

RSA Insurance Group Limited

an **[intact]** company

Solvency and Financial Condition Report (SFCR) 2023



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Introduction

RSA Insurance Group Limited (referred to in this report as “the Company” or “RSAIG”) is a limited company incorporated and domiciled in England and Wales and, through its subsidiaries (together referred to in this report as “the Group” or “RSA”), provides commercial lines insurance, specialist commercial lines insurance, personal property insurance and pet insurance, operating in the United Kingdom (UK), Ireland, and Continental Europe.

The Solvency II regulatory framework (SII), which governs industry regulation and prudential capital requirements within the European Union (EU) and the UK, became effective from 1 January 2016. For the year ended 31 December 2023, the Group has prepared its reporting in line with the requirements of the SII regime enacted in the UK. The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the SII regulatory framework for the Group.

RSA Insurance Group Limited

RSAIG is a wholly owned subsidiary of Intact Financial Corporation (IFC), a public company incorporated in Canada.

At 31 December 2023, RSAIG was wholly owned by 2283485 Alberta Limited. The Group sections of the 2023 SFCR represent the consolidated position of RSAIG and its subsidiaries. Figures in all sections of the report for the Group therefore represent the consolidated position of the Group’s parent company, RSAIG, and all subsidiaries held at 31 December 2023.

This report sets out aspects of the Group’s business performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices, as prescribed by the SII regulatory framework. Where information that is required to be reported by SII is not applicable to the Group, the report contains the heading, with a note to explain the rationale for its exclusion.

For further details of abbreviations and terms used in this report, see Appendix 7.

Subsidiaries

This Group SFCR also covers information on the solvency and financial condition of the Group’s three UK regulated insurance and reinsurance subsidiaries that are themselves subject to SII. This information is set out in Appendices 2, 3 and 4 of this report.

The three UK subsidiaries are:

- Royal & Sun Alliance Insurance Limited (RSAI)
- Royal & Sun Alliance Reinsurance Limited (RSA Re)
- The Marine Insurance Company Limited (MIC)

RSAI, RSA Re and MIC are legal entities meeting all relevant regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the Group as a whole.

As at 31 December 2023 the Group has two non-UK insurance subsidiaries that are subject to the SII regulatory framework within the European Union and these companies publish their own SFCRs:

- RSA Insurance Ireland DAC
- RSA Luxembourg S.A.

Transitional and long-term guarantee measures

The only SII transitional measure that is applied is with respect to the Group's debt arrangements as referred to in Rule 4.1 of the Transitional Measures Part of the PRA Rulebook applicable to SII firms. Further information relating to this transitional measure is shown in section E.1.6 of this report.

The only long-term guarantee measure that is applied is the volatility adjustment as referred to in Regulation 43 of the Solvency 2 Regulations 2015. Further information relating to this measure is shown in section D.2.4 of this report.

As a general insurance business, during the year the Group has not placed any reliance on the matching adjustment as referred to in Regulation 42 of the Solvency 2 Regulations 2015. Consequently, there will be no information regarding this measure in this report.

Summary

The principal activity of the Group is the transaction of insurance and related financial services predominantly in the UK, Ireland, and Continental Europe.

Business and performance

Underwriting result

Comparatives are restated following the adoption of IFRS 17 - Insurance Contracts (IFRS 17) on 1 January 2023.

Total Group underwriting profit was £77m (2022: restated £60m).

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

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

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

On 6 September 2023, the Group announced that it had entered into an agreement to acquire the brokered Commercial Lines operations of Direct Line Group (DLG), a property and casualty (P&C) insurer with leading market positions in the UK (the DLG brokered Commercial Lines acquisition). The acquisition will strengthen the Group's Commercial Lines platform, broaden its broker distribution network and expand its current Commercial Lines product offering. The purchase price includes an initial cash consideration of £520m paid on 26 October 2023, with potential for up to a further £30m contingent payment under earnout provisions relating to the financial performance of the quota share arrangement transferring all the future economics of the business.

For details of the Group's business and performance, including Underwriting and Investment performance see Section A.

System of Governance

RSA's System of Governance falls under the umbrella of the IFC group governance framework and promotes the safety and soundness of RSA for the benefit of its ultimate shareholder IFC, customers, employees and other stakeholders. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision making, good procedures and strong controls. The components of the System of Governance result in a clear allocation and appropriate segregation of responsibilities and the effective transmission of information internally and externally. Details about this and changes during the year are provided in Section B.

Risk profile

RSA's risk management and control frameworks were created to ensure that risks across the Group are identified, measured and managed before they adversely impact on customers or the business. See Section B.3.1 for further details of the Group's risk management system.

The Group is exposed to the following main categories of risk:

- Financial risk, including capital, market and credit, and liquidity risk
- Insurance risk, including catastrophe and reinsurance, and underwriting risk
- Operational risk, including customer risk

The Group quantifies its exposure to different types of risk as part of its Solvency Capital Requirement (SCR) calculation, details of which can be seen in Quantitative Reporting Template (QRT) S.25.03 in Appendix 8.

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

The economic climate remains challenging, with inflation levels still high and very low levels of economic growth. This combination has continued to contribute to higher claims and repair costs, increased liabilities, reduced consumer spending and political tensions. The Group will continue to monitor changes in wider macroeconomic conditions to ensure pricing and investment strategies are adapted appropriately in response.

See Section C for further details regarding the Group's risk profile.

Valuation for solvency purposes

Section D sets out details regarding the basis of preparation and assumptions used in the valuation of assets, technical provisions and other liabilities for SII, as well as a description of the differences between these and International Financial Reporting Standards (IFRS).

At 31 December 2023, the Group's excess of assets over liabilities on an SII basis was £1,844m.

Recognition and valuation bases have been used and estimation approaches have been applied consistently during the period, noting the change in risk margin below.

With effect from 31 December 2023 a statutory instrument, SI 2023/1346, came into effect which resulted in changes to the formula used for the calculation of the risk margin. The impact of the reforms had the impact of improving RSA own funds by approximately £90m. For further information regarding this, refer to the capital management section below.

Capital management

Capital Position

Solvency II position	Requirement (SCR) (unaudited) £m	Eligible Own Funds £m	Surplus (unaudited) £m	Coverage (unaudited) %
31 December 2023	1,285	2,118	833	165%

The SII coverage ratio was 165% at 31 December 2023.

Capital activity

RSA operates a programme of continuous development in relation to the internal model and a Group-level regulatory approval was received in 2023 as part of the change in control process.

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

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

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

The buy-in transaction was funded through the injection of share capital from the Group's immediate parent company, 2283485 Alberta Limited of £480m. In addition, the annual pension deficit funding contribution of £75m was paid in January 2023.

The transaction is positive from a SII perspective:

- Insuring all pension benefits removes the remaining market and longevity risks associated with the Schemes.
- In addition, no further deficit funding is required, thereby improving free capital generation.
- The transaction results in a material change to the risk profile of the Group and, as such, approval has been received for a Major Model Change during 2023 which reduced the SCR by approximately £90m.

In May 2023 the Prudential Regulation Authority (PRA) reapproved the Ancillary Own Funds (AOF) item for RSA with effect from 8th July 2023 for a period of three years. The item comprises £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in the Group's solvency calculations, subject to eligibility rules, however, it does not count towards covering the Group Minimum consolidated group Solvency Capital Requirement (MSCR). For further information regarding AOF, refer to section E.

In June 2023 RSA repurchased and cancelled £40m (nominal value) of its fixed rate Tier 2 dated guaranteed subordinated bonds (remaining notional £120m). The bonds were partially redeemed at their principal amount together with accrued and unpaid interest. The redemption was fully funded via an equity capital injection of approximately £40m from the Group's immediate parent company, 2283485 Alberta Limited. The transaction has no impact on the total capital position of the Group, however the replacement of Tier 2 own funds with equity (unrestricted Tier 1) improves the quality of capital.

On 26 October, the Group received a capital injection from its immediate parent company, 2283485 Alberta Limited, of £565m to fund the initial purchase price of £520m, and expected integration costs of approximately £45m, related to the purchase of DLG's brokered Commercial lines business. The transaction results in a material increase in SCR of approximately £230m which predominantly reflects the changes in risk profile of the Group as a result of the acquisition.

On 31 December 2023 a statutory instrument, SI 2023/1346, came into effect which made the following changes to the formula used for calculation of the risk margin. The impact of the reforms had the impact of improving RSA own funds by approximately £90m.

1. A reduction in cost of capital from 6% to 4%.
2. The introduction of a tapering factor of 0.975 (with a floor of 0.25) on life obligations which impacts settled and Potential Periodic Payment Orders (PPOs) for RSA.

A. Business and Performance

In this section

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

A.1 Business

A.1.1 Company name & legal form

RSAIG is a private limited company incorporated in England and Wales. RSAIG is ultimately owned by IFC, a public company incorporated in Canada. RSAIG together with its subsidiaries make up the Group which is covered by this SFCR.

A.1.2 Supervisory authority

The PRA is the authority responsible for prudential supervision of the Group. The contact details of the PRA are as follows:

PRA
20 Moorgate
London
EC2R 6DA

Telephone: 020 3461 4444

Website: <https://www.bankofengland.co.uk/prudential-regulation>

A.1.3 External auditor

The external auditor of the Group is:

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Telephone: 020 7311 1000

A.1.4 Holders of qualifying holdings

RSAIG's sole shareholder is 2283485 Alberta Limited, a company incorporated in Alberta, Canada.

A.1.5 Position within the Group legal structure

RSAIG is the parent company of the Group and is ultimately owned by IFC.

A.1.5.1 Group structure

Please see the following sections of this report:

- Section A.1.7 for the simplified Group Structure
- Appendix 1 for a list of all branches
- Appendix 8, QRT S.32.01.22 (Undertakings in the scope of the group) for further details of each subsidiary and associate

Refer to Appendix A of RSAIG's 2023 Consolidated financial statements for a list of all subsidiaries and associates.

Refer to note 32.4 of IFC's Consolidated financial statements for significant operating entities which share common ownership with the Group.

See Section B for details of the Group's governance structure.

Organisational structure

The Group operates in the UK, Ireland and Continental Europe. Each region is managed by a member of the UK and International (known as UK&I) Executive Committee who is directly accountable to the UK&I Chief Executive Officer (CEO) and the Board of RSAIG.

The UK is the Group's country of domicile and one of its principal markets.

A.1.6 Material related undertakings

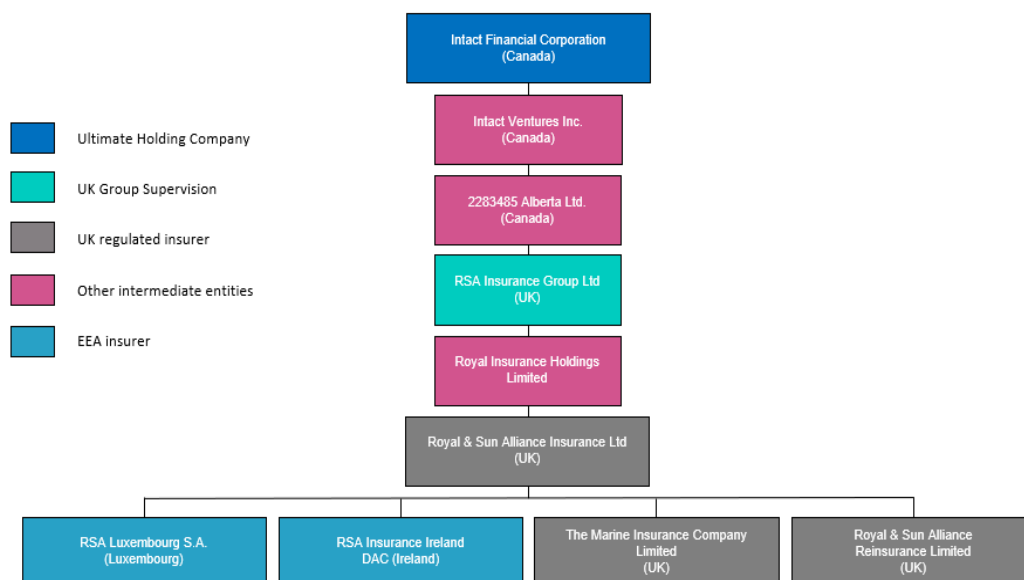
See Appendix A of RSAIG's 2023 Consolidated financial statements for a list of all subsidiaries and associates of the Group.

Refer to Note 32.4 of Intact Financial Corporation's Consolidated financial statements for significant operating entities which share common ownership with the Group.

Material related undertakings of the Group are listed below (no branches are material) – all are companies limited by shares:

Country	Name
Guernsey	Insurance Corporation of the Channel Islands Limited
Ireland	RSA Insurance Ireland DAC
Isle of Man	Tower Insurance Company Limited
Luxembourg	RSA Luxembourg S.A.
United Kingdom	Royal & Sun Alliance Insurance Limited
United Kingdom	Royal & Sun Alliance Reinsurance Limited
United Kingdom	Royal Insurance Holdings Limited
United Kingdom	Royal International Insurance Holdings Limited
United Kingdom	RSA Insurance Ireland Designated Activity Company UK Branch
United Kingdom	Royal Insurance (U.K.) Limited
United Kingdom	RSA Accident Repairs Limited
United Kingdom	Sun Alliance Insurance Overseas Limited
United Kingdom	Sun Alliance Mortgage Company Limited
United Kingdom	The Globe Insurance Company Limited
United Kingdom	The London Assurance
United Kingdom	The Marine Insurance Company Limited

A.1.7 Simplified Group structure



A.1.8 Business lines and geographical areas

The Group's material lines of business and material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK
International (comprising Ireland and Europe)
Line of businesses – non-life
Miscellaneous Financial Loss
Motor vehicle liability
Other Motor
Marine, aviation and transport
Fire and other damage to property
General liability

A.1.9 Significant events

On 27 February 2023, the Group announced that the Trustees of its two major defined benefit pension plans had entered into an agreement with PIC, a specialist insurer of defined benefit pension plans, to purchase annuity buy-in insurance contracts (the buy-ins) as part of their de-risking strategy. At the transaction date, the plans transferred the majority of their plan assets and an upfront contribution of £481m to PIC.

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

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

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

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

A.1.10 Group operations & transactions within the Group

See Section D. for information on the method and scope of group consolidation.

Other significant intra-group transactions occurring between entities in the Group include:

Dividends

Dividends are paid by various Group companies to their respective parents as part of normal Group treasury management and capital optimisation.

During the year, dividends of £273m were received from a subsidiary company, Royal Insurance Holdings Limited and £5m from a subsidiary company, Sun Alliance Mortgage Company Limited.

During 2023 an RSA Group-wide project was undertaken to rationalise the intra-group loan position and as a result RSAI received £294m of dividends.

Please refer to Note 40 of RSAIG's Consolidated financial statements, the Business Review within the Strategic Report of RSAIG's Consolidated financial statements and the Strategic Report and Note 37 of RSAI's financial statements for further details.

Intercompany loans

A number of statutory entities within the Group have entered into intercompany loan agreements as part of the Group's cash management strategy or for other general corporate purposes.

Derivatives

RSAI continued to enter into derivative transactions with The Globe Insurance Company Limited and RSA Luxembourg S.A. during the year. Derivatives are entered into for the purpose of reducing foreign exchange risk in net investments in certain overseas subsidiaries.

Reinsurance excess of loss and quota share treaties

RSAI has continued to provide capital support to RSA Insurance Ireland Designed Activity Company via an Adverse Development Cover (ADC) for reserves existing up to the end of 2014 and a Quota Share for 2015 business onwards. The Adverse Development Cover has an attachment point of €400m and a limit of €325m for a premium of €250m.

RSAI has an 80% quota share agreement with RSA Luxembourg S.A. for reserves existing up to end-2018 and for 2019 business onwards. This agreement covers all classes of business.

Expense reimbursement

RSAI reimbursed RSA Accident Repairs Limited £202m for motor claim expenses incurred during the year ended 31 December 2023.

Guarantees

RSAI has issued guarantees in favour of RSAIG in respect of the following:

- The US \$9m 8.95% subordinated guaranteed bonds due 15 October 2029; and
- The issue of £120m 5.125% fixed rate reset guaranteed subordinated notes due 2045. There is an option to repay the notes on specific dates from 10 October 2025.

On 13 November 2023 RSAI provided an unlimited parental guarantee to RSA Re to cover of its liabilities arising from its Global Network activity.

A.2 Underwriting performance

The underwriting result for the period by material SII lines of business is shown below and is calculated on the same basis as the RSAIG underwriting result as shown in the Alternative Performance Measures section of its Consolidated financial statements. Refer to the Jargon Buster section of RSAIG's Consolidated financial statements for further details.

Geographical analysis of the underwriting result is included in note 30 of RSAIG's Consolidated financial statements.

	Net Written Premium		Underwriting Result	
	2023	2022	2023	2022 (Restated for IFRS17)
	£m	£m	£m	£m
Non-life				
Fire and Other Damage to Property	1,673	1,386	-	18
Motor Vehicle Liability	409	572	(32)	(26)
Other Motor	224	219	(31)	(68)
Marine, Aviation and Transport	252	249	51	65
General Liability	495	419	104	71
Miscellaneous Financial Loss	282	247	-	-
Total Material Lines of Business	3,335	3,092	92	60
Non-Material	12	18	(5)	3
Total Non-Life	3,347	3,110	87	63
Total Life/Annuities	-	-	(10)	(3)
Total	3,347	3,110	77	60

The SII line of business view takes the RSAIG underwriting result but splits it along regulatory risk lines.

Consequently, the Commercial and Personal distinction is lost as these channels are combined, whilst some other lines are disaggregated further as different types of risk may be included within one product.

Total life/annuities refers to PPOs, shown separately under SII risk lines.

Household and Commercial Property are combined to form Fire and Other Damage to Property. 2023 was a marginal profit with several major impacts in the year, these included: Q4 European windstorms with significant flooding and wind damage (Babet, Ciaran and Debi), a material deterioration in the 2022 Freeze event and continued inflationary pressure on claims costs (particularly escape of water). This was partially offset by favourable prior year development.

Personal and Commercial Motor are combined and then split into Motor Vehicle Liability and Other Motor (Property damage). Q4 results included DLG's brokered Commercial Lines business under a quota share arrangement with full integration during 2024. The deterioration in the result across UK and Ireland has been driven mainly by inflationary pressures on claims, a number of large injury claims, and shortfalls in premium revenue following the exit of Personal Lines Motor.

UK and Europe Marine is the key contributor of the Marine, Aviation and Transport line. Deterioration in results is largely due to volatility with 2022 being a relatively benign year for weather events and large losses compared to 2023, which is closer to the long-term average. Underlying performance remains strong following portfolio improvement actions taken on European Marine books including the exits of Scandinavian Hull and French Subsea businesses.

General liability is largely from the Group's Commercial Liability portfolio and some elements of Commercial Property. 2023 is benefitting from top-line growth following the introduction of two new MGAs in UK Specialty, continued strong performance in Profin and the run-off of unprofitable Specialty Construction business.

Within Non Material, the 2023 loss is driven by non-proportional reinsurance.

A.3 Investment performance

A.3.1 Income and expenses by class

A summary of the gross investment income, net realised and net unrealised gains/(losses) included in the income statement is given below:

Years ended 31 December	2023 (IFRS 9) £m	2022 (IAS 39) £m
Interest income calculated using the effective interest method:		
Debt securities designated or classified as FVTOCI ¹	64	-
Debt securities classified as AFS ²	-	112
Loans and cash and cash equivalents	25	1
Interest and similar income on securities designated as FVTPL	57	4
Interest or similar income on securities mandatorily measured as FVTPL	25	-
Interest income	171	117
Dividend income:		
AFS ²	-	14
FVTPL	11	-
Dividend income	11	14
Investment property rental income	12	14
Investment income	194	145

¹ Not applicable for the year ended 31 December 2022, as related to IFRS 9.

²Not applicable for the year ended 31 December 2023, as related to IAS 39.

A summary of the investment management expenses by asset class is given below:

	2023 £m	2022 £m
Investment property	(1)	(1)
Equity securities	-	-
Debt securities	(7)	(6)
Loans and receivables	(1)	(1)
Total investment management expenses	(9)	(8)

A.3.2 Gains and losses recognised in equity

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

Years ended 31 December	2023 (IFRS 9)			2022 (IAS 39)		
	Fixed income	Equity and property	Total	Fixed income	Equity and property	Total
	£m	£m	£m	£m	£m	£m
Net gains/(losses) from:						
Financial instruments:						
Classified or designated as FVTOCI ¹	92	-	92	-	-	-
Classified as AFS ²	-	-	-	(436)	(20)	(456)
Designated or mandatorily measured as FVTPL	56	7	63	-	-	-
	148	7	155	(436)	(20)	(456)
Derivatives ³	-	-	-	-	11	11
Investment property	-	(9)	(9)	-	(27)	(27)
Net foreign currency gains/(losses)	(47)	1	(46)	75	-	75
ECL expense	(1)	-	(1)	-	-	-
Impairment losses from equities ²	-	(1)	(1)	-	(10)	(10)
Other	-	1	1	-	1	1
	100	(1)	99	(361)	(45)	(406)
Recognised in:						
Consolidated income statement	8	(1)	7	75	(25)	50
Consolidated statement of comprehensive income	92	-	92	(436)	(20)	(456)
Total gains/(losses) on investment portfolio	100	(1)	99	(361)	(45)	(406)

¹ Not applicable for the year ended 31 December 2022, as related to IFRS 9.

² Not applicable for the year ended 31 December 2023, as related to IAS 39.

³ Excluding foreign currency contracts, which are recognised in Net foreign currency gains/(losses) on investments. Derivatives are mandatorily measured at FVTPL, except when part of a documented hedging arrangement.

A.3.3 Investments in securitisation

The Group invests in securitised investments, whereby the credit risk associated with an exposure, or pool of exposures, is tranching and the payments associated with this investment are dependent on the performance of the exposure, or pool of exposures, and the subordination of tranches determines the distribution of losses during the ongoing life of the investment. These investments are created and managed by external specialist investment managers. The use of these products allows the Group to broaden the diversification of its investment portfolio in a cost-efficient manner.

The Group's exposure to securitised investments at 31 December 2023 is summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Exposure	
		2023 £m	2022 £m
Collateralised Loan Obligations and Asset Backed Securities	Structured debt security backed by loans or receivables	235	250

A.4 Performance of other activities

A.4.1 Other material income & expenses

For details of other material income and expenses, see notes 25-26 and 37 of the RSAIG consolidated financial statements.

A.4.2 Operating and finance leasing arrangements

The Group acts as lessee and lessor in a number of lease arrangements across each of its core regions. All leases have been entered in to by RSAIG or its subsidiaries.

For further details of the Group's leasing arrangements, see note 34 of RSAIG's 2023 Consolidated financial statements.

A.5 Any other information

Nothing to report.

B. System of Governance

In this section

- B.1 General information on the System of Governance
- B.2 Fit and proper requirements
- B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Any other information

Purpose of RSA's System of Governance

RSA's System of Governance falls under the umbrella of the IFC group governance framework and promotes the safety and soundness of RSA for the benefit of its ultimate shareholder IFC, customers, employees and other stakeholders. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision making, good procedures and strong controls. The components of the System of Governance result in a clear allocation and appropriate segregation of responsibilities and the effective transmission of information internally and externally.

