of the ECL would be insignificant and so no ECL is recognised.

Dividend income

Dividend income from investment in subsidiaries is recognised when the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest rate method.

5) Risk and capital management

The Company's key risks are considered to be the same as those faced by the Group. Details of the key risks to the Group and the steps taken to manage them are disclosed in the risk and capital management section (note 6) of the consolidated financial statements.

6) Related party transactions

The following transactions were carried out with related parties:

RSA Insurance Group Limited provides benefits to its subsidiary companies operating within the UK and oversees in the form of share options and share awards to employees of subsidiaries. Costs are charged for annually, based on the underlying value of the awards granted calculated in accordance with the guidance set out within IFRS 2.

The amounts charged in respect of these services to the Company's subsidiaries totalled **£9m** (2021: £5m).

Provision of technical support in relation to risk management, information technology and reinsurance services are now provided by IFC, see note 17 of the consolidated Group Accounts. During 2021, these services were provided by RSA Insurance Group Limited on a cost plus basis, allowing for a margin of 7% (2021: 7%).

Key management compensation

	2022 £m	2021 £m
Short term employee benefits	9	15
Termination benefits	-	2
Share-based awards	4	12
Total	13	29

Transactions with parent company

The Company's parent company up to 20 September 2022 was Regent Bidco Limited, and thereafter Alberta Limited, both wholly owned subsidiaries of IFC, the ultimate controlling party.

During the year ended 31 December 2022, the following related party transactions have taken place with Regent Bidco Limited:

- On 27 March, the Group received a capital injection from Regent Bidco Limited of **£294m** to fund the repurchase of the Tier 1 notes.

Other related party transactions

Interest is receivable on interest bearing loans to subsidiaries, which are repayable on 24 hours written notice. The rates of interest charged during the period are at monthly average SONIA plus 0.80% margin.

Interest is payable on interest bearing loans from subsidiaries, which are repayable on 24 hours written notice. The rates of interest charged during the period are at monthly average SONIA plus 0.25% margin.

Interest income from subsidiaries is **£3m** (2021: £13m), and interest charged to subsidiaries is **£2m** (2021: £1m). Dividends of **£137m** were received from a subsidiary, Royal Insurance Holdings Limited, during the year (2021: £6,210m).

The company also incurred losses of **£11m** (2021: £9m) on foreign exchange derivatives with IFC.

Royal & Sun Alliance Insurance Limited (RSAI), a subsidiary of the Company, has provided guarantees to the Company's creditors for amounts arising from its issued debt agreements (as set out in note 37 to the consolidated financial statements) and for amounts arising from its committed credit facilities (as set out in note 38 to the consolidated financial statements). The guarantees relating to the issued debt agreements are subordinated to all other creditors of RSAI.

Related party balances

Year end balances with related parties are set out below:

	2022 £m	2021 £m
Receivable from related parties:		
Receivable from subsidiaries, interest bearing loans	3	1,164
Receivable from subsidiaries, non interest bearing loans	60	244
Total receivable from subsidiaries/related parties	63	1,408
Payable to related parties:		
Payable to subsidiaries, interest bearing loans	21	171
Payable to subsidiaries, non interest bearing loans	213	232
Total payable to subsidiaries	234	403
Payable to other related parties, derivative liabilities	-	9
Total payable to related parties	234	412

7) Dividends paid and proposed

Full details of the dividends paid and proposed by the Company are set out in note 21 to the consolidated financial statements.

8) Investments

	Debt securities £m	Subsidiaries £m	Total £m
Investments at 1 January 2021	360	6,276	6,636
Purchases	2	1,005	1,007
Disposals ¹	(354)	-	(354)
Total gains/(losses) recognised in:			
Income statement	4	-	4
Other comprehensive income	(12)	(4,876)	(4,888)
Investments at 31 December 2021	-	2,405	2,405
Purchases²	-	1,277	1,277
Total losses recognised in:	-	-	-
Other comprehensive income	-	(1,087)	(1,087)
Investments at 31 December 2022	-	2,595	2,595

¹The Company contributed its entire investment portfolio in debt securities of **£354m** to Royal Insurance Holdings Limited in exchange for ordinary shares.