B.1 General information on the System of Governance

B.1.1 Board structure

RSA's business is overseen by a single Board of Directors. A minimum of fifty percent of the Board are independent Non-Executive Directors. The Chair meets regularly with the other Non-Executive Directors individually and collectively without the Executive Directors being present.

The Board may exercise all the powers of the relevant company subject to the Memorandum and Articles of Association, relevant laws, and any directions as may be given by shareholder resolution. The directors may delegate any of their powers or discretions to committees except for matters specifically reserved for the whole Board. The schedules of matters reserved for the shareholder and for the Board as a whole are reviewed annually and held by Company Secretariat.

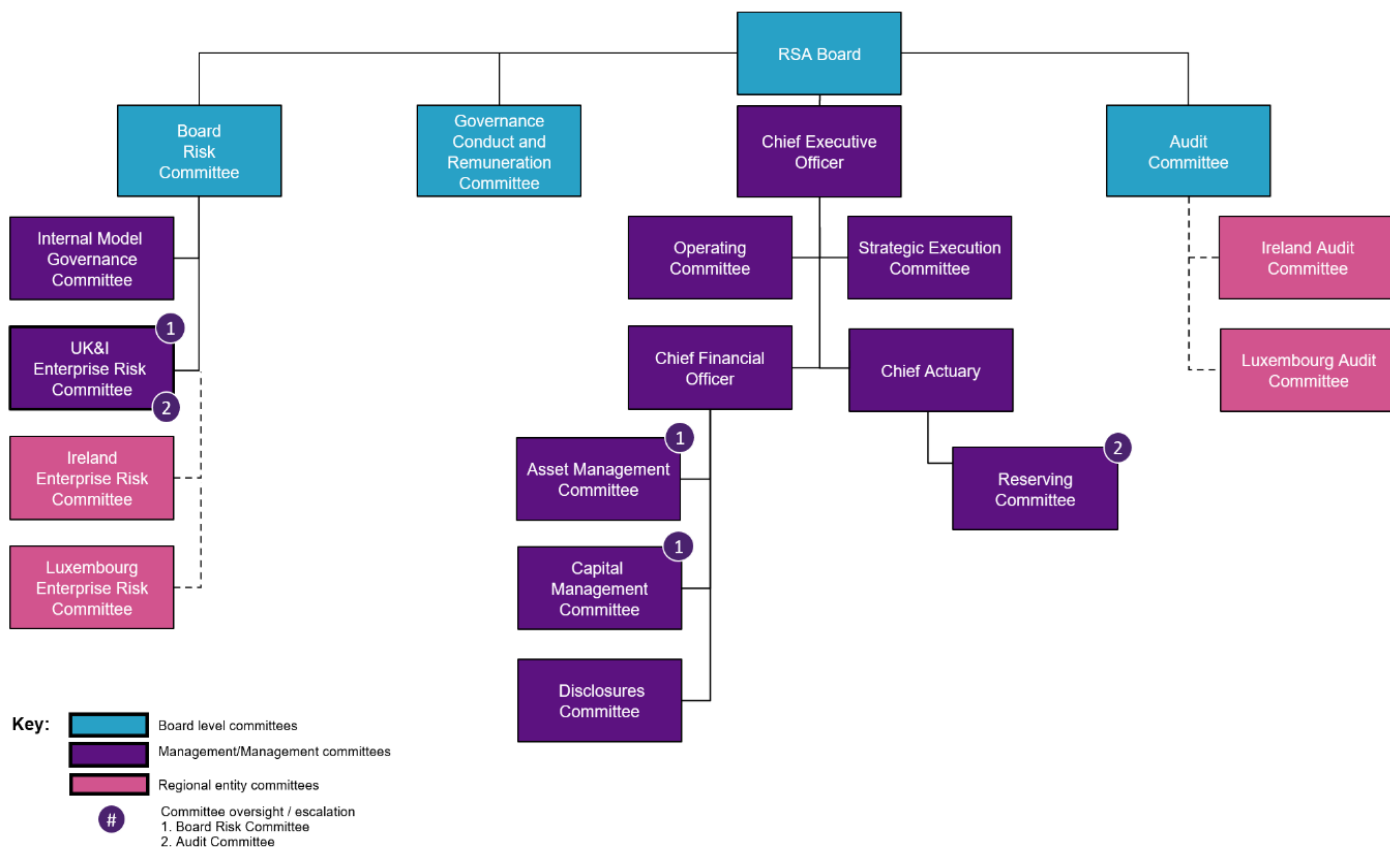
The Board promotes high standards of corporate governance and conduct throughout RSA. It also plays a key role in relation to culture, aligning culture with IFC's purpose, values and strategy and aligning policies and practices with IFC's values. RSA's senior leaders are responsible for embedding culture throughout RSA and then escalating any cultural 'red flags'. The Chair is responsible for ensuring a formal and rigorous evaluation of Board effectiveness is undertaken on an annual basis.

The Board is accountable to RSA's ultimate shareholder IFC, for the creation and delivery of sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board believes that open and collaborative dialogue and interaction with all of its stakeholders is in the best interests of the Group and helps RSA to make a positive contribution to society. The Board meets frequently and is responsible for organising and directing the affairs of RSA in a manner that will promote the success of RSA and is consistent with good corporate governance practice, ensuring that in carrying out their duties, the companies meet legal and regulatory requirements. RSA's website can be found at www.rsainsurance.co.uk. The website hosts copies of the RSAIG Consolidated financial statements and other publicly available information.

Board Directors have access to the services and advice of the UK&I General Counsel and Company Secretary and in addition may take independent professional advice at the expense of the company in furtherance of their duties.

The Board sets annual objectives for the RSA businesses in line with the current IFC and RSA strategy and monitors the achievement of RSA's objectives through regular reports which include updates from the UK&I Executive team, the UK&I CEO and the UK&I CFO on all material business matters.

The RSA Board committees, RSA's executive committees and regional entity committees and the relationships between them, are shown below:

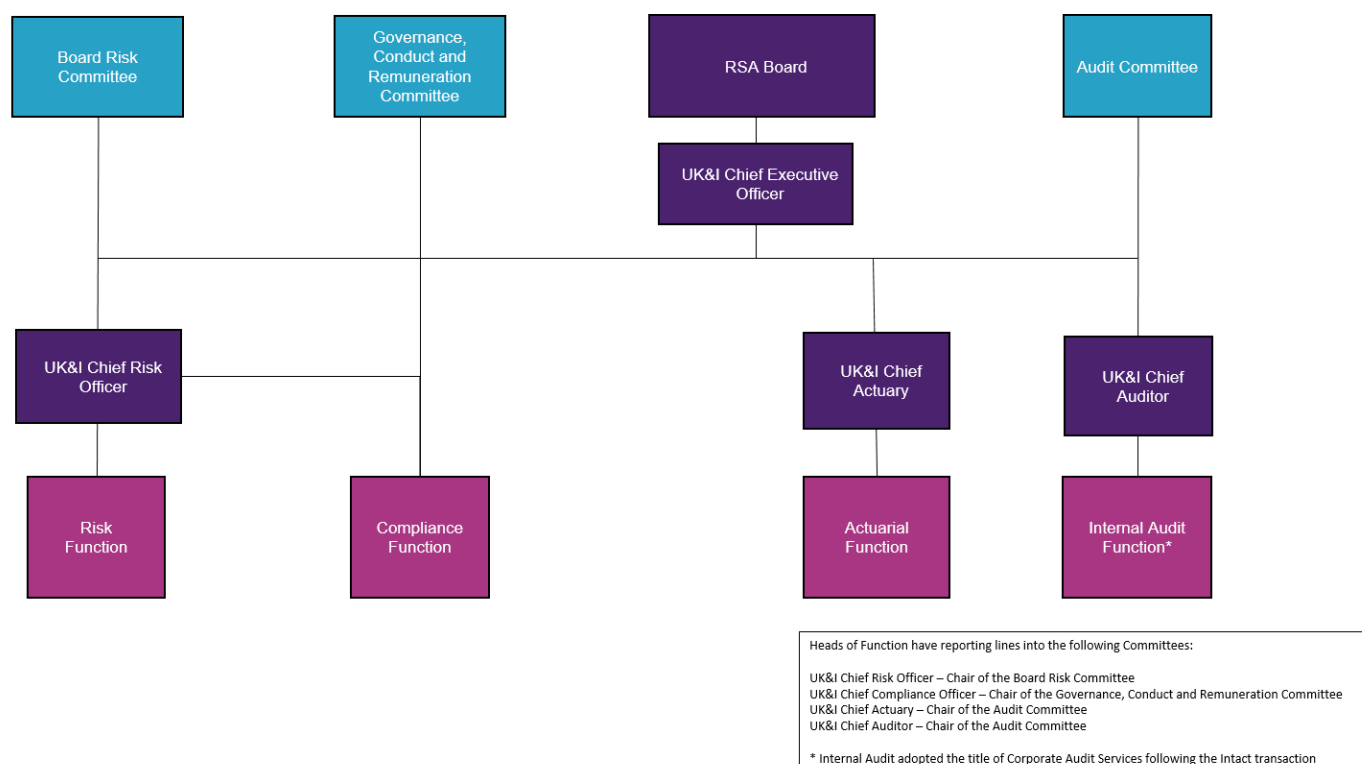


The role and responsibilities of each Board level committee can be found in section B.1.2 of this SFCR.

B.1.2 Independent Key Functions

The diagram below of the RSA Executive Management structure shows the senior management and the day-to-day reporting lines of those functions which the Board has determined to be Independent Key Functions: Risk, Compliance, Actuarial and Internal Audit.

The Boards of RSAI and RSAIG are referred to collectively as the “RSA Board”.



The Audit Committee is responsible for assisting RSA’s Board of Directors in discharging its responsibilities in relation to:

- Coordination and oversight of the integrity of the financial statements for the RSA companies.
- Oversight and challenge of the effectiveness of the systems of internal control for RSA; and
- Oversight of the effectiveness and objectivity of the internal and external auditors.

Each year, the Audit Committee shall have at least one meeting (or part thereof) with the external auditor, the UK&I Chief Actuary and the UK&I Chief Auditor without any employed executives who are members of the Board or management being present.

The Board Risk Committee (BRC) supports the Board in ensuring the key risks to RSA companies are identified and understood, effectively managed within risk appetite with regard to the views and interests of its stakeholders and are appropriately reflected in the Internal Model. The following specific responsibilities have been delegated to the BRC to assist the Board in discharging its responsibilities:

- Advising the Board on risk management matters, including solvency needs.
- Overseeing and advising the Board on RSA’s risk management arrangements.

- 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 appetite.
- Approval of the Risk Management Plan.
- Reviewing the outputs of the ORSA, the internal model - making recommendations to the Board on capital adequacy and the ORSA Report.
- Reviewing the investment strategy framework and investment portfolio disposition and performance to ensure these remain within risk appetite and consistent with the Company's investment strategy; and
- Oversight of the Risk function.

Each year, the BRC shall have at least one meeting (or part thereof) with the UK&I Chief Risk Officer (CRO) in the absence of other members of executive management. In addition, the UK&I CRO shall be offered direct access to the BRC Committee Chair and the Chair of the Board.

The Governance, Conduct and Remuneration Committee (GCR) is responsible for assisting the Board in discharging its responsibilities in relation to oversight of the:

- Governance and the conduct framework of the companies.
- Compliance function and the compliance framework of the companies.
- Review and monitoring of the application of the Group's Conduct Framework and the performance of its conduct agenda, including how good outcomes are delivered for its customers.
- Environmental, Social and Governance Framework priorities and disclosures; and
- Remuneration principles, policy and practices, including determination of the remuneration of the Chair of the Board, the Executive Directors and other senior executives.

Each year, the GCR shall have at least one meeting (or part thereof) with the UK&I CRO, the UK&I Chief Compliance Officer (CCO) and the UK&I Chief Operations Officer (COO) in the absence of other members of executive management. In addition, the UK&I CRO, the UK&I CCO and the UK&I COO shall be offered direct access to the Committee Chair and the Chair of the Board.

Each year, at the request of the Chair of the Board or the respective Committee Chairs, the Committees may hold a joint meeting with the BRC, the Audit Committee and/or the Governance, Conduct and Remuneration Committee.

Board committees operate on behalf of the Group and RSAI and this is made clear within their Terms of Reference.

Those working in the Key Governance Functions in the UK/EEA entities are subject to the provisions of the Fit & Proper Governance Document as described in Section B.2 below.

B.1.3 Changes in System of Governance

There were no changes to the Group's System of Governance (SOG) during the reporting period.

B.1.4 Principles of remuneration policy

The Group ensures that it has appropriate remuneration arrangements through the adoption of a remuneration policy. This policy outlines the Group's overall approach to remuneration, and also the governance framework for making remuneration decisions.

The policy 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 the long-term interests of the Group and its shareholders.

The policy establishes over-arching principles and standards to guide local remuneration decision-making, which is aligned to local market norms and regulations. These principles are based around alignment to long-term Company success, pay-for-performance and risk alignment. A total reward approach is used to support talent attraction and retention, such that the reward framework includes both fixed remuneration elements (reflecting an employee's professional experience and responsibility, and can include elements such as base salary, benefits and pension), and variable remuneration elements (which can be awarded to eligible employees, reflecting performance).

The policy establishes specific remuneration provisions for jobholders whose professional activities have a material impact on the risk profile, or have accountability for Key Governance Functions. These provisions are intended to promote effective risk management and include:

- The balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration).
- The design of incentive plans to encourage performance within the Group's risk appetite, including the consideration of material risk factors in incentive award decisions, the operation of deferral and malus adjustments and the operation of clawback provisions for Executive Directors, and customised arrangements for those accountable for Key Governance Functions to preserve the independence of their roles.
- Arrangements to avoid reward for failure in termination payments, and to exclude personal hedging strategy usage.

Governance measures aimed at avoiding conflicts of interest are incorporated.

The policy is reviewed regularly, to ensure that it complies with the principles of good risk management and reward governance, taking into account regulatory requirements and the nature of the business.

B.1.5 Variable remuneration performance criteria

Incentive plans encourage performance in line with the business strategy and within the Group's risk appetite, and take into account material risk factors and the Group's ability to maintain an adequate capital base.

Incentive plan performance measures:

- Reflect the Group's priority to create shareholder value through sustained growth and profitability, based on its risk profiles. Measures can include for example, profit, underwriting performance, capital, strategic and shareholder value measures, and personal objectives.
- Are quantified on an adjusted basis where appropriate, aligned to the basis on which the operating plans are set and which is the primary basis on which the Group is managed, to provide an undistorted view of business performance and avoid the creation of adverse incentives.

For jobholders whose professional activities have a material impact on the Group's risk profile, a number of mechanisms are included to ensure remuneration does not encourage excessive risk taking:

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the Group business unit concerned and the overall result of IFC.
- Targets take account of the Group's operating plan which is set with reference to the risk appetite with input from the Risk function.
- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the Group's risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles.
- Individual performance assessments take account of financial and non-financial criteria, and are based on consideration of what is delivered and also how goals are achieved.
- A portion of variable remuneration is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context.

The Group has provisions to apply malus adjustments and clawback. The GCR has the ability to reduce or forfeit awards that have yet to be paid or vest in the case of shares, to delay the payment or vesting date, or to amend another form of award or benefit which has yet to be received.

For cash bonuses and long-term incentive awards, the GCR may also recover sums already paid to Executive Directors if it considers it appropriate to do so. This can be applied during a two-year period after receipt (in the case of cash bonuses) or, in the case of long-term incentives, delivery.

Variable remuneration arrangements for those accountable for Key Governance Functions are designed to be independent from the performance of the operational units and areas under their control.

In addition to its short, and long-term, incentive plans, the Group operates all-employee share plans (Sharesave and Sharebuild) in a number of countries. Participation is voluntary and available to all qualifying employees. Sharesave is a HM Revenue & Customs (HMRC) tax-advantaged Save as You Earn scheme (in the UK) under which options are not subject to performance conditions, but service conditions apply. Sharebuild is a HMRC tax-advantaged Share Incentive Plan (in the UK). Shares are not subject to performance conditions, but the Matching Shares are subject to service conditions.

B.1.6 Supplementary pensions/early retirement

No supplementary pensions are operated by the Group for the members of the administrative, management or supervisory body and other key function holders. All employees in the UK have the opportunity to participate in the Group's defined contribution pension plan, or receive a cash allowance in lieu of pension, or receive a combination thereof. The Group's UK defined benefit pension plans are closed to all new entrants, but some employees, including one Executive Director, have historic benefits built up. IFC operates a registered defined benefits plan and supplementary executive retirement plan for Executives based in Canada. In accordance with the current policies, and the Scheme rules, both can be paid early without reduction in certain circumstances. This does not apply to members of the Group Board who do not have historic defined benefit pension benefits but does apply where employees, including Executive Directors, have historic benefits or are contracted to IFC on assignment as Executive Directors of the Group.

B.1.7 Shareholder and key management transactions

Shareholder transactions

In May 2023 the PRA reapproved the AOF structure for RSAI, with effect from 8 July 2023, for a period of three years. The structure permits a maximum of £250m of nil-paid uncalled share capital in favour of its ultimate parent, IFC. The AOF counts as Tier 2 capital in RSAI's Solo solvency calculations, subject to eligibility rules, however, it does not count towards covering its Minimum Capital Requirement (MCR). The AOF item also counts as Tier 2 capital for Group solvency purposes. Refer to section E for further details.

During the year, the Group received capital injections of £480m, £39m and £565m from 2283485 Alberta Limited (2022: £294m). These capital injections funded the pension fund buy-in; the repurchase of issued debt; and the DLG brokered Commercial lines acquisition respectively. Refer to note 32 of the RSAIG Consolidated financial statements for further information on all related party transactions.

Key management personnel transactions

For further information, refer to note 32 of the RSAIG Consolidated 2023 financial statements for detail of transactions carried out with key management during the year ended 31 December 2023.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

The Fitness and Propriety governance document and certain Human Resources policies provide a framework across RSA's UK/EEA operations for assessment of fitness and propriety of all employees with additional requirements for both new and on-going appointees in the Key Governance Functions, Executive Management, and for directors. The UK Compliance team works with the regional and country Compliance teams (where applicable) to ensure the consistent implementation of this governance document across RSA.

In addition to the Solvency II requirements, in the UK, the Senior Managers and Certification Regime (SMCR) implements a requirement for regulator pre-approval of persons appointed to Senior Manager positions in firms and a Certification Regime that covers Significant Harm Functions (defined as functions performed by employees who are not Senior Managers but who could pose a risk of significant harm to the regulated firm or its customers). In broad terms, Certified Persons are those individuals who through the conduct of their activities could conceivably do harm either to the firm, its customers or the wider market. These individuals are "certified", in the sense that the firm itself (rather than the PRA or the Financial Conduct Authority (FCA)) certifies their "fitness and propriety" annually and on an on-going basis. The Certification Regime reinforces the onus on firms to ensure that their staff are fit and proper.

B.2.2 Assessment process

The Fitness and Propriety governance document outlines the minimum requirements to assess and ensure fitness and propriety, including the governance over roles and responsibilities, to ensure compliance. Responsibility for complying with local regulatory rules and requirements rests with the Board of each relevant legal entity within RSA.

Fit requirements

The assessment of whether someone is fit must also include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take into account the respective duties allocated to that person, and, where appropriate, the insurance, financial, accounting, actuarial and management skills of the person.

This must include an assessment of the person's:

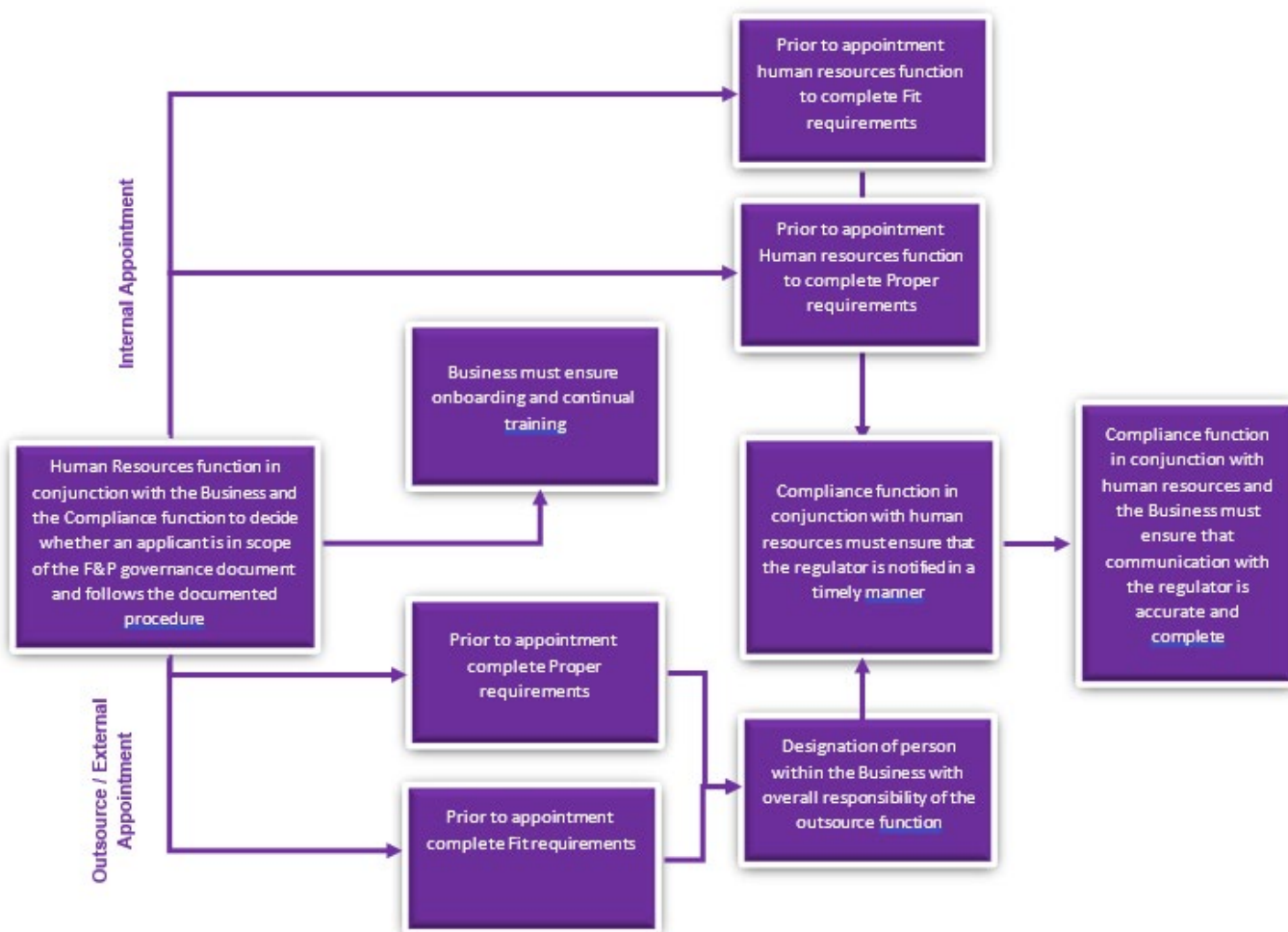
- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Proper requirements

When assessing whether a person is 'proper', the following is considered:

- Relevant criminal offences, including any offence under the laws governing banking, financial, securities, or insurance activity.
- Laws on money laundering, market manipulation, and insider dealing.
- Criminal offences under legislation relating to companies, bankruptcy, insolvency and consumer protection.

The following diagram outlines the process for determining fitness and propriety for new appointments. The Fitness and Propriety governance document also requires continued assessment of both fitness and propriety post appointment.



Where the business outsources a Key Governance Function, it designates a suitable person within the business to have overall responsibility for that function. The designated individual who is responsible for the outsourced Key Governance Function must meet the fit and proper requirements and possess sufficient knowledge and experience regarding the outsourced Key Governance Function to be able to challenge the performance and results of the service provider.

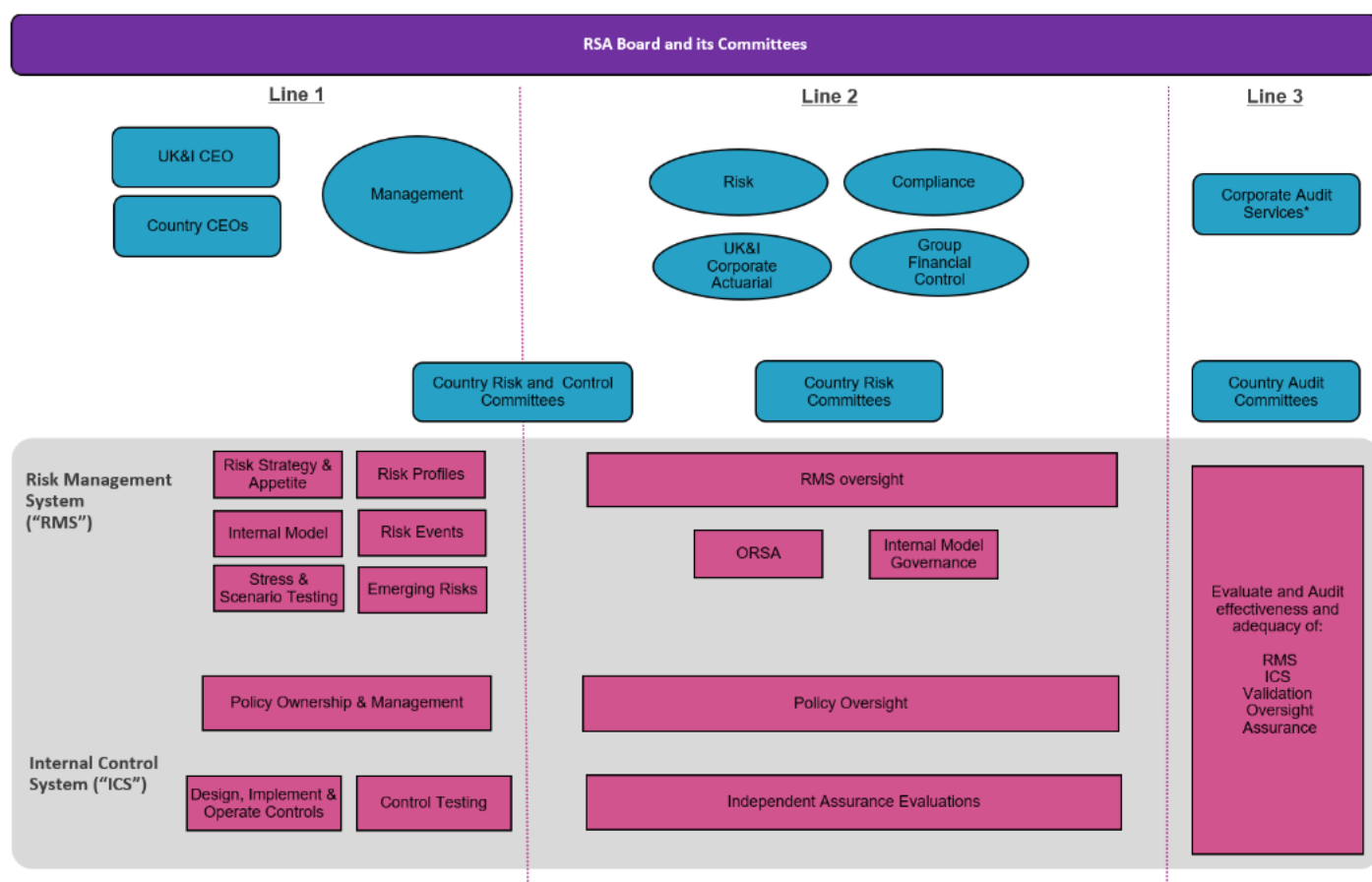
B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Description of the risk management system

The three lines of defence

The Group has established a consistent approach to the implementation of the System of Governance through the Risk Management System, which includes for example, risk appetite, policy management, and internal controls.

The risk management system is underpinned by the three lines of defence model and governed by the RSA UK&I Risk Management and Internal Controls policy, which sets out the principles to support effective risk and control management practices. The three lines of defence model is shown below.



* Internal Audit adopted the title of Corporate Audit Services following 1 June 2021 Intact transaction

Risk appetite and strategy

Risk appetite refers to the level of risk that the Group is willing to pursue, retain or take in achieving strategic objectives and business priorities. Risk appetite is expressed using qualitative statements and supporting Key Risk Indicators (KRIs) with operating targets and risk tolerances.

The Board is responsible for setting the business strategy, which is informed by risk appetite. The Board approves the risk appetite and KRIs annually for each of the Group's principal risks (e.g. Capital Risk, Market Risk, Operational Risk, etc.) on the recommendation of BRC. The Business also defines statements and KRIs for secondary risks (e.g. Systems Risk, Information Risk, Third Party Risk, etc.).

Board level risk appetite statements and KRIs are reported to the BRC quarterly. Business level KRIs are reported to functional risk and control committees (or equivalent) on a quarterly basis, with KRIs that exceed tolerance escalated to the BRC.

Risk management cycle

The risk management cycle describes the processes, procedures and toolkits used to identify, assess, respond, monitor and report on risk impacting the Business. This cycle ensures that the Group understands key risks to our business objectives, that these are managed appropriately, and any material residual risks are appropriately escalated and managed in line with risk appetite.

Risk identification (new and emerging risks)

Risk identification is the process of understanding and capturing any material threats or opportunities that could have a significant impact on the achievement of business objectives. Risk can be identified from various sources using a range of techniques. Sources may include internal and external insights, senior management functions, stress and scenario testing, risk incidents, risk appetite reporting, and controls testing. Every member of the organisation should be continually evaluating the risks to their business area with formal governance required at a functional, regional, and legal entity level.

Emerging risks are defined as risks whose effects have not yet been substantially realised in the organisation. They are difficult to quantify, and their evolution is highly uncertain and/or non-linear. Emerging risks may be economic, financial, environmental, technological, political, social, or legal/regulatory in nature. Emerging risks are identified and assessed through several forums throughout the Business. Outputs from these forums are consolidated, analysed, and reported at the UK&I Enterprise Risk Committee (ERC) and BRC.

Risk assessment

Once risks have been identified, the Business captures relevant information in a risk register and assesses the inherent, residual and target risk exposures using an impact and likelihood matrix. The residual risk exposure (i.e., after considering effectiveness of controls and risk mitigations at a point in time) is used when reporting at functional, regional and legal entity level.

Significant risks are periodically reviewed for potential inclusion in the Internal Model, which is the primary tool for measuring risk. The outputs of the Internal Model and the stress and scenario testing process are also used to inform the risk assessment process.

Response, monitoring and reporting risk

All significant risks are assessed and monitored. For risks that are outside of target risk exposure, a risk response is required. The response may be to either mitigate (i.e., take action to reduce the potential likelihood and/or impact) or monitor (e.g. using metrics, etc.). Risk mitigation may involve the enhancement of existing controls or the design and implementation of new controls.

Risk owners must agree the risk response and due date, and track action plans through to completion. Progress against plans is reported at least quarterly.

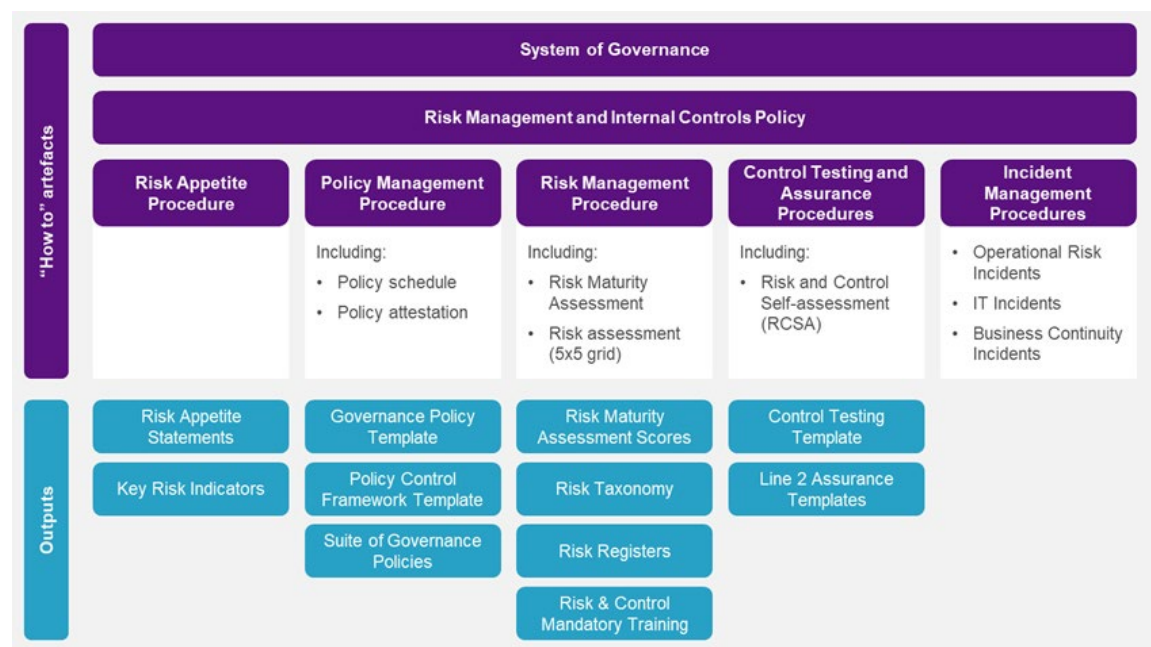
Risk reporting at an aggregate regional level is presented to the ERC and BRC.

Outputs of the Internal Model are used by the BRC as an integral part of its decision making on matters ranging from the setting of risk appetite to the allocation of capital to individual lines of business and key strategic decisions, such as acquisitions and divestments.

B.3.2 Implementation and integration

The Group has established a consistent approach to the implementation of the System of Governance through the Risk Management System, which includes risk appetite, policy management, internal controls, and so on.

The Risk Management System is represented below.



B.3.2.1 RSA internal model governance & validation

The Group has approval from the PRA to use its internal model to calculate the Group SCR. This approval also applies to the UK insurance entities – RSAI, MIC and RSA Re.

Outputs of the internal model are used as an integral part of RSA decision making on matters such as setting the risk appetite, assessing risk exposures and mitigations, as well as allocating capital to individual lines of business and in key strategic decisions such as disposals.

The model has a governance and assurance framework which oversees how the model is run, updated and results reported.

There is segregation of roles and responsibilities between the model validation team and the capital modelling team which develops and operates the model. Model validation is a Line 2 function reporting to the UK&I CRO whilst capital modelling is a Line 1 function reporting to the UK&I CFO.

The validation processes ensure that the internal model is properly designed, documented and used appropriately. Results and findings from the validation activities are reported regularly to the Internal Model Governance Committee (IMGC), BRC and ultimate relevant legal entity Board, and at least annually in the form of a validation report.

The structure of the Group governance framework is shown in the following table:

Responsibility	Body/Function	Activity
Held accountable but delegates Internal Model oversight responsibility to the BRC	Board	Monitors BRC activity and receives sufficient information to oversee the model and understand the output
Ensures the internal model has appropriate design, operation, risk coverage and compliance	BRC	Reviews and challenges IMGC and planned model development activity, including through regular reporting of validation, internal model changes, results of model runs and associated sensitivities, as well as monitors the ongoing appropriateness of the internal model
Ensures operation within regulatory requirements and co-ordinates internal and regulatory economic capital processes	IMGC	Receives and challenges results of the internal model runs, identifies the need for and assesses changes to the internal model including updates to calibrations and structure. Reviews validation findings and actions model improvement including enhancing uses of the model
Undertakes programme of independent validation and reports results to BRC (with debate at IMGC)	Risk Function (Assurance Provider)	Performs validation activity, identifies and monitors issues including closure. Reviews and challenges the methodologies, calibrations and outputs of the model including estimated capital positions and forecasts

The IMGC is responsible for providing overall direction and governance of the internal model in addition to acting as the coordinating body for the internal and regulatory economic capital process. It regularly provides updates to the BRC.

The IMGC ensures that the Group's model change policy is adhered to and remains compliant with regulation, that Data Quality and Assurance processes are in place, and that independent model validation is performed. The IMGC provides this oversight for all entities approved to use the Internal Model.

B.3.2.2 Internal model governance changes in the year

There were no material changes to the internal model governance during the reporting period.

B.3.2.3 Internal model validation

Rule 14.1 of the SCR-Internal Models Part of the PRA Rulebook applicable to Solvency II firms requires firms to establish independent validation processes to ensure that the Internal Model is properly designed, developed, tested, documented, implemented and used appropriately.

Validation is a regular process, the primary goal of which is to provide the Board with assurance that:

- The internal model is fit for purpose.
- The internal model achieves its objectives as defined by the business.

Validation assesses the key assumptions and outputs of the model and involves several tools and activities such as Stress and Scenario Testing, P&L attribution and Use Test validation.

There is segregation of roles and responsibilities between the model validation team and the capital modelling team which develops and operates the model. Model validation is a Line 2 function reporting to the CRO whilst capital modelling is a Line 1 function reporting to the UK&I CFO.

Results and findings from the validation activities are regularly reported to the IMGC, BRC and ultimately the relevant legal entity Board, at least annually in the form of a formal validation report.

B.3.3 ORSA

B.3.3.1 ORSA process

The ORSA process is a continuous process that takes input throughout the year, to assess how the risks of the business change over time and the consequential impact on the solvency needs and strategy of the business. During the year, the Board and BRC consider a range of activities and a final report is presented to the BRC and the Board at an appropriate time each year. This summarises papers and associated decisions taken during the period and highlights key areas of action needed over the forthcoming year.

B.3.3.2 ORSA review and approval

Papers are presented to the RSAIG and UK/EEA insurance entity Boards throughout the year dealing with individual elements of the ORSA.

The ORSA report is presented annually to management, the BRC and the relevant Board.

B.3.3.3 Own solvency needs

As part of the ORSA process, the Group looks at the capital it needs using various bases including:

- Solvency II SCR
- Economic Requirement (including looking at risk to ultimate)

Using these measures, it is then able to assess in aggregate its Own Solvency needs and corresponding capital available. The internal model is used for the calculation of the SCR and internal economic measures and is calibrated based upon the risk exposures of the Group.

In addition, when setting the risk appetite, various levels of buffer to cover potential operating shocks are allowed for. Finally, as part of the Operational Plan and ORSA processes, the capital position of the Group is projected over the period of the operating plan to ensure that the Group will have sufficient capital to meet its needs.

B.3.4 Group consistency

The Group has established a consistent group-wide approach to the implementation of the System of Governance with the Risk Management System, Internal Control System and risk policies developed at Group and cascaded to the regions and insurance subsidiaries, with overall Group oversight to ensure consistency.

The Group operates under a common framework through which risk management and control is embedded. Each business within the Group is required to follow consistent processes, using a common language, to identify, measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

Policies set out risk assessment standards and risk appetite together with detailed procedures including minimum requirements and internal controls and details of controls testing. Each policy is assigned a Group Managing Owner with responsibility for ensuring that the policy is embedded across the Group through regional/local owners.

Risk policies are linked to risk appetite and address the Group's material risk categories as defined in the Risk Taxonomy, i.e.:

- Insurance Risk
- Financial Risk including Market Risk, Credit Risk and Liquidity Risk
- Operational Risk (including Customer Risk)

Policies guide organisational practices to manage key risk areas within appetite tolerances. They all require localisation and implementation by all businesses and formal adoption by all of the Group's UK/EEA insurance entity Boards.

B.3.5 Use of single Group ORSA

Having received approval from the PRA, a single ORSA report is produced for the Group and its UK regulated entities.

B.4 Internal control system

B.4.1 Description of the internal control system

The Group has put in place an effective internal control system which contains administrative and accounting procedures, an internal control framework, with appropriate testing, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three lines of defence model, refer to section B.3.1 for further details.

The internal control system comprises three key elements:

- **Internal control framework** - whereby policies establish standard controls, which are implemented and operated by the business; supplemented by objective line 1 testing and independent line 2 assurance processes. The internal control framework includes financial controllership which is subject to assurance through the Financial Control Framework and its Independent Quality Assurance process.
- **Delegated authority framework** - whereby authority is cascaded down from the Board to the business.
- **Compliance framework** - sets out the standard control processes to minimise and/or prevent the risk of material loss, reputational damage or liability arising from the failure to comply with regulatory requirements. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Board, the executive and the senior management in each business. Advice, challenge, interpretation and assurance are provided to these bodies by the Compliance function.

Internal control framework

The internal control framework is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material financial misstatement or loss.

Group policies cover material risk types to which the Group is exposed and set out both minimum requirements, and standard control sets, for business activities, including delegated activities. This allows the Group to achieve its objectives including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Policies set out expected control testing activities (1st line check) which ensure controls are designed and operating effectively. Control standards set out the full expectations for controls, and Control libraries record all controls. Line 1 will develop a risk led Control testing plan, reviewed and challenge by Line 2.

Adherence to the control sets, and the progress and findings of assurance and testing activity, are reviewed by regional Risk and Control Committees, which have been established with similar terms of reference in all regions. Key issues identified in the committee meetings are escalated to local entity boards or audit committees. Relevant trends and risks will also be notified to the BRC as appropriate.

Delegated authority framework

The delegated authority framework specifies how and what executive authority is delegated from the Board to the UK&I CEO, and onwards to senior management within RSA. The UK&I CEO and senior executives across RSA receive an executive licence setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring that their subsequent delegations are made in a controlled and diligent manner following the same principles of this framework.

Effective management of delegated authority enables the business to:

- Ensure that decisions are being made effectively and efficiently throughout the organisation.
- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience and technical capability.
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within risk appetite; and
- Ensure compliance with relevant regulatory and statutory requirements.

The delegated authority framework is consistently applied across RSA's businesses. Individuals must operate and/or authorise within limits delegated by the UK&I CEO, their direct reports and/or governing bodies. The powers of the Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the Matters Reserved for the Board or Terms of Reference for the Board committees.

Compliance framework

The Compliance framework consists of the: Compliance Mandate, Compliance Governance Document, Compliance Plans and Compliance Manual. The Compliance Manual sets out the procedures performed by the Compliance function's UK-based teams. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Board, the Executive and the senior management in each business. Advice, challenge, interpretation and assurance are provided to these bodies by the Compliance function.

The framework is owned by the Compliance function. It assists in safeguarding RSA, its customers, reputation and assets by promoting the identification of risks and understanding and compliance with all applicable conduct and regulatory requirements. It does this through relevant policies, frameworks, effective communications, guidance and horizon scanning so supporting the business to promote a compliant culture throughout the organisation. The framework has been developed to deliver assurance over RSA's compliance with regulatory requirements to both internal and external stakeholders.

Each business is responsible for implementing controls to comply with all applicable regulatory requirements and ensuring these controls remain effective with ultimate responsibility resting with the local board, executive and senior management.

B.4.2. Compliance function

The Compliance governance document requires each region of RSA to have either a Compliance team or a person responsible for compliance. The Compliance function, led by the UK&I CCO, comprises the Group legal entity Compliance teams.

The Compliance function provides support, challenge and guidance across RSA operations to ensure that regulatory risks are identified, managed and mitigated to within appetite by the business, whilst promoting good customer outcomes.

In respect of RSA-wide activities, the Group Compliance team provides leadership, oversight, challenge and support to the Country Compliance teams. The Group Compliance team conducts regulatory risk-based assurance reviews to assess the design and operational effectiveness of business controls. The Compliance function reports quarterly to the Governance, Conduct and Remuneration Committee with an assessment of how the RSA businesses and functions are meeting those requirements.

The Compliance function establishes, implements and maintains an annual Compliance Plan for RSA setting out the compliance work to be undertaken in the upcoming year. The Group Compliance Plans are presented annually to the Governance, Conduct and Remuneration Committee for approval. The Plans for the regional and country Compliance teams are presented annually to their applicable governance forums. Updates on progress and material changes are provided to the Governance, Conduct and Remuneration Committee.

The Group Compliance function leads and develops the relationship with the UK PRA and FCA to achieve a mutually beneficial relationship with the regulators for RSA and the UK legal entities. It supports the organisation in dealings with regulators in an open and co-operative manner and keeping them fully and promptly informed of all matters they may reasonably expect to have disclosed to them.

B.5 Internal audit function

B.5.1 Implementation

The primary purpose of the Corporate Audit Services (CAS) function is “to keep the company safe and improving”. Specifically, it helps the Board and Executive Management to protect the assets, reputation and sustainability of the Group business.

CAS does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and Executive Management; assessing whether they are adequately controlled, and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

CAS is an independent and objective function reporting to the UK&I Board through the Audit Committee. The UK&I Chief Auditor is a member of the UK&I Executive Committee and has a primary reporting line to the Chair of the Audit Committee, with a secondary line to the UK&I CEO.

CAS’s scope of activities is unrestricted and its audit universe extends to all legal entities, joint-ventures and other business partnerships, outsourcing and reinsurance arrangements. Its scope includes first line control validation, second line control assurance and the System of Governance as set out under SII. Whilst it is not the role of CAS to second guess any decisions made by the Board and its Committees, its scope does include information presented to the Board and its Committees.

On a semi-annual basis the UK&I Chief Auditor will submit a six-monthly rolling risk based audit plan (i.e. detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Audit Committee for review and approval. The six-monthly rolling audit plan is developed based on CAS’s independent risk assessment and a prioritisation of the audit universe, considering inputs from Executives, Senior Management and the Audit Committee, and CAS’s assessment of various “planning lenses” which include fraud risk, culture trends and emerging issues that could impact the organisation.

CAS coverage of the audit universe should be based on the principle of a three-year rolling coverage, during which it shall aim to cover all inherent high risks twice and all inherent medium risks once. Any high or medium risk areas not covered within the three-year time period shall be made transparent to the Audit Committee.

The UK&I Chief Auditor will review and adjust the plan, as necessary, in response to changes in the business, risks, operations, programmes, systems, and controls. Any material changes to the CAS plan will be communicated through quarterly reporting to the Audit Committee for approval. When necessary, CAS may conduct audit engagements which are not included in the audit plan, these may be carried out without notice.

In addition to the six-monthly rolling audit plan that is reviewed and approved by the Audit Committee, the UK&I Chief Auditor ensures that the function has a multi-year outlook in line with the business’s strategic and operational plan.