²During the year, as part of an internal loan rationalisation exercise, the Company acquired 1 share from the subsidiary entity Royal Insurance Holdings Limited. The Company paid £1 for the share, along with a share premium of **£1,277m**.

Investments in subsidiaries

Fair value of the major operating entities is determined by applying the income approach. For other smaller entities, fair value is determined to be net asset value. The split of the total valuation between these two approaches is below.

	Net asset value £m	Income approach £m	Total fair value £m
Investments at 1 January 2022	162	2,243	2,405
Purchases	1,277	-	1,277
Fair value (losses)/gains in OCI	(1,434)	347	(1,087)
Investments at 31 December 2022	5	2,590	2,595

The valuation methodology described in this note was adopted when the Group was acquired by IFC on 1 June 2021. Comparative information is therefore not available for the above table.

The investments in subsidiaries are recognised in the statement of financial position at fair value measured in accordance with the Company's accounting policies. The Company's investments in subsidiaries are classified as level 3 financial assets. Fair value of the major operating entities has been calculated by applying the income approach which uses discounted cash flow valuation models to assess the present value of expected future economic 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 rate assumption. The forecast incorporates a contingency of £35m per annum, holds COR at 2023 forecast level plus 1%, and assumes ongoing investment return at current market yields.

The following sensitivity analysis has been performed to assess the impact of changes in key assumptions.

	Decrease in fair value through OCI	
	2022 £m	2021 £m
1% increase in discount rate	(314)	(277)
1% reduction in long-term growth rate	(236)	(188)
1% increase in combined operating ratio across all years ¹	(294)	(355)
1% reduction in investment return across all years	(264)	(174)

¹ Combined operating ratio (COR) is a measure of underwriting performance and is the ratio of underwriting costs expressed in relation to earned premiums.

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

9) Current and deferred tax

Current tax

	Asset		Liability	
	2022 £m	2021 £m	2022 £m	2021 £m
To be settled within 12 months	8	-	-	2

The movement in the net deferred tax assets recognised by the Company was as follows:

	2022 £m	2021 £m
Net deferred tax position at 1 January	-	4
Amount charged to income statement	-	(8)
Amount charged to other comprehensive income	-	3
Effect of change in tax rates - income statement	-	2
Effect of change in tax rates - other comprehensive income	-	(1)
Net deferred tax position at 31 December	-	-

No deferred tax has been recognised in respect of **£149m** (2021: £153m) of deferred tax reliefs, predominantly relating to tax losses of **£113m** (2021: **£115m**) and capital expenditure of **£36m** (2021: £36m), due to the unpredictability of future profit streams.

10) Share capital

Full details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

11) Tier 1 notes

Full details of the Tier 1 notes are set out in note 35 to the consolidated financial statements.

12) Issued debt

Full details of the issued debt of the Company are set out in note 37 to the consolidated financial statements.

13) Events after the reporting period

A capital injection was made into the Company on 27 February 2023 by IFC, via a subscription of one share in the Company at a premium of approximately £500m. On the same date, the Company made an equity injection for the same value into its wholly owned subsidiary Royal Insurance Holdings Limited.

Shareholder Information

Further information and help

The Company's corporate website provides a range of information about the Group's heritage, social and environmental responsibilities and pre-Acquisition investor information such as the Group's financial statements, historic share prices, historic Annual General Meeting (AGM) materials, events, governance information and answers to frequently asked questions in respect of shareholder matters, including the Acquisition. Visit the investor website at www.rsagroup.com/investors for further information.

The Company's share register is maintained by Equiniti Limited (Equiniti). Any administrative enquiries relating to shareholdings, such as dividend payment instructions or a change of address, should be notified to:

- Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
- Telephone: 0371 384 2048
- To securely email Equiniti with an enquiry, visit www.shareview.co.uk.

When contacting Equiniti, please quote your shareholder reference number which can be found on your share certificate or dividend documents. Telephone lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Managing your shareholding

Information on how to manage your shareholding can be found at www.shareview.co.uk.