The UK&I Chief Auditor will ensure that CAS has the appropriate budget and resources and that CAS collectively has the skills and capabilities to effectively deliver on its purpose and mandate. This includes consideration of trends and emerging issues that could impact the organisation. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

Annually, the UK&I Chief Auditor provides the Audit Committee with an assessment of the skills and capabilities required to conduct the work needed, and whether the budget is sufficient to allow the function to recruit and retain staff with the expertise and experience necessary to provide effective challenge throughout the business and to Executive Management. The Audit Committee is responsible for approval of CAS’s plan and budget, and reviews and confirms annually that CAS is staffed appropriately and operating effectively.

CAS operates an ongoing Quality Assurance programme that is outsourced to Deloitte. Annually, Deloitte reports a summary of the Quality Assurance results to the Audit Committee. Further, CAS performs an annual assessment of compliance with professional standards of which the results are reported to the Audit Committee. The function is governed by an Internal Audit Charter which sets out the function's role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

CAS must be independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal auditors shall have no operational responsibility or authority over any business activities, day-to-day risk management or control activities.

Internal auditors are expected to remain independent and objective in all assignments and do nothing that might prejudice or be perceived as prejudicing independence and objectivity. Impairments to independence and objectivity may include, but are not limited to:

- Auditing business areas for which an individual previously worked, was seconded to, or was previously responsible for (auditors must refrain for a period of at least 12 months); and
- Auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member).

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Chief Auditor must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed immediately to the Chief Auditor, who will determine whether the Audit Committee will need to be informed.

Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mindset.

The Chief Auditor reports, at least annually, to the Audit Committee on the independence of the Function and its staff. This is supported by a formal assessment of independence and objectivity for long serving staff, together with an independence self-certification signed by all members of CAS. The Chief Auditor will disclose any interference and its implications to the Board via the Audit Committee.

Where the tenure of the Chief Auditor exceeds seven years, the Audit Committee will discuss the Chair of the Audit Committee's assessment of the Chief Auditor's independence and objectivity. Thereafter the Audit Committee will consider the Chief Auditor's independence and objectivity annually.

B.6 Actuarial function

The Actuarial Function coordinates the calculation of technical provisions. It provides assurance that the approach to setting technical provisions uses appropriate homogenous risk groupings, methods, models, and assumptions and it assesses the appropriateness, completeness and accuracy of the underlying data and ensures that any limitations of data used have been appropriately dealt with. It applies methodologies and procedures to assess the sufficiency of the SII technical provisions in order to provide an opinion on the reliability and adequacy of technical provision estimates. The Actuarial Function assesses the sources and degree of uncertainty associated with the technical provision estimates and carries out sensitivity analysis to understand how key areas of judgement could impact estimates. It informs on areas where experience has been different to expectation and how this has influenced methods, models and assumptions. The Actuarial Function also provides an opinion on the underwriting policy and the adequacy of reinsurance arrangements. The Actuarial Function cooperates closely with the Risk Management Function on issues such as oversight of our Internal Model, and contributes to the effective implementation of the risk management system.

Independence of the Actuarial Function is achieved by business unit actuarial teams and their Head of Reserving retaining 1st line responsibility for calculation of technical provisions. The line 1 work and recommendations are reviewed by the Head of the Actuarial Function, as required at regional level for separate legal entities within RSAIG and at consolidated RSAIG level. The business units and the entity level Actuarial Functions, where required, confirm that appropriate data, assumptions and methodologies have been used in preparing their estimates, and that all controls and governance have been successfully completed, in line with RSAIG reserving policy. The RSAIG Actuarial Function consolidates the business unit results into the total Group position and carries out an independent review of the regional provision calculations in a 2nd line capacity in order to fulfil its oversight responsibilities.

The UK&I Chief Actuary leads the RSAIG Actuarial Function and has independent access to the Audit Committee. On an annual basis, the Group Actuarial Function agrees its areas of focus for the coming year with the Audit Committee. It produces Actuarial Function Reports summarising the key conclusions of the Actuarial Function's work along with recommendations on how any identified areas for improvement should be remedied. These Actuarial Function reports are presented to the Audit Committee and/or the BRC. The RSAIG Actuarial Function also provides quarterly interim updates on SII technical provisions to the Audit Committee.

B.7 Outsourcing

B.7.1 Policy and key activities

The Group's approach to outsourcing (including the definition of outsourcing) is based on a central framework with local adoption and responsibility. The framework is set out in the Group's Third Party Contracts and Outsourcing Policy (which also covers intra-group outsourcing), which is adopted by the RSA local entity boards and rolled out locally. Additional Group policies place further controls on specific types of outsourced contract such as the Technical Delegated Authority Framework and the Claims Delegated Authority Framework which covers external underwriting and claims delegated authorities.

The Third Party Contracts and Outsourcing Policy provides a Group wide definition of Outsourcing and Material Outsourcing (also referred to as critical and important) activities and functions to ensure consistency of approach as well as defining critical non-outsourcing relationships to ensure appropriate treatment and management in line with regulatory obligations. The policy sets out the provisions to be followed in relation to all outsourcing, and critical non-outsourcing relationships, with additional controls being imposed on material outsourcing. It additionally specifies the operational responsibility and establishes the provisions to be taken into consideration in supplier agreements.

The framework also establishes the necessary responsibilities, maintaining a proper separation of activity, so as to ensure correct local service control through Group Approved Local Supply Chain Processes and maintenance of oversight within the Group.

Service providers of activities designated as outsourcing or critical non-outsourcing are generally located in the same legal jurisdiction as the relevant local RSA entity (although many services are physically provided from overseas locations such as India).

The service types outsourced (in whole or in part) in one or more regions include:

- IT Infrastructure services
- IT Application development/maintenance
- Loss adjusting
- Print and fulfilment
- Claims handling
- HR/Payroll
- Claims legal services
- Finance billing
- Sales
- Fund management, custody and investment accounting

B.7.2 Intra-Group outsourcing arrangements

During the year, the Group entered into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

RSA local entities also enter into outsourcing agreements with other members of the Group in relation to the efficient provision of services across the Group. Regardless of whether an internal or third party outsourcing arrangement has been entered into, ultimate responsibility for the outsourced activity and regulatory compliance lies with the local entity board.

Specific material intra-group arrangements include the provision of certain investment services (such as valuation) and other back-office services such as, but not limited to, finance, IT and risk management, to other subsidiaries.

B.8 Any other information

B.8.1 Adequacy of system of governance

The adequacy of the System of Governance is formally considered by the Board annually. This process considers both changes and recommendations made during the year (including through Internal Audit, Risk and Compliance reporting) and any recommendations by the other corporate departments based on their observations or regulatory change. Should it be deemed necessary, changes can also occur outside of this formal review. The Group's System of Governance is effective and fit for purpose taking into account the nature, scale and complexity of the risks inherent in its business.

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

In this section

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

The Group is exposed to the following main categories of risk:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Pension risk

The first five categories are described in sections C.1 to C.5 respectively. Insurance risk includes claims risk and reserving risk, and these are all described under the prescribed heading “C.1 Underwriting risk”.

As Pension risk is not a separate category in the prescribed SFCR structure, it is addressed under the “C.6 Other material risks” heading. While Pension risk was material at the start of 2023, in March a risk transfer took place such that all pension obligations in both main UK pension schemes are now fully insured with PIC, significantly reducing this risk, as such it is no longer considered material.

The Group quantifies its exposure to different types of risk as part of its SCR calculation. See QRT S.25.03 in Appendix 8 for a breakdown of how much each type of risk contributes to the SCR.

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

The Group manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

The Group risk appetite statement sets the high level appetite for insurance risk.

Additionally, the Group has a number of centrally managed forums to examine Group underwriting and claims issues, review and agree underwriting direction, promote collaboration and sharing of best practice and set policy, frameworks and directives where appropriate.

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The UK&I Chief Underwriting Officer sets the Underwriting line of business risk appetite and strategy, which is cascaded to line of business portfolio leaders for defined portfolios, implemented through portfolio strategy statements. Individual risks are written within the parameters of the portfolio strategy, risk appetite and underwriting licence authority.

Specific to the Group risk appetite, the underwriting and claims policies define the controls implemented to manage the Group's limited appetite for:

- 'Special High Risks', including long-term policies, full insurance delegated authority arrangements and lines of business where RSA lacks appropriate specialist expertise and Reinsurance support e.g. Aviation and Space.
- Writing business in 'High Risk Countries' so designated due to sanctions or presenting an unacceptable level of operational risk. The High Risk Country Committee periodically reviews and communicates 'High Risk Countries'.

Reserve risk

The Group establishes technical provisions for claims to account for the anticipated ultimate cost of all claims and relevant expenses for claims that have already occurred. The Group establishes technical provisions for both reported and unreported claims. Technical provisions estimates are based on known facts and on interpretation of circumstances including the Group's experience with similar cases and historical claims payment trends. The Group also considers the development of claims payment trends, levels of unpaid claims, judicial decisions, legislation changes, economic conditions, changes in the business and the claims environment, and any other relevant information.

C.1.2 Measures used to assess risk

Underwriting and claims risk

The Group's underwriting and claims strategy and risk appetite are reviewed, challenged and approved by the Board annually.

Key risk indicators assess risk against the Board risk appetite and these are reported at the quarterly Enterprise and Board Risk Committees. The secondary Underwriting risk indicators have recently been refreshed and are now being finalised ahead of 2024 reporting cadence. Claims risk indicators include assessment of financial controls, technical claims handling quality, case reserving, counter fraud performance and external delegated authority.

Underwriting operates a quarterly Risk and Control Committee which oversees the operational effectiveness of controls and plans to reduce key risks. Material risks and issues are escalated to the Enterprise and BRC.

Stress and Scenario testing and risk profiling are undertaken and are reported through the ERC and to the Board Risk Committee.

Accumulations for locational static exposures are modelled using the GAIA Exposure Data Management system to identify 'Per Risk' and Catastrophe risk concentrations and to inform scenario modelling and reinsurance purchase. The Accumulation Management Steering Group (AMSG) has formal oversight of accumulation exposure management and sets requirements for identifying and controlling 'Per Risk' and Catastrophe risk concentrations.

The effectiveness of pricing tools and process is measured through the Pricing Capability Assessment Questionnaire operated by Group Commercial and Speciality business lines, and RSA Ireland Insurance DAC (RSAIL) Personal Lines to benchmark the capability against defined measures. The Pricing Capability Assessment Questionnaire defined measures include an assessment of the pricing components i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital. UK Personal Lines utilises a set of frameworks and controls developed to meet the requirements of FCA Pricing Practices.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls in the risk management frameworks. Where gaps are identified, appropriate action is taken to either remediate, monitor or risk accept based on the materiality. Oversight is provided by the Risk and Control Committees with escalation to the Enterprise and Board Risk Committees depending on materiality.

Reserve risk

The Group has a Reserving Committee covering all claims liabilities within the Group's perimeter. This committee is chaired by the UK&I Chief Actuary and consists of the UK&I CEO, the UK&I CFO, UK&I CUO, the UK&I CRO, the UK&I COO and the Managing Directors for key operating segments. The Intact Group Chief Risk & Actuarial Officer is also invited to attend the meetings of the committee. A similar committee has been established in each of the Group's primary operating segments. The Reserving Committee monitors the decisions and judgements made by the business units as to the level of technical provisions. The Reserving Committee recommends the level of technical provisions to be held to the Board via the Audit Committee.

The Covid-19 pandemic and its consequent impacts on areas such as frequency, mix of claim, supply chain issues and the pace at which information emerges on cases both internally and externally mean the recent environment of heightened uncertainty continues. Additionally, increased uncertainty arises from geopolitical instability and current elevated levels of claims inflation add to the distortion in our experience, data and trends. The impacts will take time to settle down, stabilise and become clear. The distortions noted make robust projection of the ultimate cost of claims more difficult than normal and increased use of judgement is required. While these uncertainties affect all business units and legal entities, the impact varies and will evolve over time as experience matures.

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.
- There is considerable uncertainty in the economic environment beyond 2023 and changes such as ongoing inflationary pressure on claims and expenses and evolving geopolitical instability, could have an impact on ultimate 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.

There have been no other material changes to measures used during 2023.

C.1.3 Material risks

Material risks identified during the reporting period include:

- **Catastrophe Risk** - Covers the risk that a single event or series of events of major magnitude usually over a short period, leads to a significant increase in actual claims compared to total expected claims. Losses can arise from either natural perils, for example hurricane, windstorm, flood and earthquake, or from non-natural perils, for example fire/explosion.
- **Pricing Risk** - The risk that portfolio pricing strategies, monitoring and rating are insufficient to generate sufficient returns in key portfolios to maintain profitability and pay claims.
- **Reserving Risk** - The risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development, or that claims handling practices have changed and give rise to different future development to that expected. The risk that more claims are reported in future than anticipated, or that settlements cost more than we expect and claims severity increases. The risk that legislative changes have a retrospective effect on claim settlements.
- **Underwriting Risk Selection** - Covers the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing other than due to catastrophes. This can arise as the result of bad experience, third party interventions, ineffective portfolio management, poor pricing, poor risk selection or failure to underwrite effectively.
- **Claims Management Risk** - Financial losses through ineffective claims management processes or performance.

During 2023 an Underwriting Emerging Risk Forum was set up with Underwriting, Claims and Risk representation which identified and monitors emerging risks and feeds our proactive stress and scenario programme to ensure exposure remains within risk appetite. Output feeds into the hierarchy of Risk Committees up to the BRC.

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

The Group's peak Natural Catastrophe zone is Northern European windstorm, where the Group purchases reinsurance to protect against losses of up to £2.1bn limit before co-participations (2023: £1.6bn). The 2024 programme ground up limit increase is driven by the NIG book and inflation.

Large individual risks, for example city shopping centres, are closely monitored via the risk management system. These are protected both by the Global Property Risk treaty and, in a multiple loss scenario, by the Global Catastrophe treaty.

C.1.6 Risk mitigation

The Group operates a comprehensive risk management system and policy management framework. This system includes policies which govern key activities such as Underwriting, Claims, Reinsurance and the assessment of insurance risks. The policies introduce a system of mandatory controls frameworks which stipulate a system of minimum requirements and standard controls, and key risk indicators which are used to measure the effectiveness of these controls in mitigating risk. Each quarter, management are required to report on the operation and effectiveness of these controls to governance committees. Key risks are escalated to functional Risk Committees and to the BRC. Controls which are not considered effective are subject to remedial action and risk oversight.

The Underwriting and Claims governance and control framework spans a number of key activities, including (but not limited to):

- Delegation of Technical Authority (Internal and External) including Licensing and Referrals
- Portfolio Strategy, Performance and Risk Management
- Underwriting Product Development
- Pricing
- Accumulation and Exposure Management
- Multinational Risks
- Risk Control/Inspection
- Underwriting and Claims File Review/Validation
- Claims Management Processes
- Case Reserving

The management and mitigation of credit risk for reinsurance are described in Section C.3.6 Risk Mitigation.

In the ordinary course of business, the Group reinsures certain risks with external reinsurers to limit the maximum loss in the event of catastrophic events or other significant losses. The Group's objectives related to ceded reinsurance are primarily capital protection and are not intended to manage quarter to quarter volatility of results. These reinsurance arrangements mean that both the Group's net retention plus reinstatement premiums and co-participations are within agreed risk appetite metrics.

The placement of ceded reinsurance is mainly on an excess of loss basis (per event or per risk), but some proportional cessions are made for specific portfolios. Annually, the Group reviews and adjusts its reinsurance coverage to reflect current exposures and its capital base. The most material component of the Group's reinsurance programme is the catastrophe treaty, for which more detail is provided below.

The catastrophe reinsurance programme for RSA Group's business is provided on a combined basis with IFC's operations in Canada and the US. RSA's approach for setting limits is consistent with prior years. The following table summarises the net retention and coverage limits for multi-risk events and catastrophes. From a RSA Group perspective the retention/limit from an event in the US or Canada would be shared with the IFC Group domestic operations in the respective territory.

	2024	2023
As of 1 January		
UK & Europe located events (in million of GBP)		
Retention ¹	150	125
Coverage limits ²	2,100	1,600
US located events (in million of CAD)		
Retention ¹	150	150
Coverage limits ²	1,300	1,300
Canadian located events (in million of CAD)		
Retention ¹	250	250
Coverage limits ²	5,400	6,400

¹ Excludes reinstatement premium, tax impacts and co-participations between the retention level and coverage limit.

² Represents the ground up limit before co-participations and retention level.

C.1.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.2 Market risk

C.2.1 Introduction

The Group is exposed to market risk, which is the risk of potential losses from adverse movements in market prices including those of bonds, equities, property, exchange rates and derivatives as well as credit rating downgrade risk, credit spread risk, credit default risk and asset-liability matching risk.

C.2.2 Measures used to assess risk

The Group assesses its market risk exposures through a number of factors including exposure by asset class, credit rating of counterparties, asset liability mismatch due to divergence in duration and currency exposures, and concentration of exposures. In addition, stress and scenario analysis is undertaken to assess market risk exposures.

Exposures are controlled by the setting of investment limits and managing asset-liability matching in line with the Group's risk appetite.

The BRC, on behalf of the Board, is responsible for reviewing and approving the investment strategy for the Group's investment portfolios. It provides approval for all major changes of the Group's investment strategy. The UK Asset Management Committee (UKAMC) reviews and approves any substantive changes to the balance of the Group's investment funds within the strategy framework agreed by the BRC. In addition, asset liability matching both by currency and duration is monitored by the Capital Management Committee.

The Board sets the Group's risk appetite and approves investment risk limits to the UKAMC. This includes limits on asset class exposures, single counterparty exposures, aggregate exposure to bonds by credit rating and portfolio duration. These limits aim to keep exposures within the Group's risk appetite while ensuring the portfolio is sufficiently diversified. Investment exposures relative to these limits are regularly monitored and reported.

The Group has made an allocation to private investments. Aggregate allocation to private investments is reviewed by the BRC and UKAMC. New private investments are approved and monitored by UKAMC.

The Group credit rating methodology takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The Credit Rating Review Committee (CRRRC) is responsible for reviewing material credit exposures as well as those that do not have any credit rating under the Group's standard rating methodology, where assignment of an RSA internally approved rating may be appropriate.

A small number of the Group's property holdings are Group occupied and therefore are reported as property, plant & equipment held for own use in the SII balance sheet. The Group's holdings of investment property are recorded separately, and these investments are held as part of an efficient portfolio management strategy.

Operational currency risk is managed within the Group's individual operations by broadly matching assets and liabilities by currency.

Structural currency risk is largely managed at a Group level through currency forward and swap contracts. 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. These assets should prove adequate to support local insurance activities, irrespective of exchange rate movements. Consequently, this may affect the value of the consolidated shareholders' equity expressed in sterling.

There have been no material changes to the measures used to assess risks during 2023.

C.2.3 Material risks

The Group is exposed to the following material market risks:

Interest rate risk

The fair value of the Group's portfolio of fixed income securities is inversely correlated to changes in market interest rates. Thus, if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.

In assessing this risk, the Group will have reference to the interest rate exposures of its liabilities with risk being the difference between asset and liability exposures.

Equity price risk

The Group's portfolio of equity securities is subject to equity risk arising from changes in market price. Thus, if the value of equities falls, so will the fair value of its portfolio and vice versa.

The Group maintains a high quality investment portfolio and regularly monitors developments in the performance of its assets.

Property price risk

The Group's portfolio of properties is subject to property price risk arising from changes in the market value of properties. Thus, if the value of property falls, so will the fair value of the portfolio and vice versa.

Credit Risk

The Group invests in bonds issued by governments, government-sponsored entities and corporate issuers. In addition, the Group also allocates limited investment to structured credit using securitised investments. The Group expects to receive incremental income through assuming credit rating downgrade risk, credit spread risk, and credit default risk. Credit risk appetite is controlled through the investment strategy and limits reviewed and approved by the Board.

Currency risk

The Group operates in a number of countries. Accordingly, its net assets are subject to foreign exchange rate movements. The Group's primary foreign currency exposures are to the euro, Canadian dollar and the US dollar. If the value of sterling strengthens, then the value of non-sterling net assets will decline when translated into sterling and consolidated.

The Group is exposed to currency risk in two ways:

- **Operational currency risk** – by holding investments and other assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies).
- **Structural currency risk** – by investing in overseas subsidiaries and operating an international insurance group.

C.2.4 Application of the prudent person principle

The Group applies an Investment Policy that set out the requirements for the identification, measurement, monitoring and reporting of market risk, liquidity risk and credit risk arising from investments for the Group's investment portfolio. A set of key risk indicators in the form of an investment limits framework has been developed alongside the policy. The policy refers to this for investment risk management, liquidity risk management and reporting purposes.

In particular, the prudent person principle requires each operation and the Group to exercise prudence in relation to the investment portfolio and to ensure assets are appropriate to the nature and duration of its liabilities (assets and liabilities management). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The prudent person principle also requires a duty of care that must be applied for investments that are of a non-routine nature (i.e. allocation to private investments), or that are not admitted to trading on a regulated financial market or to complex products such as derivatives or securitised instruments. The Group follows a high credit quality, low risk investment strategy with limited exposure to higher volatility investment classes such as equities. Asset and liability duration is broadly matched, with limited flexibility for tactical asset management.

The Group's portfolio focus is on high quality bonds and cash, with measured holdings in private credit, equities and property. At 31 December 2023, the Group held over 50% of the fixed income portfolio in government bonds and AAA rated non-government bonds, minimising any liquidity risk and enabling funds to be transferred when required. The credit rating of the fixed income portfolio of the Group is predominantly investment grade with circa 99% of bonds held rated BBB or higher as at 31 December 2023.

C.2.5 Material risk concentrations

The Group's investment portfolio consists predominantly of high quality, investment grade, fixed income assets broadly reflecting the duration of its underlying insurance liabilities. The fixed income assets are well diversified by sector and geography with circa 39% of the fixed income investments on the SII balance sheet comprising government securities (see section D. Group SII Balance Sheet for a breakdown of investment assets).

C.2.6 Risk mitigation

The Group supports the liabilities for its general insurance business with a low risk, high quality portfolio with exposure concentrated in bonds and cash. Surplus assets are invested in bonds, structured credit, cash, private investments, equity and property. Credit risk exposure is mitigated by the high quality nature of the fixed income portfolio with circa 99% investment grade and circa 57% rated AA or above. Counterparty concentration risk is limited through limits placed on single counterparties. The Group ensures that it maintains sufficient liquidity for its needs by having a minimum exposure to highly liquid assets such as cash, bonds rated AAA and government and government guaranteed bonds.

Interest rate risk is limited through the Group maintaining a strong match of its bond asset duration relative to its liabilities with exposures being monitored by the Capital Management Committee. The Group maintains a limit of its asset duration being within two years of benchmarks which are established to provide a broad match to liabilities. Exposures are monitored by the Investments management team on a monthly basis and reported to the UKAMC.

The Group also mitigates its exposure to currency risk through partial hedging of its surplus within its principal subsidiaries through a combination of foreign exchange forward and swap contracts.

The Group may use derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates, equity prices 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 BRC.

The Group invests in assets that are not regularly traded such as direct property, direct loans and funds investing in corporate loans and infrastructure loans. The management of these assets is primarily outsourced to third party fund managers and a number of the Group's committees, including the UKAMC, review the exposures on a regular basis to ensure they remain within the Group's risk appetite.

The Group considers Economic, Social and Governance (ESG) factors in the management of its market and credit exposures. When reviewing or considering the appointment of investment managers, account is taken of their approach with respect to sustainable investing, including voting policies and engagement.

The Group considers factors impacting climate change and has made a commitment not to invest in the following:

- Investments in standalone projects relating to energy exploration, extraction or production in the Arctic or Antarctic region.
- New investments in companies generating >30% of revenue from coal mining or power generation from thermal coal.
- New investments in companies generating >30% of revenue from production or transportation of oil sands and shales.

Refer to the Risk Management System in section B.3 for a description of how the Group manages and monitors market risk.

C.2.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.3 Credit risk

C.3.1 Introduction

Credit risk is defined as the risk of loss resulting from a counterparty failing to fulfil its contractual obligations to the Group or failing to do so in a timely manner. The Group is exposed to credit risk in respect of its reinsurance contracts, insurance operations (where counterparties include brokers, policy holders and suppliers), and investments (where counterparties include governments and corporate bond issuers).

Counterparty exposure to PIC is covered under section C.6 Pension Risk.

C.3.2 Measures used to assess risk

Credit risk arises any time Group funds are extended, committed, invested or otherwise exposed through actual and/or implied contractual agreements with counterparties whether reflected on or off balance sheet.

The BRC is responsible for ensuring that the Board approved Group credit risk appetite is not exceeded. This is done through the setting and imposition of Group policies, procedures and limits.

In defining its appetite for counterparty credit risk, the Group looks at exposures at both an aggregate and business unit level distinguishing between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risk 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 rating of the counterparty, to ensure that the Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.

Financial assets are graded according to company standards. Investment grade financial assets are classified within the range of AAA to BBB ratings. AAA is the highest possible rating. For invested assets, restrictions are placed on each of the Group's investment managers as to the level of exposure to various rating categories including unrated securities.

Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. policyholders, brokers, and third party suppliers). Exposure monitoring and reporting is embedded throughout the organisation with aggregate credit positions reported and monitored at Group level. Reinsurer counterparty credit risk is assessed and monitored at a Group level by the Intact Reinsurance Credit Committee.

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets.

There have been no material changes to the measures used to assess risks during 2023.

C.3.3 Material risks

The Group is mainly exposed to the following types of credit risk:

- **Counterparty risk** - defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers and other third parties.

- **Credit concentration risk** - defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions.
- **Credit downgrade risk** - defined to be the loss or gain from a change in an investment's credit rating agency rating and/or an analyst buy, sell, hold opinion.
- **Credit spread risk** - defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury security's counterparty.

Each RSA business is required to establish appropriate processes in order to identify its outstanding debt and the aging of that debt.

Each RSA business is required to implement processes and procedures in order to collect its outstanding debt in a manner that is consistent with the credit terms provided.

In cases where collection is delayed or is not possible, each business is required to record a provision or write off of the debt according to local and Group Financial Reporting Standards.

Within the Group, the management of credit risk is divided into three key areas, which are governed by separate policies:

- Reinsurance
- Investments
- Insurance Operations

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets.

C.3.3.1 Reinsurance credit risk management

Reinsurance credit risk is defined as the credit risk arising from the purchase of reinsurance at Group and at local level. This includes treaty reinsurance, facultative reinsurance and our Global Network.

C.3.3.2 Invested assets credit risk, credit downgrade and credit spread risk

Invested assets credit risk is defined as the non-performance of contractual payment obligations on invested assets, and adverse changes in credit worthiness of invested assets including exposures to issuers or counterparties for bonds, loans, equities, deposits and derivatives etc. Invested asset credit risk arises in all investment portfolios throughout the Group. Credit downgrade risk is defined to be the loss or gain from a change in an investment's credit rating agency's rating and/or an analyst's buy, sell, hold opinion. Spread risk is defined as the risk arising from negative movement in price in a sector relative to the market resulting for example from the changes in the markets perceived view of risk generally or the industry sector specifically.

C.3.3.3 Credit risk arising from insurance operations

Insurance operations credit risk is defined as credit risk arising from carrying out daily insurance business operations. This includes loss of principal or financial reward resulting from a counterparty's failure to pay or fulfil all or part of its contractual obligations. For example, if the Group trades with an insolvent broker there is a risk that the Group will not receive all the premiums due from that broker.

C.3.4 Application of the prudent person principle

See section C.2.4 for the application of the prudent person principle to credit risk arising from investments. The prudent person principle is not applicable to credit risk in relation to reinsurance and insurance operations.

C.3.5 Material risk concentrations

The Group is exposed to the following types of risk concentrations:

- Reinsurance Counterparties
- Investment Counterparties
- Off Balance Sheet Guarantees

C.3.5.1 Reinsurance counterparties

The Intact Reinsurance Credit Committee oversees the management of credit risk arising from a reinsurer failing to settle its liability to the Group. The Group maintains a list of approved reinsurance counterparties. Other than in exceptional circumstances, the minimum Standard & Poor's (or comparable) credit rating to get onto the list is A-. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

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; total exposure (as defined in the Reinsurance Risk Management Policy) is calculated as a percentage of Intact Financial Corporation's shareholders' equity; the maximum appetite for each Reinsurer is determined based on their financial credit rating. Stress tests are performed by reinsurer counterparty and the total exposure to a single reinsurer is estimated not to exceed £206m. In terms of recoverable asset, the Group's three largest active reinsurance groups are Fairfax Financial Holdings, Berkshire Hathaway and Lloyd's of London. At 31 December 2023, the total reinsurance asset recoverable from these groups does not exceed 7.8% of the Group's total financial assets. See note 11 of the RSAIG 2023 Consolidated financial statements for more details.

C.3.5.2. Investment credit risk

For material investment risks, see section C.2.5.

C.3.5.3 Off balance sheet guarantees

The Group has exposure to certain off balance sheet guarantees issued under secured Letter of Credit facilities. The Group does not consider there to be any material risk concentration. As at 31 December 2023, the maximum counterparty exposure related to Letters of Credit, did not exceed £35m.

C.3.6 Risk mitigation

The Group employs the following mitigating techniques and monitoring procedures in order to manage the different types of Credit Risk.

C.3.6.1 Reinsurance credit risk management

Mitigation techniques

- **Reinsurance Credit Committee** - The Committee is responsible for the oversight of the Group's reinsurance counterparty credit risk, managing exposures as described in Section C.3.5.1.
- **Approved Reinsurance Counterparties** - Group Reinsurance assess and approve all reinsurance counterparties. Group Reinsurance maintain information on all reinsurance counterparties used across the Group.
- **Approved Reinsurance Counterparties meet Corporate Standards** - Due diligence is performed, Group Reinsurance monitor and maintain the Approved Reinsurance Counterparties list as part of an ongoing risk assessment of reinsurance counterparties. Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions must be affected and reported to the Intact Reinsurance Credit Committee.
- **Appropriate Metrics** - Group Reinsurance establish metrics which are appropriate for quantifying reinsurance counterparty credit risk across the Group.

Business unit requirements:

- **Contract initiation** - Before entering into an outward reinsurance contract a business must ensure that it has followed all the requirements of the Reinsurance Risk Management Policy.
- **Exposure approval** - Businesses must seek approval for reinsurance exposures with counterparties outside the approved reinsurance counterparty list prior to binding by following the appeals process.
- **Risk Mitigation techniques** - Where risk mitigation techniques, such as the acceptance of collateral are used, they should be well understood by the business and appropriate processes and procedures must be established to operate the mitigant. The use of off balance sheet guarantees or Letters of Credit are approved on an individual basis.

Monitoring process

- **Credit Risk Profile** - Group Reinsurance review the reinsurance counterparty credit risk and monitor reinsurance counterparty exposure against maximum probable exposure limits.
- **Breaches** - Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions are affected and reported to the Intact Reinsurance Credit Committee.
- **Ongoing information on counterparties** - Group Reinsurance must maintain information on all reinsurance counterparties used across the Group.

C.3.6.2 Investment credit risk

Mitigation techniques

See section C.2.6.

Monitoring process

- Investment exposure against investment limits delegated by the UKAMC and Group Investments are monitored by all operations, on at least a monthly basis.
- Separately, externally appointed fund managers, used by the operations, monitor and report compliance with investment guidelines stipulated within their Investment Management Agreements. These limits are set by the operations such that they are consistent with investment limits delegated to them by the UKAMC.
- In addition, the UK Investments management team reviews exposures against UKAMC investment limits for all operations, as well as the BRC limits for the Group, on a monthly basis and reports to the UKAMC.
- The Group credit rating methodology takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The CRRC is responsible for reviewing material credit exposures as well as those that do not have any credit rating under the Group's standard rating methodology, where assignment of an RSA internally approved rating may be appropriate.

C.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Receivables Committee** - All businesses must have a Receivables Committee (or equivalent) with responsibility for identifying, assessing, maintaining, monitoring and reporting on insurance operations credit risk exposures.
- **Operational Debt Reporting** - The Business is expected to undertake monthly reporting and review of receivables debt in line with Finance requirements.
- **Credit Risk Assessments** - All new Broker/Intermediary Agency applications must include a financial credit check/ rating confirming that they meet the minimum credit rating score and rating.
- **Continuous Monitoring** – All Broker/Agencies must be subject to continuous credit risk monitoring and action taken where ratings are deemed high risk.
- **Credit terms are set for each counterparty** - Each business must set credit terms according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented in the Group Insurance Operation Credit Risk policy.
- **Financial Guarantees** – In the event of letters of credit or guarantees being used as collateral, minimum requirements will apply.

Monitoring process

All operations have to provide the following on a quarterly basis:

- Performance against set Key Risk & Key Performance Indicators.
- Breakdown of debtors including aged debt analysis (against prior year performance).
- Bad debt provision recommendations providing exposure and estimated recovery by counterparty classified into appropriate buckets, e.g. days past due.
- Material bad debt write offs.
- Credit risk rating scores by counterparty, counterparty groups or connected counterparties.

C.3.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk, including credit spread risk.

C.4 Liquidity risk

C.4.1 Introduction

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 or that conversion can only be achieved at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures used to assess risk

The Group breaks down liquidity risk into three subcategories:

- **Funding liquidity risk** - the risk that the business may suffer from any or all of the following: being unable to liquidate assets, secure funding or contingency funding arrangements, those arrangements contain excessive or prohibitive clauses, and the withdrawal or curtailment of funding facilities.
- **Foreign currency liquidity risk** - the risk that actual or potential future outflows in a particular currency are unable to be met from likely available inflows in that currency or purchased in the foreign exchange market.
- **Intra-day liquidity risk** - the risk that liquidity requirements increase during the course of a business day due to delays in settlement proceeds being received or problems in the workings of banking or other settlement systems.

Suitable monitoring processes are in place to assess all of the above including:

- Creation and maintenance of short-term cash flow forecasts, including by non-functional currency.
- Regular dialogue with the Group's operational bankers in each territory.
- Use of a range of liquidity Key Performance Indicators to measure the proportion of assets and sources of liquidity that can be accessed within specified time periods, including overnight and 20 working days.

There have been no material changes to the measures used to assess risks during 2023.

C.4.3 Material risks

The Group considers that there are currently no material liquidity risks.

There have been no other material changes to the material risks during 2023.

C.4.4 Application of the prudent person principle

See section C.2.4 for information on the prudent person principle.

C.4.5 Material risk concentrations

The Group maintains a strong and liquid portfolio of cash and investment assets which are established by type and duration in order to provide a broad match against its liabilities. A minimum of 25% of Group assets can be liquidated within 20 days.

For more information see the liquidity risk table in Note 11.3 of the RSAIG 2023 Consolidated financial statements.

C.4.6 Risk mitigation

The Group manages risk by operating a high quality, low risk investment strategy which matches a relatively short liability duration.

Each operation adheres to a liquidity policy (for entities outside the UK, at least 25% of investment assets are to be held in cash, cash instruments, unencumbered AAA rated bonds and appropriate domestic government bonds) that ensures that adequate liquid resources are maintained at all times such that liabilities can be met as they fall due.

The Company produces a regular cash flow forecast to manage working capital requirements.

Group Treasury maintains a contingency funding plan that considers access to a range of funding options and sources under normal and stressed scenarios.

C.4.7 Expected profit in future premiums

The Expected Profit in Future Premiums (EPIFP) is the profit relating to existing in-force contracts with premium amounts due in the future and not yet received at the valuation date. The EPIFP has been calculated for each homogeneous risk group – loss-making policies have only been offset against profit-making policies within a homogeneous risk group.

At 31 December 2023 the Group EPIFP gross of reinsurance was £96m.

C.4.8 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

The Group does not currently consider liquidity risk as a material risk. This decision is reviewed on a regular basis.

Notwithstanding this, a range of liquidity stress tests are carried out on a quarterly basis for all material insurance operations.

C.5 Operational risk

C.5.1 Introduction

Operational risk covers the risks of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in RSA's operations and are typical of any large enterprise.

C.5.2 Measures used to assess risk

Operational risk exists in almost every aspect of business within RSA, and the effective management of operational risk plays a significant role in enabling the Business to meet its objectives and to deliver good customer outcomes.

The Risk Management and Internal Control Policy sets out the requirements to identify, assess, respond, monitor and report risk. The Risk Management System sets out RSA's approach to minimising and/or preventing risk.

To support the identification and reporting of risks, the Group uses a Risk Taxonomy that is mutually exclusive and collectively exhaustive. The Risk Taxonomy for operational risk includes the following sub-categories:

- Internal Fraud
- External Fraud
- People
- Business Disruption
- Systems
- Information
- Physical Security and Safety
- Third Party
- Legal and Compliance
- Project and Change
- Business Process Deficiencies

The Business is responsible for identifying and capturing risks in a risk register. Several sources may be used to support risk identification. These include:

- Internal and external insights
- Stress and scenario testing
- Risk incidents
- Risk appetite and key risk indicators
- Control testing
- Emerging risk assessments

Once risks have been identified the Business must assess inherent, residual and target risk exposure:

- Inherent Risk Exposure – Assumes no controls are in place but the people have experience.
- Residual Risk Exposure – Exposure based upon an analysis of the effectiveness of the controls in place at a point in time.
- Target Risk Exposure – Assumes that all the desired controls are in place and operating.

Risks are assessed using a likelihood and impact scale to drive an overall risk intensity view. The likelihood scale is based on a 12-month time horizon. The impact scale considers financial, regulatory, operational, and customer matters.

The outputs of the risk assessment process and risk responses (i.e. action plans) are reviewed and challenged by the risk functions and at appropriate Risk Committees.

On an annual basis, the operational risk capital scenario assessments are compared to the operational risks included on the UK&I enterprise current (and emerging) risk profiles to check for consistency and completeness of the risks assessed and the assessments themselves.

C.5.3 Material risks

The material risks that the Group is exposed to are as follows:

Key risks and exposures	Key mitigants and controls
Operational Risk	
Operational risk This is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise.	• Operational risk and resilience processes and procedures are in place, including incident management. • Continued improvement to our operational resilience and third-party oversight capabilities, supported by simulation exercises which test the adequacy of our approach. • Control effectiveness is monitored through control testing and assurance activities. • System and information (including information security) risks remain a key focus, and we have made significant progress with risk reduction over the year.
Customer risk This is the risk that customers do not receive good outcomes and suffer harm because of products and services that are not fit-for purpose, offer poor value, are poorly explained or inadequately supported.	• The UK Operating Committee oversees key matters and decisions relating to good customer outcomes, supported by customer outcomes monitoring, which is reported to the Board periodically. • Adherence to key frameworks, such as product governance and delegated oversight, is monitored and subject to control testing and assurance. • Successful delivery of key regulatory requirements in a timely manner.

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

Whilst there are many inter-dependencies between operational risks there are no material risk concentrations, in part a consequence of the regional businesses operating independently of each other.

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

- Risk Management and Internal Controls Policy
- UK&I Risk Appetite Procedure
- UK&I Policy Management Procedure
- UK&I Risk Management Procedure
- Operational Risk Incident Procedure

The Risk Management and Internal Controls Policy is supported by number of procedures and several regional policies that set out principles and expected controls. The effective operation of the controls, control testing and assurance outlined in policies helps to ensure that the Group operates within risk appetite.

For risks that are outside of target risk exposure, a risk response is required. The following two risk responses (treatments) are acceptable:

- **Risk mitigation** - taking action to reduce the potential impact or likelihood of a risk to target risk exposure, through the enhancement of existing controls or the design and implementation of new controls.
- **Risk monitoring** - where a risk is mitigated to target risk exposure or further risk mitigation is not possible, and no further action will be taken. The risk will be monitored to ensure sustained performance at this level of risk exposure.

Risk response action plans are reviewed and challenged at Risk Committees. Action plans must include an action owner and due date(s).

In functional risk and control committees (or equivalent), the members will:

- Consider the impact of internal and external factors on risk identification (new risks) and risk exposure (existing risks).
- Review key risk indicators that breach operating target or exceed tolerance to assess whether risk response is sufficient and appropriate.
- Consider the impact of control findings/issues and assurance reports on risk exposure.
- Assess risk incident trends (including operational losses and near misses) to identify any further actions needed.
- Monitor the status of action plans to identify risks to delivery and/or respond to issues.
- Consider the impact of any emerging risk reviews, scenario tests or other deep dives on risk identification and risk exposure.

C.5.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.6 Other material risks

C.6.1 Other material risks faced

In addition to the risks covered above, the Group is exposed to risk arising from the Group's defined benefit pension schemes. See section C.6.2.

C.6.2 Pension risk

C.6.2.1 Introduction

Pension risk covers the risk that the Group's defined benefit pension schemes pose to the Group due to the financial position of the schemes deteriorating, resulting in an adverse impact on the capital strength of the Group and/or an increase in the required level of deficit funding payable to the schemes.

The Group operates a number of defined benefit pension schemes with total assets and liabilities each of around £5.5bn as at 31 December 2023. The majority of the assets and liabilities (around 99%) relate to two major defined benefit schemes located in the UK. The two major schemes completed the purchase of annuity buy-in insurance contracts ("buy-in transaction") during the year, and as a result pension risk is no longer considered a key risk to the Group as at 31 December 2023.

The UK defined benefit schemes were effectively closed to new entrants in 2002, and thus the majority of liabilities in the UK schemes relate to past employees of the Group. Since 31 March 2017, the two major defined benefit schemes have been closed to future accrual meaning there is no further build-up of defined benefit pensions by the Group's employees in the UK. Following the buy-in transaction on 27 February 2023, pension risk is now largely removed with no adverse impact on the Company's capital position expected and the requirement for additional cash contributions expected to be limited in size and scope.

Purchase of annuity buy-in insurance contract

On 27 February 2023 the investment arrangements of the two major UK DB pension schemes (the schemes) underwent significant change when the Trustees purchased a number of insurance policies from PIC, a specialist insurer of DB pension schemes. These PIC policies, together with the pre-existing longevity swap with Rothesay Life, are designed to fund all members' defined benefit payments as they fall due.

At the transaction date, the schemes transferred the majority of their assets and an upfront contribution of £481m to PIC. Of the total buy-in premium, an amount of £550m was deferred and due to be paid through the sale of certain less liquid assets that were initially retained by the schemes and therefore an element of market risk remained. However as at 31 December 2023 these assets have been largely liquidated and so the remaining market risk at the transaction date has now been largely removed.

As a result of the buy-in transaction, all remaining market and demographic risk associated with these schemes has been transferred to PIC. The main risks that the Group retains are counterparty risk, residual risk and liquidity risk.

The Group still retains legal responsibility for the obligations of the schemes since the insurance contracts simply cover the benefit payments that continue to be payable by the schemes.

C.6.2.2 Measures used to assess risk

Following the buy-in transaction, the majority of scheme assets are now set equal to the value of liabilities when determining the schemes' financial position and hence funding levels are expected to be broadly 100% on all measures used to assess risk, including the IAS 19 accounting measure and the more prudent funding measures used to determine the requirement for future cash contributions from the Group to the schemes. Therefore there is no longer any significant funding deficit to make good, with future movements in market and demographic risk covered by the insurance policies in place, and hence the requirement for additional cash contributions is expected to be limited in scope.

C.6.2.3 Material risks

Following the buy-in transaction all material economic and demographic risk in relation to the UK schemes has now largely been removed. The main risks that the Group retains are set out below:

- Counterparty risk – the risk that PIC default on part of their obligations under the insurance contracts. Given the financial strength of PIC, this is not considered a material risk for the Group.
- Residual risk – the risk that the insured benefits do not exactly match RSA's obligations to members of these schemes. Given the rigorous review and rectification processes the schemes have been through over the years this is not considered material.
- Liquidity risk - the risk that the schemes do not have enough cash to meet benefit payments, expenses and any other obligations as they fall due. A number of liquidity agreements were put in place as part of the buy-in transaction, and so this risk is not considered to be material.

C.6.2.4 Application of the prudent person principle

The assets of the UK pension schemes are held under trust and investment strategy is ultimately controlled by the Trustees of each scheme after consultation with the Group. Therefore, the prudent person principle in respect of these exposures does not apply in relation to the Group's risk profile.

At a Group level, there is no material pension risk in Ireland.

C.6.2.5 Material risk concentrations

Following the transaction, the pension scheme assets now largely comprise of insurance policies which match the pension obligations to be met.

As detailed below, the schemes' largest counterparty exposure is to PIC:

Name of external counterparty	Country of the exposure	External rating	SII Coverage	Value of the exposure (£m)	Currency
Pension Insurance Corporation	UK	A+ (Fitch)	c.200%	5,440	GBP

Based on PIC's capital strength and credit ratings, the chance of counterparty losses are considered to be very low.

PIC is a major player in the UK bulk annuity market, with a large balance sheet and high level of capitalisation under Solvency II. The UK regulatory regime for insurers provides comfort that the risk of PIC failing to meet its obligations to the schemes is limited. The laws that regulate insurers also provide protection for policyholders, including being eligible for compensation from the Financial Services Compensation Scheme (FSCS) up to the full value of the benefits insured, based on the current FSCS rules.

C.6.2.6 Risk mitigation

Counterparty & Liquidity Risk

The Group's Capital Management Committee monitors counterparty risk and liquidity risk on a quarterly basis.

Counterparty risk is monitored by tracking key metrics on PIC such as latest SII coverage percentages and credit ratings.

The schemes' liquidity position is closely monitored with well developed plans and reserves to ensure that sufficient liquidity is available to meet benefit payments, expenses and any other obligations which arise from the schemes.

Residual Risk

A data cleansing exercise commenced following the purchase of the insurance policies. No material residual risk is expected, and nothing to date has arisen as part of the data cleansing exercise to suggest otherwise.

C.7 Any other information

The only other material information relating to the risk profile of the Group is regarding stress and scenario testing.

The Group conducts a stress and scenario testing process annually, assessing material risks to the business as part of the ORSA. The exercise is run by the Risk Function, with support from others. During 2023, the focus of reverse stress testing shifted from pensions and market risks, towards insurance driven events, due to the change in the risk profile after pension de-risking. Specific stress tests including Power Outage, Strike, Riots and Civil Commotion were conducted to respond to changes in the external risk environment. These tests confirmed that such events would not significantly impact our capital buffers.

Further scenario analyses were performed to understand the impact of a combination of Insurance and Market risks to support appropriate recovery and resolution planning.