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name may contact Equiniti to request that their accounts be amalgamated.

Electronic communications

You can elect to receive email notification of shareholder communications by registering at www.shareview.co.uk, where you can also set up a bank mandate to receive dividends directly to your bank account. Shareholders may elect to receive a printed copy of the Annual Report and Accounts at any time by contacting Equiniti.

Low-cost share dealing facilities

Shareholders may purchase or sell their RSA Preference Shares through their stockbroker, a high street bank or one of the providers detailed below. Equiniti offers a telephone and internet dealing service. Commission is 1.5% (rate quoted as at 21 Feb 2023 and may be subject to change) on amounts up to £50,000 and 0.25% on the excess thereafter, with a minimum charge of £60 for telephone dealing and £45 for internet dealing. For telephone sales, call +44(0) 345 6037 037. Lines are open 8.30am to 4.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales. For internet sales log on to www.shareview.co.uk/dealing. Please quote your shareholder reference number.

Preference Share Dividends

Shareholders are encouraged to have their dividends paid directly into their bank account. It is a more secure and faster way to receive dividend payments, with cleared funds available to shareholders on the dividend payment date. Shareholders who have their dividends paid directly into their bank account receive annual dividend confirmations once a year, showing payments received in the respective tax year. Alternatively, individual dividend confirmations are available upon request. To take advantage of this convenient method of payment, visit www.shareview.co.uk or contact Equiniti.

Financial calendar

16 March 2023

Ex-dividend date for the first preference dividend for 2023

17 March 2023

Record date for the first preference dividend for 2023

3 April 2022

Payment date for the first preference dividend for 2023

4 August 2022*

Announcement of the half-year results for the six months ended 30 June 2023

17 August 2022*

Ex-dividend date for the second preference dividend for 2023

18 August 2022*

Record date for the second preference dividend for 2023

2 October 2023*

Payment date for the second preference dividend for 2023

* Provisional date

Shareholder information

Share register fraud: protecting your investment

UK law requires that our shareholder register is available for public inspection. We are unable to control the use of information obtained by persons inspecting the register. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. Always be wary if you're contacted out of the blue (by telephone, email, post or in person) and pressured to invest quickly or promised returns that sound too good to be true. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. If you receive any unsolicited advice, make sure you get the correct name of the person and organisation and check that they are appropriately authorised by the FCA by visiting www.fca.org.uk/scamsmart. It is advisable to check the URL on websites and check the contact details of a firm in case it's a 'clone firm' pretending to be a real firm, such as your bank or a genuine investment firm. More information on protecting your investment can be found at www.fca.org.uk/consumers. If you do receive a fraudulent approach, please advise the FCA using the share fraud reporting form at www.fca.org.uk/scams or call the FCA Consumer Helpline on 0800 111 6768.

Tips on protecting your shares

- Keep any documentation that contains your shareholder reference number in a safe place and destroy any documentation you no longer require by shredding.
- Inform Equiniti promptly when you change your address.
- Be aware of dividend payment dates and contact Equiniti if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account.
- Consider holding your shares electronically in a CREST account via a nominee account or in the Corporate Sponsored Nominee.

IMPORTANT DISCLAIMER This document contains 'forward-looking statements' with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'aim', 'outlook', 'believe', 'plan', 'seek', 'continue', 'potential', 'target', 'reasonably possible' or similar expressions, are intended to identify forward-looking statements. By their nature, all forward-looking statements involve risk and uncertainty because they relate to, and may be impacted by, future events and circumstances which are beyond the Group's control, including amongst other things, UK domestic, European and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governments, central banks and regulatory authorities (including changes related to capital and solvency requirements whether in the UK, Europe or globally), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation or regulations in the jurisdictions in which the Group and its affiliates operate. The Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in such forward-looking statements and, as a result, these forward-looking statements are not guarantees of future performance of the Group and undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Neither the content of RSA's website nor the content of any other website accessible from hyperlinks on RSA's website is incorporated into, or forms part of, this document.

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