The Group will participate in the forthcoming Dynamic General Insurance (GI) stress test by the PRA scheduled for 2025, aiming to assess the industry's solvency and liquidity resilience to an adverse scenario. Regulator planning and engagement for the 2025 test has begun with the GI industry via the Association of British Insurers.

D. Valuation for Solvency Purposes

In this section

Group SII Balance sheet

D.1 Assets

D.2 Technical provisions

D.3 Other liabilities

D.4 Alternative methods for valuation

D.5 Any other information

This section sets out the basis of preparation and assumptions used in the valuation under SII of the assets, technical provisions and other liabilities of the Group for each material class.

SII requires assets and liabilities to be valued on a basis that reflects their fair value (economic valuation) with the exception that liabilities should not be adjusted to take account of changes in an insurer's own credit standing. Fair value reflects the amount that the Group would receive if an asset was sold, or would have to pay to settle a liability in an arm's length transaction between knowledgeable and willing parties.

The valuation of assets and liabilities for SII begins with IFRS values (which has an equivalent definition of fair value) and adjusts for specific differences between SII and IFRS. Where there are such differences between the SII and IFRS bases of valuation, these are described in Sections D.1 – D.4. For assets and liabilities where valuation is carried out on the same basis under IFRS and SII, a description of the basis of preparation can be found in the accounting policies section and notes to the RSAIG 2023 Consolidated financial statements.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the Group's SCR which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

Group SII balance sheet

The table below shows the IFRS financial statements values, compared to the SII balance sheet. Adjustments made between IFRS and SII are classified into two categories:

- Reclassifications of the IFRS balance sheet into SII categories. These are principally of two types: reclassification of financial instruments, and movement from line-by-line consolidation to adjusted equity method for certain subsidiaries. These adjustments are required for SII presentation purposes only and do not result in valuation differences.
- Revaluation adjustments, where IFRS valuation techniques are not considered to be consistent with SII requirements.

	Financial statements note	Financial statements value £m	Reclass- ification £m	SII valuation adjustments £m	Solvency II value £m	SFCR section
Goodwill and intangible assets	15	897	(25)	(872)	-	D.1.1.2
Deferred tax assets	27	266	-	-	266	D.1.1.4
Pension benefit surplus	29	23	-	-	23	D.1.1.5
Property, plant & equipment held for own use	16	108	-	(12)	96	D.1.1.6
Investments (other than assets held for index-linked and unit-linked contracts)		5,439	244	(25)	5,658	
<i>Property (other than for own use)</i>	7	285	-	-	285	D.1.1.7
<i>Holdings in related undertakings, including participations</i>		-	83	(25)	58	D.1.1.8
<i>Equities</i>	7	199	(68)	-	131	D.1.1.9
<i>Bonds</i>	7	4,896	(118)	-	4,778	D.1.1.9
<i>Collective Investments Undertakings</i>		-	242	-	242	D.1.1.9
<i>Derivatives</i>	9	59	-	-	59	D.1.1.9
<i>Deposits other than cash equivalents</i>		-	105	-	105	D.1.1.9
Loans and mortgages	7	391	3	-	394	D.1.1.9
Reinsurance recoverables	12	1,756	-	(281)	1,475	D.2
Insurance and intermediaries receivables		-	-	146	146	D.1.1.9
Reinsurance receivables		-	-	101	101	D.1.1.9
Receivables (trade, not insurance)		76	(8)	(7)	61	D.1.1.9
Cash and cash equivalents	7	320	(179)	-	141	D.1.1.9
Any other assets, not elsewhere shown		94	(44)	(39)	11	D.1.1.3
Total assets		9,370	(9)	(989)	8,372	
Technical provisions	12	5,968	-	(296)	5,672	D.2
Contingent liabilities				7	7	
Provisions other than technical provisions	18	34	-	-	34	D.3.1.3
Pension benefit obligations	29	22	-	-	22	D.1.1.5
Derivatives	9	25	-	-	25	D.3.1.1
Debts owed to credit institutions	19	8	-	-	8	D.3.1.1
Insurance & intermediaries payables		-	-	112	112	D.3.1.1
Reinsurance payables		-	-	40	40	D.3.1.1
Payables (trade, not insurance)		196	(6)	61	251	D.3.1.1, D.3.3
Subordinated liabilities	19	126	-	1	127	D.3.1.1
Any other liabilities, not elsewhere shown		179	(3)	54	230	D.3.1.1
Total liabilities		6,558	(9)	(21)	6,528	
Excess of assets over liabilities		2,812	-	(968)	1,844	

Method of consolidation

Method

The accounting consolidation method (Method 1), as defined by Article 335 of the Solvency II Delegated Regulation 2015/35 (as brought into UK law by Section 3 of the European Union (Withdrawal) Act 2018) (the Delegated Acts), has been adopted in preparation of the Group SII balance sheet.

The key differences between the SII and IFRS consolidation approaches are:

- Investments in participations that are non-controlled insurance or reinsurance companies are consolidated using the adjusted equity method, after elimination of intra-group transactions. The valuation of the investment is calculated as the appropriate share of that participation's excess of assets over liabilities, using SII valuation rules. The value of the investment is included in the "participations" line in the SII balance sheet.
- Participations that are neither insurance or reinsurance companies nor insurance holding companies, are also valued using the adjusted equity method after elimination of intra-group transactions. If that is not possible, the equity method under IFRS (with any goodwill and inadmissible intangible assets valued at £nil) is adopted. This applies irrespective of whether the participation is in a net assets or net liability position.

All material transactions between entities in the scope of the Group (as per QRT S.32.01.22 in Appendix 8) have been eliminated on Group consolidation.

Scope

There are no material differences between the scope of the Group for Solvency II purposes and that for accounting purposes.

D.1 Assets

D.1.1 Valuation of assets

The assets of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts and EIOPA Valuation Guidelines (refer to appendix 7 for definition).

This section describes, for each material class of assets:

- The bases, methods and main assumptions used in valuing those assets for SII purposes.
- Where relevant, details of estimation techniques, risks and uncertainties relating to those valuations.
- An explanation of any material differences in SII valuations compared to IFRS.

There were no changes made to the recognition and valuation bases used, or to estimation approaches during the period.

D.1.1.1 Goodwill

Goodwill is valued at £nil under SII. Goodwill reported under IFRS is therefore eliminated in the SII balance sheet, with corresponding adjustments to deferred taxes.

D.1.1.2 Intangible assets

Under SII, intangible assets are ascribed a value only where they can be sold separately and there are demonstrable quoted prices in an active market for the same or similar assets. Where this is the case, the asset is valued in accordance with the SII valuation hierarchy.

The Group's IFRS intangible assets are deemed not capable of being sold separately and do not have quoted prices on an active market (nor do such prices exist for similar assets). Intangible assets are therefore valued at £nil in the SII balance sheet.

D.1.1.3 Deferred acquisition costs

Deferred acquisition costs (DAC) is no longer a recognised concept in the IFRS balance sheet and any deferred cost comprising the direct and indirect costs of obtaining and processing new insurance business is included within the valuation of the IFRS Insurance contracts assets/liabilities. In the Group's and UK solo entities' IFRS balance sheets, DAC is deducted from the Liability for Remaining Coverage (LFRC) provision. Any balances relating to DAC are fully eliminated in the SII balance sheet and acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.

D.1.1.4 Deferred tax assets and liabilities

The valuation method for deferred tax balances is the same under IFRS and SII. Deferred tax is provided in full using the IAS 12 liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts on the SII balance sheet. IFRS to SII valuation adjustments are therefore considered in assessing the temporary differences upon which the deferred taxes are derived.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at 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 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.

See Section D.1.2 for more information on deferred tax.

D.1.1.5 Pension benefit surplus and deficits

There are no valuation differences between IFRS and SII for pension benefit surplus and deficits. Pension schemes are recognised and valued on the balance sheet in the same way under both IFRS and SII, as the requirements of IAS 19 are considered to be consistent with those of SII.

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged in the period during which the employment services qualifying for the benefit are provided.

Defined benefit pension schemes

The value of the net defined benefit asset/(liability) of each scheme is calculated individually as follows:

- The fair value at the end of the reporting period of the scheme assets from which the obligations are to be settled directly.
- Less: the present value of defined benefit obligation of the scheme at the end of the reporting period.

The present value of defined benefit obligations and the present value of additional benefits accruing during the period are calculated using the projected unit credit method (see below for further details).

The calculation of the present value of accrued benefits includes an actuarial assumption of future interest rates, which is used to discount the expected ultimate cost of providing the benefits. The discount rate is determined at the end of each reporting period by reference to current market yields on high quality corporate bonds identified to match the currency and estimated term of the obligations.

For those individual schemes in deficit, the resulting net liabilities are recognised in other liabilities.

For those individual schemes in surplus, an asset is recognised in the balance sheet 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.

Remeasurements of the net defined benefit asset or liability comprise 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 amounts charged (or credited where relevant) relating to post retirement benefits in respect of defined benefit schemes are as follows:

- The current service cost.
- The past service costs and gains or losses on settlements/curtailments.
- Net interest on the net defined benefit liability/(asset).
- Administration costs of operating the pension schemes.

Estimation techniques, risks and uncertainties

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 estimated term of the obligations.

The actuarial valuation involves making assumptions about discount rates, future salary increases, future inflation, the employees' age upon termination and retirement, mortality rates, future pension increases and disability incidence.

If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years. Due to the complexity of the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in the assumptions. Assumptions are reviewed at each reporting date. As such, the IAS 19 valuation of the liability is highly sensitive to changes in bond rates. However, fluctuations in the liabilities are now largely offset by equal and offsetting impacts on the Fair Value of plan assets following the pension buy-ins. Further details regarding the pension buy-ins can be found in note 29.6 of the RSAIG Consolidated financial statements for the year ended 31 December 2023.

D.1.1.6 Property, plant and equipment

Property, plant and equipment is included in the SII balance sheet at fair value, and comprises:

- Group occupied land and buildings
- Fixtures, fittings and equipment (including computer hardware)

Under IFRS reporting, Group occupied land and buildings are stated at fair value (calculated on a vacant possession basis by third party valuers; see Section D.1.1.7 for further details), and therefore no adjustment is made on the SII balance sheet. For all other property and equipment, including lease assets recognised under IFRS 16, IFRS values (depreciated or amortised cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

D.1.1.7 Property other than for own use

There are no valuation differences between IFRS and SII in relation to investment property (comprising freehold and leasehold land and buildings), as these assets are recorded at fair value for IFRS and SII.

Estimation techniques, risks and uncertainties

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.

D.1.1.8 Participations and related undertakings (subsidiaries, associates and joint ventures)

A “participation” is an SII term for a holding (direct or indirect) of at least 20% of the voting rights or capital of another undertaking, and therefore represents IFRS subsidiaries, associates and joint ventures.

Group balance sheet

In the Group balance sheet, the method of consolidation and valuation of participations is dependent on the type of entity and level of influence. See Section D. ‘Method of Consolidation’ for further details.

The “Holdings in related undertakings, including participations” balance held on the Group’s balance sheet represents the Group’s investments in associates, as well as participations that are not insurance companies. Under IFRS the accounting basis for this item is cost. Goodwill and intangible assets of participations that are not insurance companies are valued at £nil under SII.

Solo entity balance sheets

This section applies to balance sheets prepared by the solo entities, included in Appendices 2, 3 and 4.

Investments in directly owned subsidiaries and associates are accounted for at cost under IFRS.

For SII, investments in participations that are insurance companies and that do not have quoted market prices are valued using the adjusted equity method (calculated as the appropriate share of that participation's excess of assets over liabilities, using SII valuation rules). The balance sheet of that participation is adjusted to SII rules before the share of net assets in the investment is valued.

If the participation is not an insurance, or reinsurance, company, the same method is adopted. If this is not possible, the IFRS equity method (with any goodwill and inadmissible intangible assets valued at £nil) is adopted instead. This applies irrespective of whether the participation is in a net assets or net liability position.

D.1.1.9 Financial assets

Financial assets are valued at fair value for SII. The methods and assumptions used by the Group in estimating the fair value of financial assets are shown below and except where specifically stated, there are no valuation differences between IFRS and SII.

- Equity securities: fair values are based upon quoted market prices where available, or according to the three-level fair value hierarchy (see note 10 of the RSAIG 2023 Consolidated financial statements for further details).
- Bonds: fair values are based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from quoted market prices of comparable securities or estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Under SII, accrued interest is reclassified from other debtors to the relevant instruments.
- Collective investment schemes: quoted market prices are used where available. Where this is not possible, funds are valued using data from third party administrators or, in the case of loan funds, fund manager data. All funds are reviewed regularly for signs of underlying impairment. As such, it is considered that all IFRS values approximate to fair values, and no valuation adjustments are made under SII.
- Derivatives: fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instruments or indices.
- Cash and deposits, and loans and mortgages: IFRS carrying amounts approximate to fair values. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances, reclassified from other assets.
- Receivables and other assets: Premium debtors and recoveries falling due for payment after the balance sheet date are included within Insurance contract assets and liabilities under IFRS, therefore no change in presentation is required; balances which are due at the balance sheet date are presented in the relevant SII balance sheet line items; amounts outside contract boundaries are removed entirely. See Section D.2 for more details. For other receivables and other assets, IFRS carrying amounts approximate to fair values.
- Prepayments: prepaid expenses that are considered to have no future economic value are valued at £nil under SII.

Reinsurance recoverables

The sub-categories in the SII balance sheet of reinsurers' share of technical provisions mirror those of the gross balances and the same mapping of SII lines of business are used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

	Asset £m	Liability £m
Deferred tax position at 31 December	266	-

The following table sets out the deferred tax assets and liabilities recognised by the Group, split by main categories:

	£m
Net unrealised losses on investments	21
Tax losses and unused tax credits	20
Other deferred tax reliefs	75
Technical provisions and DAC	(2)
Retirement benefit obligations	80
Capital allowances	70
General provisions, leases and other temporary differences	2
Net deferred tax position at 31 December	266

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.

	Current tax	Deferred tax
	2023	2023
UK	23.5%	25.0%
Ireland	12.5%	12.5%

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

Unrecognised tax assets

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

	Gross amount	Tax effect
	£m	£m
Trading tax losses	2,139	504
Capital tax losses	1,274	318
Deductible temporary differences	792	193
Unrecognised tax assets as at 31 December	4,205	1,015

The Group's unrecognised trading losses are located in the UK, Ireland, France, Luxembourg and Jersey and represent losses which are not expected to be utilised within the forecast profit period. The Group's unrecognised deductible temporary differences are predominantly located in the UK. Unrecognised capital losses mainly relate to the UK (£1,273m), with the remainder in Ireland, and have not been recognised as it is not considered probable that they will be utilised in the future as most UK and Ireland capital gains are exempt from tax. £3m (31 December 2022: £2m) of the gross trading tax losses are attributable to Luxembourg and will expire in 2036.

In addition to the IFRS position, no deferred tax has been recognised in respect of £344m of gross Solvency II adjustments (predominantly to technical provisions) as there is insufficient certainty that adequate future profits will be available.

Deferred tax asset recognition

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

The majority of the deferred tax asset recognised based on future profits is in respect of the UK. The evidence for the future taxable profits is a five-year forecast based on the three-year operational plans prepared by the relevant businesses and a further two years of extrapolation, which are subject to internal review and challenge, including by the Board. An additional £41m of deferred tax assets was recognised during the period due to an increase in forecast taxable profits; £35m of which was in the UK with the balance in Ireland (£5m) and Spain (£1m).

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

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

	£m
1% increase in combined operating ratio ¹ across all 5 years	(22)
1 year reduction in the forecast modelling period	(66)
50 basis points decrease in bond yields	(6)

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

Procedure

The procedure for providing SII deferred tax figures for RSAIG utilises a walkthrough bridge from the figures reported on an IFRS basis in RSAIG's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these valuation adjustments give rise to a new temporary difference under IAS 12, the recognition of a deferred tax asset or liability is considered in accordance with IFRS principles and SII guidance, including an assessment of the availability of future profits in the case of a deferred tax asset.

D.1.3 Group and subsidiary valuation differences

There is no material difference between the bases, methods and main assumptions used at Group level for the valuation for SII purposes of the Group's assets and those used by any of its subsidiaries for the valuation of its assets.

D.2 Technical provisions

D.2.1 Valuation and comparison of IFRS to SII

Technical provisions are valued using the methods and assumptions described in Section D.2.2.

With the transition from IFRS 4 to IFRS 17, there are some similarities between IFRS and SII while some differences continue to be maintained.

The main similarities between SII technical provisions and the IFRS equivalent are:

- Inclusion of an allowance for Events Not In Data (ENIDs) in SII and IFRS, covering estimates of low frequency but potentially high severity binary events that are not captured in historical data sets.
- All technical provision cash flows are discounted under SII as well as IFRS. However, there still exists a difference in the yield curve used. SII as enacted in the UK uses PRA yield curves, while the yield curve under IFRS is determined by the Company. The same cash flow patterns are used for both SII and IFRS reporting.

The main differences between SII technical provisions and the IFRS equivalent are:

- The Risk Margin under Solvency II is defined differently to the Risk Adjustment under IFRS. The Risk Margin covers the cost of holding capital until runoff whilst the risk adjustment allows for uncertainty in the internal model reserve volatility around the reserve best estimate.
- An allowance for reinsurer default is allowed for under both IFRS and SII, although the calculation methodology differs. The absolute amounts under both approaches are small for all RSA entities.
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions. While IFRS allows for premium debtors and creditors, these aren't split in terms of due and not yet due.
- Allowance for Bound but Not Incepted business (BBNI) is made under SII. This allows for increased exposure on contracts that have not yet incepted and hence are not reflected within IFRS provisions, but are bound as at the date of valuation. Any expected profits or loss is allowed for as well.

The following table quantifies the differences between the SII net technical provisions and the equivalent IFRS provisions for each material SII line of business. The table is followed by notes explaining how the different valuation approaches set out above contribute to the differences observed for each line of business.

		SII Net Technical Provisions		Statutory Accounts Value	Difference
		Best Estimate	Risk Margin		
		£m	£m	£m	£m
Direct business and accepted proportional reinsurance	Motor Vehicle Liability	1,166	51	1,251	(34)
	Other Motor	110	3	133	(20)
	Marine, Aviation and Transport	176	6	190	(9)
	Fire and Other Damage to Property	1,251	36	1,317	(30)
	General Liability	1,061	54	1,078	37
Other Non-Life Direct and Accepted Non-Proportional Reinsurance Lines		104	3	106	1
Life & Health Insurance Lines (including Annuities Stemming from Non-Life)		136	39	137	38
TOTAL		4,004	192	4,213	(17)

Notes

- (1) Allowance for future premium within SII Technical Provisions is a difference impacting multiple lines of business. These are Motor Vehicle Liability, Other Motor, General Liability, Marine Aviation & Transport, and Fire & Other Damage to Property.
- (2) Expected profit within LFRC is deferred under IFRS until it is earned, while the expected loss is recognised as onerous provisions. However, on a Solvency II basis, this expected profit or loss is recognised up front when the contract is bound.
- (3) Discounting is used throughout SII and IFRS with different methodology used to calculate the discount rate. Even with the volatility adjustment the SII discount rates tend to be lower than those used for IFRS which more closely reflect RSA's own investment returns.

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

Claims provision + Premium provision + Risk margin

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to claim events prior to the valuation date.

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies that the Group has written, or bound but not incepted, at the valuation date.

The risk margin is calculated as the cost of capital required to hold future SCRs over the life of the technical provisions as they run off.

The valuation of the best estimate for claims provisions and for premium provisions are carried out separately. Claims and premium provisions are calculated both gross of outwards reinsurance and for outwards reinsurance. The risk margin is only calculated net of outwards reinsurance.

D.2.2.1 Bases, methods and assumptions used for valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows including claims payments, related expenses, salvage and subrogation recoveries and expected reinsurance recoveries. The provision is determined using the best information available of claims settlement patterns, future inflation and estimated claims settlement amounts.

The premium provision comprises estimated cost of future claims and associated expenses for unearned but bound business on a best estimate basis, offset by the future premiums due. The cash flows also include profit commissions and the costs of policy administration. These also include business that has not yet incepted but is bound under the contract (BBNI).

Future cash flows for both claims and premium provisions include an allowance for ENIDs.

All expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses are taken into account. This share is assessed on the basis that the Group continues to write new business. The expense provision includes items such as investment expenses that are not provided for under the IFRS basis.

Future claims cash flows are generally determined by considering how past claims payments have materialised, with separate explicit cash flows determined for gross of reinsurance and net of reinsurance. The provisions for claims relating to annuities arising from general insurance business in the UK are also determined using recognised actuarial methods.

Cash flows are discounted for the time value of money using yield curves prescribed by the PRA.

The risk margin is calculated by determining the present value of the cost of holding the SCR necessary to support the Group's insurance obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional (re)insurer, the Reference Undertaking, of holding the capital to accept a transfer of liabilities.

D.2.2.2 Significant simplified methods

Under the legal obligation basis of Solvency II, all existing bound contracts are to be valued, whether the contracts have incepted or not. This includes future premium and claims cash flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (BBNI) business. The SII Technical Provisions as at 31 December 2023 allow for BBNI business but on a proportional simplified basis that all cashflows corresponding to it are assumed to be in the first year and hence the impact from discounting is minimal.

For the risk margin, the future SCRs of the Reference Undertaking are estimated by considering the remaining claims at each future valuation date. As claims run off, a higher proportion of long tail, e.g. liability, claims remain which require a proportionally higher level of capital to support them. The method used reflects the proportionally increasing levels of capital required in the future.

D.2.3 Uncertainties and contingencies

There is an inherent uncertainty in estimating claims 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. In particular, the estimation of the provisions for the ultimate costs of claims for bodily injury is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slow emergence and longer settlement period for these claims.

Other uncertainties include the possibility of future legislative change having retrospective effect on open claims; changes in claims handling and settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from business written several years ago; general uncertainty in the claims environment; the emergence of latent exposures such as asbestos; the outcome of litigation on claims received; failure to recover reinsurance and unanticipated changes in claims inflation.

Covid-19 has been a major reason for material uncertainty with regard to estimating technical provisions. Covid-19 had increased the level of estimation uncertainty with key assumptions impacted, such as claims development distorted by post-pandemic issues such as medical delays and supply chain delays. Interpretation and information continued to become available and interpretations matured. The trends have now shown stability since last year and further information became available with regards to the number of eligible claimants who met the required claim criteria. Also, with increased paid amounts and reinsurance recoveries on Covid losses, the uncertainty around reserves further reduces.

There is considerable uncertainty in the economic environment beyond 2023, and changes such as ongoing inflationary pressure could have an impact on claims costs. The inflationary pressure, 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, increasing social and claims inflation and evolving geo-political uncertainty. Inflation increases in 2021-23 were 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, particularly for the long tail liability classes, whilst for short tail property and damage the impact is now mostly contained within our data. In the meantime, our estimates require increased reliance on our assumptions compared to the previous stable claims inflation environment. While allowance has been made for the increase in expected liabilities because of these, there is an uncertainty that the actual experience is significantly different from expected. 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.

Climate change and cyber risks are other major emerging risk factors that can have adverse impact on reserves. The Group is closely monitoring these, allowing for such events as ENIDS, and is also actively taking measures to control the impact of these loss events.

In March 2023, RSA announced the exit of UK Personal Motor and in December 2023 the sale of the remaining UK direct Personal Lines operations to Admiral Group plc and the exits of its UK Home and Pet partner and broker contracts. In totality these complete RSA's exit from the UK Personal Lines market.

In September 2023, RSA announced the acquisition of DLG's brokered Commercial Lines business.

These changes contribute to increased uncertainty as the risk mix changes, with the runoff of the exited and sold businesses and the addition of the new business from DLG.

These uncertainties also impact the assumed future loss ratios which then brings in an increased uncertainty in the premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs are partially mitigated by reinsurance.

D.2.4 Use of adjustments and transitionals

In valuing the Group's technical provisions, none of the following were applied during the year:

- The Matching Adjustment referred to in Regulation 42 of the Solvency 2 Regulations 2015.
- The transitional risk-free interest rate-term structure referred to in Section 10 of the Transitional Measures part of the PRA Rulebook applicable to SII firms.
- The transitional deduction referred to in Section 11 of the Transitional Measures part of the PRA Rulebook applicable to SII firms.

In March 2020, RSAI, RSA Re and MIC each received approval from the PRA to apply the Volatility Adjustment, as referred to in Regulation 43 of the Solvency 2 Regulations 2015, to the calculation of technical provisions, with effect from 31 March 2020. In May 2021, these entities re-applied for the Volatility Adjustment, along with the Group, after the takeover by IFC and received approval for the same. For quantification of the impact of the Volatility Adjustment on the Group's technical provisions and capital position, see QRT S.22.01, included in Appendix 8.

D.2.5 Recoverables from reinsurance contracts and SPVs

The Group enters into reinsurance contracts, mostly excess of loss protection for individual risks or from claims following catastrophe events. The Group also reinsures some business on a quota share basis, and in recent prior years has purchased aggregate reinsurance cover and a significant adverse development cover to provide some protection on 2020 and prior accident years. At any balance sheet date the Group will expect to recover under some of these reinsurance contracts. See Section C.1.6 (Underwriting Risk – Risk Mitigation) for further details of the Group’s reinsurance contracts and the Group SII Balance Sheet (Section D) for the reinsurance recoverable amounts.

D.2.6 Changes in assumptions

The Group routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging risks or trends in the data and any other relevant information. Whilst some assumptions have a material impact on our reported estimates of technical provisions, many of the assumptions only have a minor impact. The main changes in assumption during 2023 were: reacting to evolving economic and geopolitical uncertainty; updating our inflation trends; allowing for changes in our mix of claims, and allowing for development as per the latest experience following weather events across UK and Europe. There were no other material changes to assumptions in 2023.

As part of UK reforms to the Solvency II regime, a statutory instrument came into effect on 31 December 2023 that amended the calculation of the risk margin. The cost of capital was reduced from 6% to 4%, while a tapering factor was introduced for life obligations, including PPOs.

D.2.7 Group and subsidiary valuation differences

There are no material differences between the technical provisions held for the Group and those held for the equivalent liabilities in its subsidiaries.

D.3 Other liabilities

D.3.1 Valuation of other liabilities

The liabilities of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts and the EIOPA Valuation Guidelines.

This section describes, for each material class of liabilities (other than technical provisions):

- The bases, methods and main assumptions used in valuing those liabilities for SII purposes.
- Where relevant, details of estimation techniques, risks and uncertainties relating to these valuations.
- An explanation of any material differences in SII valuations compared to IFRS.

Recognition and valuation bases used or to estimation approaches have been applied consistently during the period.

D.3.1.1 Financial liabilities

Financial liabilities are valued at amortised cost under IFRS and fair value for SII balance sheet valuation purposes. The methods and assumptions used by the Group in estimating the fair value of financial liabilities are shown below and except where specifically stated, there are no valuation differences between IFRS and SII.

The methods and assumptions used by the Group in estimating the fair value of financial liabilities are:

- Debts owed to credit institutions and senior and subordinated debt: fair values are determined by reference to recent market transactions or other observable market inputs.
- For borrowings that carry a variable rate of interest (other than senior and subordinated debt), carrying values approximate to fair values and therefore there is no difference between the valuation under IFRS and SII.
- Other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities and therefore there is no difference between the valuation under IFRS and SII.
- Payables: Premium creditors falling due for payment after the balance sheet date are included within Insurance contract assets and liabilities under IFRS, therefore no change in presentation is required; balances which are due at the balance sheet date are presented in the relevant SII balance sheet line items; amounts outside contract boundaries are removed entirely. See Section D.2 for more details. For other payables and other creditors, IFRS carrying amounts approximate to fair values.
- Reinsurance payables: In addition to the above, as per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which case it must be recognised in full.

Upon subsequent measurement of financial liabilities, any changes in own credit risk are not reflected in fair value.

Estimation techniques, risks and uncertainties

The fair value measurement of the Group's loan instruments and subordinated debts is based on pricing obtained from a range of financial intermediaries. Their valuations are based on recent transactions of these instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

D.3.1.2 Contingent liabilities

Material contingent liabilities (those where information about the current or potential size or nature of those liabilities could influence decision making or judgement) are recorded on the SII balance sheet and are valued at the expected present value of future cash flows to settle the obligation liability over the lifetime of that contingent liability, using the relevant risk-free interest rate-term structure.

This applies to non-insurance risks only, as insurance risks are captured by the best estimate component of technical provisions.

Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for IFRS reporting.

For further information in relation to contingent liabilities, see note 33 of the RSAIG 2023 Consolidated financial statements.

D.3.1.3 Provisions other than technical provisions

There are no differences between the IFRS and SII balance sheets for provisions, other than technical provisions, as such provisions are valued in the same way under both IFRS and SII.

D.3.2 Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

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'. The Group's opinion is that the authorised refund tax charge is not an income tax within the meaning of IAS 12 and so the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

The Group also operates a defined benefits plan in Ireland.

The value of all scheme assets and all scheme obligations are as follows:

	UK £m	Other £m	Total £m
Defined benefit obligation (funded)	(5,459)	(59)	(5,518)
Present value of unfunded obligations	(4)	-	(4)
Fair value of plan assets	5,449	76	5,525
	(14)	17	3
Other net surplus remeasurements	(2)	-	(2)
Net DB Asset	(16)	17	1
Plans in a surplus position	6	17	23
Plans in a deficit position and unfunded plans	(22)	-	(22)
Pension (liabilities)/assets	(16)	17	1

	Quoted	Unquoted	Total £m
Fair value of plan assets			
Cash and cash equivalents	33	-	33
Government debt securities	60	-	60
Non-government debt securities	14	3	17
Debt securities	74	3	77
Equity securities	15	-	15
Annuity buy-in insurance contracts	-	5,445	5,445
Derivative financial instruments	-	(8)	(8)
Investment property	1	-	1
Other (including infrastructure and growth alternatives)	-	69	69
Total Investments	123	5,509	5,632
Deferred premium payable to PIC	-	(107)	(107)
Total net plan assets	123	5,402	5,525

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

For further details of the Group's defined benefit pension schemes and other post-employment benefits, see note 29 of the RSAIG 2023 Consolidated financial statements and section C.6.2 of this report.

D.3.3 Lease liabilities

See Section A.4.2 for information on leases.

For lease liabilities recognised under IFRS 16, IFRS values are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

D.3.4 Group and subsidiary valuation differences

There is no material difference between the bases, methods and main assumptions used at Group level and those used by any of its subsidiaries for the valuation for solvency purposes of liabilities other than technical provisions.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods, in accordance with Article 10(5) of the Delegated Acts include property, certain debt and equity securities, collective investment schemes, derivatives and subordinated debt.

Most of these instruments are given this classification because the markets on which they trade are not considered to be sufficiently active to qualify as active for the purpose of this disclosure. Despite this, the valuation of these assets is still based on quoted prices available from an exchange, dealer, broker, pricing service or other third party and as such these prices are considered reliable indicators of the fair value of the instruments.

Instruments disclosed as valued under alternative valuation methods for which quoted market prices are not available are valued using observable inputs as far as possible. These instruments are generally illiquid and include property and illiquid credit instruments. As such they are rarely traded, but experience from disposals when they do occur suggests that the valuation methods used are reasonably reliable in estimating the fair value of the instruments.

There is no difference between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for IFRS reporting. See section D.1 and D.3 for description of the valuation techniques used and how they are assessed.

See Note 10 of the RSAIG 2023 Consolidated financial statements for further details of the valuation methods, uncertainties and assumptions used when valuing such instruments.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

E.1 Own funds

E.2 SCR and minimum Group consolidated capital requirement

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

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

E.5 Non-compliance with the MSCR and non-compliance with the SCR

E.6 Any other information

Section E is subject to external audit, with the exception of any text or figures which are, or derive from, the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

RSA Capital Management - policies and processes for managing own funds

The primary objective of the Capital Management function is to ensure that the business has sufficient capital to meet its obligations. This is achieved by optimising the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite.

The Capital Management function's role and responsibility is to govern, monitor and oversee capital resources across the Group ensuring that these are within the risk appetite of the Group and meet appropriate regulatory/accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and capital requirements such as SII available and eligible own funds.

The Group manages capital and solvency through a governance framework including methodology validation, monitoring and reporting processes, in support of the Group ORSA process.

Business planning

RSA operates a three-year time horizon for business planning. Plans are reviewed and debated at executive level and approved by the Board.

Material changes over the reporting period

On 27 February 2023 the Trustees of the Group's two major UK DB pension plans entered into an agreement with PIC, a specialist insurer of defined benefit pension plans, to purchase buy-ins, as part of its de-risking strategy. The buy-in transaction was funded through the injection of share capital from the Group's immediate parent company, 2283485 Alberta Limited, of approximately £480m. The transaction results in a material change to the risk profile of the Group and, as such, approval has been received for a Major Model Change during 2023 which reduced the SCR by approximately £90m.

In June 2023 RSA repurchased and cancelled £40m (nominal value) of its fixed rate Tier 2 dated guaranteed subordinated bonds (remaining notional £120m). The bonds were partially redeemed at their principal amount together with accrued and unpaid interest. The redemption was fully funded via an equity capital injection of approximately £40m from the Group's immediate parent company, 2283485 Alberta Limited. The transaction has no impact on the total capital position of the Group, however the replacement of Tier 2 own funds with equity (unrestricted Tier 1) improves the quality of capital.

On 26 October, the Group received a capital injection from its immediate parent company, 2283485 Alberta Limited, of £565m to fund the initial purchase price of £520m, and expected integration costs of approximately £45m, related to the purchase of DLG's brokered Commercial lines business. The transaction results in a material increase in SCR of approximately £230m which predominantly reflects the changes in risk profile of the Group as a result of the acquisition.

On 31 December 2023 a statutory instrument came into effect which introduced changes to the formula used for calculation of the risk margin. The impact of the reforms had the impact of improving RSA own funds by approximately £90m.

E.1.1.1 Method used for calculating Group Solvency

RSA adopts the accounting consolidation method (Method 1) to calculate Group Solvency.

S.25.03 (unaudited) in Appendix 8 summarises the Group SCR by risk type, as derived using Method 1.

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

The Group's own funds are classified per SII requirements as follows:

Solvency II Tier	Capital Item
Tier 1	Paid in ordinary share capital, and the related share premium Reconciliation reserve
Tier 1 Restricted	Paid in preference shares, and the related share premium account
Tier 2	Subordinated liabilities that exhibit characteristics listed in Article 73 of the Delegated Act. Unpaid and uncalled ordinary share capital callable on demand (ancillary own fund items) as defined in Article 74 of the Delegated Act
Tier 3	Net deferred tax assets

Preference shares classified as Upper Tier 2 for Solvency I purposes satisfy the requirements of GENPRU 2 Annex I and the provisions of 2.2.159 R to 2.2.181 R of GENPRU and are classified as Tier 1 Restricted under SII.

Tier 1 own funds includes the SII reconciliation reserve, the key elements of which are as follows:

- Excess of assets over liabilities as presented in the SII balance sheet.
- A deduction for amounts already included in basic own funds, including ordinary share capital and share premium account.

For further information please refer to note 20 of the RSAIG consolidated financial statements for the year ended 31 December 2023.

Further information in relation to the derivation of the Group's consolidated own funds is provided in section D. Method of Consolidation.

Capital composition

The Group's capital structure by tier as at 31 December 2023 is as per the table below.

		2023 £m	2022 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	2,928	1,845
	Reconciliation reserve	—	(415)
		1,431	1,430
Tier 1 Restricted	Preference shares	125	125
		125	125
Tier 2	Ancillary own funds item	250	250
	2014 debt instrument	119	153
		369	403
Tier 3	Net deferred tax assets	266	266
Total Available Own Funds		2,191	2,224

Analysis of own funds

The valuation of subordinated debt reflects market prices as described in section D.3.1.1. For further information please refer to note 19 of the RSAIG Consolidated financial statements for the year ended 31 December 2023. For an explanation of changes in equity capital, also refer to section E.1.1.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

SII requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the SCR and capital structure. Eligible own funds are considered available to cover the SCR. A basic own funds to eligible own funds reconciliation for the Group is shown below:

	Basic Own Funds £m	Ancillary Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	1,431	-	-	1,431	-	1,431		
Tier 1 (R)	125	-	-	125	-	125	358	20% of total Tier 1
Tier 2	119	250	-	369	-	369	643	Tier 2 + Tier 3 up to 50% of SCR
Tier 3	266	-	-	266	(73)	193		
Total	1,941	250	-	2,191	(73)	2,118		
					SCR	1,285		
					Surplus	833		
					SCR Coverage	165%		

Total available own funds to meet the SCR

There are no availability restrictions made in deriving the Group's Available Own Funds.

Total eligible own funds to meet the SCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR:

- Eligible Tier 1 items shall be at least 50% of the SCR
- Eligible Tier 3 items shall be less than 15% of the SCR
- The sum of eligible Tier 2 and eligible Tier 3 items shall be no more than 50% of the SCR
- The sum of paid in preference shares (and the related share premium account) shall represent less than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2

E.1.4 Eligible own funds to cover the MSCR

SII requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the MSCR and capital structure. Eligible own funds are considered available to cover the MSCR. A basic own funds to eligible own funds reconciliation for the Group is shown below:

	Basic Own Funds £m	Ancillary Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	1,431	-	-	1,431	-	1,431		
Tier 1 (R)	125	-	-	125	-	125	358	20% of total Tier 1
Tier 2	119	250	(250)	119	-	119	129	Tier 2 up to 20% of MSCR
Tier 3	266	-	(266)	-	-	-		
Total	1,941	250	(516)	1,675	-	1,675		
					MSCR	647		
					Surplus	1,028		
					MSCR Coverage	259%		

Refer to E.2.11 for further information.

Total available own funds to meet the MSCR

Tier 2 ancillary own fund items are not deemed available to cover the MSCR/MCR

Tier 3 items are not deemed available to cover the MSCR/MCR

Total eligible own funds to meet the MSCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the MSCR and solo entity MCR:

- Eligible Tier 1 items shall be at least 80% of the MSCR/MCR
- Eligible Tier 2 items shall be no more than 20% of the MSCR/MCR
- The sum of paid in preference shares (and the related share premium account) shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2

E.1.5 Differences between equity and net assets

Section D includes details of the adjustments made to IFRS capital in deriving SII excess of assets over liabilities. The below table shows the calculation of SII available own funds:

	£m
Excess of assets over liabilities (see Section D)	1,844
Own shares (held directly and indirectly)	-
Foreseeable dividends, distributions and charges	-
Other non-available own funds items	(21)
	1,823
Subordinated debt	119
SII Basic Own Funds	1,941
Ancillary Own Funds item	250
SII Own Funds (including AOF)	2,191

Foreseeable dividends, distributions and charges

No other deductions are made in arriving at Group basic own funds.

Other non-available own funds items

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve and included in "Other non-available own funds" in the S.23.01 (refer to appendix 8), the excluded amount being £21m.

E.1.6 Transitional arrangements

RSA makes use of transitional arrangements for debt instruments issued prior to SII implementation. Basic own funds items in issue at 18 January 2015 that satisfied the requirements to be treated as capital resources as at 31 December 2015, before Solvency II came into force, are eligible for classification as Tier 1 Restricted or Tier 2 basic own funds for a period of 10 years from 1 January 2016.

The table below describes the nature of each of the Group's instruments subject to transitional arrangements:

	Preference shares
Issuer	RSA Insurance Group Limited
Guarantor	N/A
Date issued	13/10/1993
Maturity	Irredeemable
First call	N/A
Amount at issue	£125,000,000
Current outstanding	£125,000,000
Currency	GBP
Coupon	7.375%
Frequency	Semi-annual (1 April / 1 October)
Call frequency	N/A
Reset date	N/A
Reset rate	N/A
Solvency II Tier	Restricted Tier 1

E.1.7 Ancillary own funds

In May 2023 the PRA reapproved the AOF item for RSAI with effect from 8 July 2023 for a period of three years. The item comprises £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in the Group's solvency calculations, subject to eligibility rules, however, it does not count towards covering the Group MSCR.

Two other AOF items exist within the Group.

- During 2022, an AOF structure was reapproved for RSAI Ireland by the Central Bank of Ireland (CBI) permitting a maximum of €90m of nil-paid uncalled share capital for a period of three years. The AOF counts as Tier 2 capital in RSAI Ireland's Solo solvency calculations only, subject to eligibility rules, however, it does not count towards covering the latter entity's MCR. The AOF item is not considered for Group solvency purposes.
- During 2018, an additional AOF structure was approved for RSA Luxembourg by the Commissariat aux Assurances (CAA) permitting a maximum of €35m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in RSA Luxembourg's Solo solvency calculations only, subject to eligibility rules, however, it does not count towards covering the latter entity's MCR. The AOF item is not considered for Group solvency purposes.

E.1.8 Deductions and restrictions

See sections E.1.3 and E.1.4 for a description of the nature and amount of restrictions on own funds.

E.1.9 Group fungibility and transferability

Availability of Group capital to meet SII Group SCR

Under SII, as part of their assessment of group solvency, groups must make an assessment of whether any of their entities are reliant upon capital held in another entity to cover their capital requirements. Where this is the case, it must assess whether the capital in the other entity could in practice be made available.

Other than the restrictions described in sections E.1.3 and E.1.4, the Group deems its capital to be fully fungible and there to be no restriction at a Group level.

In such circumstances where capital is needed from a subsidiary to support a legal entity elsewhere in the Group, it will be repatriated in the form of dividends and where this is not practicable, a sale of the subsidiary will be considered.

E.1.10 Deferred tax

For details on the availability and eligibility of deferred tax assets, see sections E.1.3 and E.1.4.

E.2 Solvency capital requirement and minimum Group consolidated capital requirement

E.2.1 SCR and MSCR

At 31 December 2023 the Group's SCR was £1,285m and the MSCR was £647m.

E.2.2 SCR split by risk

An analysis of the internal model SCRs of the Group and the UK regulated entities by risk category is provided in QRT S.25.03 in Appendix 8.

E.2.3 Standard formula simplifications

Standard formula simplifications are not applicable as an internal model is used.

E.2.4 Standard formula undertaking specific parameters

Standard formula undertaking specific parameters are not applicable as an internal model is used.

E.2.5 Capital add-on and undertaking specific parameters non-disclosure

No capital add-ons were in place during the reporting period. Undertaking specific parameters are not applicable as an internal model is used.

E.2.6 Capital add-on and undertaking specific parameters impact

No capital add-ons were in place during the reporting period. Undertaking specific parameters are not applicable as an internal model is used.

E.2.7 MSCR calculation inputs

See section E.2.10 for the composition of this measure.

E.2.8 Consolidated Group SCR constituents

The accounting consolidation method (Method 1) has been chosen by RSA. As such, group supervision applies at the Group holding company level and no subgroup level reporting is required.

Described in the table below are the insurance and reinsurance undertakings within the Group that are included in the calculation of the Group Solvency:

	SCR (Including Op Risk) £m
Fully consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings)	1,285
Fully consolidated special purpose vehicles	-
Proportionally consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings)	-
Other subsidiaries (not listed above) consolidated on an adjusted equity basis	-
Credit institutions, investment firms and financial institutions, alternative investment fund managers, UCITS management companies, institutions for occupational retirement provision, non-regulated entities carrying out financial activities	-
All other related undertakings (not listed above)	-
Total	1,285

E.2.9 Group diversification effects

All of the risks above are derived from the simulations making up the SCR calculation. However, in any simulation, there may be good or bad outcomes from each individual risk. Thus, when the confidence level for each risk is taken separately and then totalled, the result is a higher value than the SCR. The measured difference is the inherent diversification between modelled risks.

Quantitative information on diversification benefit at the 2023 year end as calculated by the internal model is available in QRT S.25.03 in Appendix 8. It is important to note that the quantification of diversification within the model depends critically upon the choice of risk category and the level of granularity required.

E.2.10 Minimum consolidated Group SCR

The calculation of the solo MCRs for the MSCR is shown in the table below:

	Linear MCR pre-corridor £m	Corridor - 25% £m	Corridor - 45% £m	MCR (per MSCR) £m
Royal & Sun Alliance Insurance Ltd (United Kingdom)	655	321	578	578
RSA Insurance Ireland DAC (Republic of Ireland)	29	29	52	29
The Marine Insurance Company Limited (United Kingdom)	-	1	1	3
Royal & Sun Alliance Reinsurance Limited (United Kingdom)	-	7	12	7
RSA Luxembourg S.A. (Grand Duchy of Luxembourg)	19	19	35	19
Insurance Corporation of the Channel Islands Limited	7	n/a	n/a	7
Tower Insurance Company Limited	3	n/a	n/a	3
MSCR				647

E.2.11 Undertakings in scope of the internal model

Information on all undertakings in the scope of the Group internal model SCR is included in QRT S.32.01.22 in Appendix 8.

E.2.12 Loss absorbing capacity of deferred tax

The Group does not make an adjustment for the loss-absorbing capacity of deferred taxes.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The duration-based equity risk sub-module is not used.

E.4 Differences between the standard formula and any Internal Model used

E.4.1 Internal Model purposes

The Internal Model outputs provide the capital information used in the calculations of the Pillar I SCR, internal Pillar II capital measures, the ORSA, reporting and disclosure, and other business applications.

The Group's risk profile differs significantly from that assumed by the Standard Formula making the latter unsuitable to measure the Group's SCR.

E.4.2 Internal Model scope

Scope (by business unit)

All of the Group's business units are included in the scope of the Internal Model.

Scope (by risk type)

The Internal Model SCR is split into the following sub-modules:

- Underwriting Risk
- Catastrophe Risk
- Reserve Risk
- Market Risk
- Credit Risk
- Currency Risk
- PIC counterparty risk
- Operational Risk
- Other Drivers

E.4.3 Partial Internal Model integration

A full Internal Model is used so there is no partial Internal Model integration into the standard formula.

E.4.4 Internal Model calculation methods

Overview of model methodology

The Group employs an Internal Model to determine its SCR at both a Group and UK regulated entity level. The SCRs assume that one year of new business is written as a going concern and calculates the movement in basic own funds over one year.

A model run consists of 100,000 simulations, each representing a different possible outcome of the future cash flows and balance sheets. For each projected balance sheet, the difference between the opening available net assets and the present value of projected net assets represents the capital required to meet the outflows and value movements in the period up to that projected balance sheet.

Operational Risk is modelled separately, and the resulting capital requirement added to that produced by the main model run to arrive at the overall assessment of capital required.

E.4.5 Differences in methodologies and assumptions

Differences in standard formula and Internal Model structure

The Group's Internal Model is structured in a different way from the standard formula. In the standard formula, different risk types are considered on a standalone basis and explicit correlations are applied to each risk factor to derive an overall capital requirement. The Internal Model is a fully integrated cash flow model where individual variables interact to create a distribution of outcomes, by simulating future cash flows to perform an annual valuation of each item on the balance sheet.

Explanation by risk module used in Internal Model and standard formula

Insurance risk – underwriting, reserve and catastrophe

The Internal Model splits insurance risk into three categories:

- Underwriting Risk
- Reserve Risk
- Catastrophe Risk

Non-life, health and life risks are all considered jointly within each category (although non-life is the material component).

The standard formula splits non-life risks and non-life like health risks into three separate categories:

- Premium and Reserve Risk
- Catastrophe Risk
- Lapse (immaterial for RSA as a non-life insurer)

In broad terms, standard formula premium and reserve risk for non-life and health can be compared to Internal Model underwriting and reserve risk (although the standard formula combines the two).

Catastrophe risk can similarly be compared.

This approach is crude as it ignores the fundamentally different approach to diversification between the two methods.

Life risks are immaterial at a Group level for both the Internal Model and standard formula, given the nature of the Group's operations.

Market and currency risk

The standard formula uses pre-determined charges, whereas the Internal Model uses projected returns on RSA's assets based on a range of economic simulations, which leads to a more appropriate reflection of RSA's risk profile.

Counterparty risk

The Internal Model will simulate defaults based on Standard & Poor's credit ratings and RSA's own reinsurance data for cash and reinsurance exposures. Policyholder, intermediary and other asset defaults are modelled based on historic default data, which is lower than that implied by the standard formula's 15% and 90% default rates.

Operational risk and other items

The Internal Model uses scenarios that are designed using expert judgement from subject matter experts using RSA's real experience and third party data. As a result, the Internal Model is more closely aligned to real world experience than a function of premium or reserves.

Risks not covered by the standard formula but covered by the Internal Model

The standard formula is, by its very nature and design, a standardised calculation method and is therefore not tailored to the individual risk profile of RSA. For example, the standard formula does not capture:

- Claims inflation risk arising from changes in legislative, global economic and political environment.

E.4.6 Risk measure and time period

The Internal Model SCR represents the capital required to ensure that the firm will have sufficient amount of eligible capital resources to be able to meet its obligations when the business encounters adverse conditions, subject to a confidence level of 99.5% over a one-year period and assuming the business remains a going concern.

E.4.7 Data nature and appropriateness

There are many data sources used in the Internal Model.

For example:

- Balance Sheet data
- Detailed asset data
- Best estimate reserves and reserving triangles by class of business
- Historical loss ratios by class of business
- Historical large losses by class of business
- Operational Plan
- Exposure data for Catastrophe Modelling
- Economic data for Economic Scenario Generator
- Operational risk loss scenario assessments

Each data item used by the Internal Model is assessed in an annual data quality assessment exercise to establish whether the data is accurate, appropriate and complete.

E.4.8 Solo and Group level differences

The Group and UK solo entities use the same Internal Model.

The following Group entities used the standard formula to calculate their SCR as at the 2023 year-end: RSA Luxembourg S.A. and RSA Insurance Ireland DAC.

E.5 Non-compliance with the MSCR and non-compliance with the SCR

The Group has been fully compliant with the Group SCR and maintained a surplus on the MSCR during the reporting period.

E.6 Any other information

Nothing to report.

Appendix 1. Group Branches

Branches as at 31 December 2023

Company	Country of Branch
Royal & Sun Alliance Insurance Limited	Argentina China Dubai, United Arab Emirates Greece Ireland
RSA Luxembourg S.A.	Belgium France Germany Netherlands Spain United Kingdom
The Marine Insurance Company Limited	Greece
Royal & Sun Alliance Reinsurance Limited	Argentina
Royal Insurance (U.K.) Limited	Ireland
Royal International Insurance Holdings Limited	Greece
Sun Insurance Office Limited	Greece
The London Assurance	Greece
RSA Insurance Ireland DAC	United Kingdom
EGI Holdings Limited	United Kingdom
RSA Overseas Holdings (No.1) Unlimited Company	United Kingdom
RSA Overseas Holdings (No.2) Unlimited Company	United Kingdom
RSA Actuarial Services (India) Private Limited	United Kingdom

Appendix 2. Royal & Sun Alliance Insurance Limited Solo SFCR Sections

Summary

RSAI is the main insurance company in the Group and is the operating company that holds the Group's entire insurance business.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the Group as a whole.

A. Business and Performance

RSAI is the largest operating company in the Group and transacts the majority of the Group's business. RSAI transacts the greater part of its business in the UK. In the UK, RSA currently offers domestic commercial lines insurance, specialist commercial lines insurance, personal property insurance and pet insurance, but is in the process of repositioning to become a leading UK commercial and specialty lines player.

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

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

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

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

The components of the Group's System of Governance are designed to satisfy the legal and regulatory guidelines and requirements applicable to RSAI such as the Companies Act 2006, SII, and rules of the PRA and the FCA.

Business strategy

RSAI has adopted the Group business strategy which is to the pursuit of outperformance through:

- Strong customer franchises.
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes.
- A balance sheet that protects customers and RSAI.
- Intense and accomplished operational delivery – improving customer service, underwriting and costs.

Performance information

This section of the Appendix provides information about the business and performance of RSAI, covering in particular the performance from underwriting and investment activities.

Performance figures in section A of this Appendix have been prepared in accordance with the same accounting standards used for RSAI's financial statements.

A.1 Business

A.1.1 Company name & legal form

Royal & Sun Alliance Insurance Limited is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The PRA is the authority responsible for prudential supervision of RSAI. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

RSAI's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

Royal Insurance Holdings Limited has 100% of the voting rights in RSAI.

A.1.5 Position within the Group legal structure

RSAI's immediate parent company is Royal Insurance Holdings Limited, a company incorporated in England and Wales. RSAI's ultimate parent and controlling party is Intact Financial Corporation, a company incorporated in Canada.

A.1.6 Material related undertakings

See Appendix A of the RSAI 2023 Consolidated financial statements for a list of all subsidiaries and associates of RSAI.

Refer to Note 32.4 of Intact Financial Corporation 2023 Consolidated financial statements for significant operating entities which share common ownership with RSAI.

See Appendix 1 of the Group SFCR for a list of all branches, including those of RSAI. None of RSAI's branches are material.

See section A.1.6 of the Group SFCR for a list of the Group's material related undertakings; these are also material related undertakings of RSAI; with the exception of Sun Alliance Mortgage Company Limited.

A.1.7 Simplified Group structure

See section A.1.7 of the Group SFCR.

A.1.8 Business lines and geographical areas

RSAI's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK
Line of businesses – non-life
Fire and damage to property
Motor vehicle liability
Other motor
General liability
Marine, aviation and transport
Miscellaneous Financial Loss
Non-proportional casualty reinsurance

A.1.9 Significant events

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

On 28 March 2023, the Company announced its exit from the UK personal lines motor insurance market and on 7 December 2023, the Company announced its exit from the UK personal lines home and pet markets and announced that it had entered into an agreement to sell its UK direct personal lines operations to Admiral for an initial cash consideration of £85m, with potential further consideration of up to £33m subject to the fulfilment of certain retention thresholds. The Company also announced it will exit its UK Home and Pet partner and broker contracts, resulting in a complete exit from the UK personal lines market. Refer to note 6 - Business combinations and disposals, in the RSAI financial statements for further information.

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

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

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

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

A.2 Underwriting performance

RSAI's operations are materially driven by the UK & International region's results and are affected by factors not reflected in divisional numbers such as intra-group reinsurance (see section A.1.10 in the Group SFCR). The RSAI Board manages the operations on a divisional basis as described in the RSAIG 2023 Consolidated financial statements. For this reason, the RSAI Board believes that analysis using key performance indicators for the UK business in aggregate is relevant to RSAI. See note 30 of the RSAIG 2023 Consolidated financial statements for details of the performance of the UK business.

The underwriting result for the period by material SII lines of business is shown below and is calculated on the same basis as the RSAI underwriting result as shown in the Alternative Performance Measures section of its financial statements. Materially all business is underwritten in the UK.

	Underwriting Result	
	2023	2022
	Restated for IFRS17	
	£m	£m
Non-life		
Fire and Other Damage to Property	(15)	(19)
Motor Vehicle Liability	(32)	(93)
Other Motor	(30)	14
Marine, Aviation and Transport	45	61
General Liability	90	64
Miscellaneous Financial Loss	23	18
Total material lines of business	81	45
Non-material	(28)	13
Total Non-Life	53	58
Total life/annuities	(10)	-
Total	43	58

A.3 Investment performance

The information in this section of the report is taken from the RSAI financial statements.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in RSAI's financial statements which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

A summary of the gross investment income, net realised and net unrealised gains/(losses) included in the income statement is given below:

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

A summary of the investment management expenses by asset class is given below:

	2023	2022
	£m	£m
Investment property	(1)	(1)
Equity securities	-	-
Debt securities	(8)	(5)
Other	(1)	(1)
Total investment management expenses	(10)	(7)
Internal loan interest	(3)	(9)
Expenses including net investment return	(13)	(16)

A.3.2 Gains and losses recognised in equity

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

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

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

A.3.3 Investments in securitisation

RSAL invests in securitised investments. These investments are issued by entities created by and managed by external specialist investment managers.

RSAL's exposure to securitised investments at 31 December 2023 is summarised in the table below:

Class of investments	Nature of the underlying investments of the vehicle	Exposure	
		2023 £m	2022 £m
Collateralised Loan Obligations and Asset Backed Securities	Structured debt security backed by bonds or receivables	235	250

A.4 Performance of other activities

A.4.1 Other material income & expenses

For details of other material income and expenses, see notes 24-25 and 34-35 of the RSAI financial statements.

A.4.2 Operating and finance leasing arrangements

RSAl acts as lessee and lessor in a number of lease arrangements. For further details of RSAI's leasing arrangements, see note 32 of RSAI's financial statements.

B. System of Governance

B.1 General information on the System of Governance

RSAI's System of Governance

RSAI has adopted the RSA Insurance Group Ltd System of Governance as described in Section B in the main body of the report.

RSAI Board and Executive Committee

RSAIG and RSAI businesses are overseen by a single set of Directors. The members of the boards of these companies are the same and their meetings are run in a combined session with one agenda and one board pack. The agenda and papers specify whether an item relates to a particular legal entity. The papers describe any differences between relevant issues from an RSAIG and RSAI perspective.

The Board may exercise all the powers of the relevant company subject to the Articles of Association, relevant laws, and any directions as may be given by shareholder resolution. The directors may delegate any of their powers or discretions to committees except for matters specifically reserved for the whole Board in the Schedule of Matters Reserved.

All key or material decisions made at Board meetings are documented by Company Secretariat. The Board reviews RSAI's financial performance through regular reports, including quarterly capital updates and a quarterly presentation on actual performance against plan and a previous financial year comparison. The Schedule of Matters Reserved requires approval of the outsourcing of any critical functions and activities at least annually, and Board review of their performance.

The Chair is responsible for ensuring a formal and rigorous evaluation of Board effectiveness is undertaken on an annual basis.

The RSA Executive Committee oversees RSA's UK business and exercises governance oversight in relation to its subsidiaries in other jurisdictions. The powers of the Executive Committee are set out in its Terms of Reference. The committee is composed of senior managers from the UK&I business. It meets as and when required to review matters of a 'business as usual' nature within its remit.

The remit of the Board committees includes RSAIG and RSAI matters. Each of the committees has written Terms of Reference defining its role and the authority delegated to it. The Terms of Reference for each Board committee are reviewed annually.

Remuneration

RSA ensures that it has appropriate remuneration arrangements through the adoption of a Remuneration Policy. This policy outlines RSA's overall approach to remuneration, and also the governance framework for making remuneration decisions.

The policy 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 the long-term interests of RSA and its ultimate shareholder, IFC.

Key Governance Functions

None of RSAI's key governance functions have been outsourced.

Changes during 2023

There were no changes to the Company's SOG during the reporting period.

Shareholder/Board transactions

Key management transactions

The aggregate emoluments of the directors, including amounts received from subsidiaries, were as follows:

	£m
Short term benefits	3
Compensation for loss of office	-
Total	3

During 2023, £89,331 in retirement benefits were accrued for one director under defined benefit pension scheme and no contributions were made to defined contribution pension schemes.

During 2023, no directors exercised share options, no directors had share awards vesting under long-term incentive schemes in respect of ordinary shares of the Company, one director and one non-executive director had PSUs and 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 had 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.

Dividends

No ordinary dividends were paid during the year. For further details of dividends paid and proposed, refer to Note 37 of the financial statements of the Company.

Ancillary Own Funds

In May 2023 the PRA reapproved the AOF item for RSAI with effect from 8 July 2023 for a period of three years. The item comprises £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in RSAI's Solo solvency calculations, subject to eligibility rules, however, it does not count towards covering its MCR. The AOF item also counts as Tier 2 capital for Group solvency purposes.

B.2 Fit and proper requirements

See section B.2 within the Group SFCR for details of the Group's fit and proper requirements.

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

RSAI has adopted the Group's Risk Management System, reflecting the close alignment between RSAI's risk strategy and risk appetite with that of the Group. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

RSAI has adopted the Group internal control system. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's internal audit function.

This approach is applied to the plans for RSAI. CAS provides its audit plans and quarterly updates on progress against plans; the outcomes of its work; and progress against issues to the RSAI Board.

B.6 Actuarial function

The Group Actuarial Function Holder is also the Actuarial Function Holder for RSAI and has independent access to the RSAI Board. The Group Actuarial Function produces annual Actuarial Function reports summarising the key conclusions of the actuarial function's work covering RSAI and these are presented to the RSAI Board.

See section B.6 within the Group SFCR for details of the Group's Actuarial Function.

B.7 Outsourcing

RSAI enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Certain of RSAI's subsidiaries have also entered into outsourcing agreements with it in relation to the efficient provision of services across the Group. See section B.7 within the Group SFCR for further details.

The RSAI Board has oversight of RSA's reliance on critical third parties and material outsourcing relationships.

B.8 Any other information

Nothing to report.

C. Risk Profile

RSAI has adopted the Group Risk Management System, reflecting the close alignment between RSAI's risk strategy and risk appetite with that of the Group.

Given that the entities above RSAI in the Group structure are not deemed to materially contribute to the Group's risk profile, the risk profile of RSAI is considered to be identical to that of the Group, with the same risks being experienced either directly or via the valuation of its subsidiaries.

Information on RSAI's risk profile is therefore contained in Section C within the Group SFCR which sets out the Group's risk profile.

At 31 December 2023 RSAI's EPIFP was £50m.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with IFRS, the accounting standards used for RSAI's financial statements. All basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to RSAI.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSAI's financial statements.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate the RSAI's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

RSAI SII balance sheet

	Financial statements note	Statutory accounts value £m	Reclass- ification £m	SII valuation adjustments £m	Solvency II value £m	Group SFCR section
Goodwill and intangible assets	17	855	-	(855)	-	D.1.1.1, D.1.1.2
Deferred tax assets	26	253	-	-	253	D.1.1.4
Pension benefit surplus	28	3	-	-	3	D.1.1.5
Property, plant and equipment held for own use	16	86	-	(11)	75	D.1.1.6
Investments (other than assets held for index-linked and unit-linked contracts)		5,744	108	29	5,881	
<i>Property (other than for own use)</i>	7	283	-	-	283	D.1.1.7
<i>Holdings in related undertakings, including participations</i>	10	860	-	29	889	D.1.1.8
<i>Equities</i>	7	179	(48)	-	131	D.1.1.9
<i>Bonds</i>	7	4,363	(43)	-	4,320	D.1.1.9
<i>Collective investments undertakings</i>		-	176	-	176	D.1.1.9
<i>Derivatives</i>	9	59	-	-	59	D.1.1.9
<i>Deposits other than cash equivalents</i>		-	23	-	23	D.1.1.9
Loans and mortgages		403	4	-	407	D.1.1.9
Reinsurance recoverables	13	1,363	-	(205)	1,158	D.2
Deposits to cedants		-	-	28	28	D.1.1.9
Insurance and intermediaries receivables		-	-	116	116	D.1.1.9
Reinsurance receivables		-	-	65	65	
Receivables (trade, not insurance)		171	-	-	171	D.1.1.9
Cash and cash equivalents	7	168	(72)	-	96	D.1.1.9
Any other assets, not elsewhere shown		87	(40)	(37)	11	D.1.1.9
Total assets		9,134	-	(870)	8,264	
Technical provisions	13	5,337	-	(231)	5,106	D.2
Contingent liabilities		-	-	7	7	
Provisions other than technical provisions	19	31	-	-	31	D.3.1.3
Pension benefit obligations	28	23	-	-	23	D.1.1.5
Derivatives	8,9	25	-	-	25	D.3.1.1
Financial liabilities other than debts owed to credit institutions		411	-	-	411	D.3.1.1
Insurance & intermediaries payables		-	-	126	126	D.3.1.1
Reinsurance payables		-	-	24	24	
Payables (trade, not insurance)		244	-	51	295	D.3.1.1
Any other liabilities, not elsewhere shown		148	-	48	196	D.3.1.1
Total liabilities		6,219	-	25	6,244	
Excess of assets over liabilities		2,915	-	(895)	2,020	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

	Asset £m	Liability £m
Deferred tax assets	253	-

The following are the major deferred tax assets and liabilities recognised by RSAI:

	£m
Net unrealised loss on investments	19
Tax losses and unused tax credits	6
Transitional relief on IFRS9 assets	28
Accrued costs deductible when settled	46
Retirement benefit obligations	81
Capital allowances	69
Provisions and other temporary differences	4
Net deferred tax position at 31 December	253

At the end of the reporting period, RSAI has unused gross trading losses of £1,733m. A deferred tax asset of £6m has been recognised in respect of 'income' losses at 31 December 2023. No deferred tax asset has been recognised in respect of gross trading losses of £1,709m due to the unpredictability of future profit streams. In addition, RSAI has other deductible temporary differences of £387m for which no deferred tax has been recognised.

No deferred tax has been recognised in respect of £556m gross SII adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

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

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The recognition approach is consistent with that applied at 31 December 2022. The basis of deferred tax asset recognition, together with the impact of downward movements in key assumptions and specific downside scenarios on the value of the UK deferred tax asset is detailed in RSAIG section D1.2.

The procedure for providing SII deferred tax figures for RSAI utilises a walkthrough bridge from the figures reported on an IFRS basis in RSAI's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these valuation adjustments give rise to a new temporary difference under IAS 12, the recognition of a deferred tax asset or liability is considered in accordance with IFRS principles and SII guidance, including an assessment of the availability of future profits in the case of a deferred tax asset.

D.2 Technical provisions

		SII Net Technical Provisions		Statutory	
		Best	Risk	Accounts	
		Estimate	Margin	Value	Difference
		£m	£m	£m	£m
Direct Business and Accepted Proportional Reinsurance	Motor Vehicle Liability	1,098	47	1,189	(44)
	Other Motor	108	2	130	(20)
	Marine, Aviation and Transport	177	5	186	(4)
	Fire and Other Damage to Property	1,152	28	1,247	(66)
	General Liability	974	47	971	49
Other Non-Life Direct and Accepted Non-Proportional Reinsurance Lines		139	3	116	26
Life & Health Insurance Lines (including Annuities Stemming from Non-Life)		134	34	135	33
TOTAL		3,781	166	3,974	(26)

Notes

- (1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These include Motor Vehicle Liability, Other Motor, General Liability, Marine Aviation & Transport, and Fire & Other Damage to Property insurance.
- (2) The Risk Margin under Solvency II is defined differently to the Risk Adjustment under IFRS. The Risk Margin covers cost of holding capital until runoff whilst the risk adjustment allows for uncertainty in the internal model reserve volatility around the reserve best estimate.
- (3) Life & Health insurance lines are comprised of non-life annuities where the difference is almost entirely driven by the difference in IFRS and SII risk margins.

Uncertainties and contingencies

The uncertainties and contingencies referred to in Section D.2.3 of the Group SFCR are also applicable to RSAI.

D.3 Other liabilities

Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

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.

The value of scheme assets and defined benefit liability at 31 December 2023 are as follows:

	Total £m
Defined benefit obligation (funded)	(5,451)
Defined benefit obligation (unfunded)	(4)
Fair value of plan assets	5,437
	(18)
Other net surplus remeasurements	(2)
Net DB asset	(20)
Plans in a surplus position	3
Plans in a deficit position and unfunded plans	(23)
Pension liabilities	(20)

	Quoted £m	Unquoted £m	Total £m
Fair value of plan assets			
Cash and cash equivalents	26	-	26
Debt securities			
Government debt securities	11	-	11
Non-Government debt securities	1	-	1
Debt securities	12	-	12
Equity securities	3	-	3
Annuity buy-in insurance contracts	-	5,440	5,440
Derivative financial instruments	-	(4)	(4)
Other (including infrastructure and growth alternatives)	-	67	67
Total Investments	41	5,503	5,544
Deferred premium payable to PIC	-	(107)	(107)
Total net plan assets	41	5,396	5,437

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities, collective investment schemes, derivatives and subordinated debt.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for IFRS reporting.

E. Capital Management

Section E is subject to external audit, with the exception of any text or figures which are, or derive from, the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

Information on the Group's capital management is contained in Section E of the Group SFCR.

Given that the entities above RSAI in the Group structure are not deemed to materially contribute to the Group's risk profile, the risk profile of RSAI is considered to be identical to that of the Group and therefore the modelled SCR of the Group and RSAI is the same.

Capital composition

The capital structure of RSAI by tier as at 31 December 2023 is as per the table below. Tier 2 capital reflects the guarantee in respect of the 2014 Tier 2 debt instrument issued by the Group and the Ancillary Own Funds item reapproved for use in May 2023.

		2023 £m	2022 £m
Tier 1 Unrestricted	Equity capital (including Share Premium)	2,871	1,791
	Reconciliation reserve	(1,266)	(210)
		1,605	1,581
Tier 2	Share premium	119	153
	Ancillary own funds item	250	250
		369	403
Tier 3	Net deferred tax assets	253	260
Total Own Funds		2,226	2,244

Basic own funds to eligible own funds

A basic own funds to eligible own funds to cover the SCR reconciliation for RSAI is shown below. No capital is deemed to be non-available to meet the SCR within RSAI's own funds.

	Basic Own Funds £m	Ancillary Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	1,605	-	-	1,605	-	1,605		
Tier 1 (R)	-	-	-	-	-	-	401	20% of total Tier 1
Tier 2	119	250	-	369	-	369	643	Tier 2 + Tier 3 up to
Tier 3	253	-	-	253	(60)	193		50% of SCR
Total	1,977	250	-	2,226	(60)	2,166		
						SCR	1,285	
						Surplus	881	
						SCR Coverage	169%	

Analysis of significant changes in own funds

RSAI Unrestricted Tier 1 capital is broadly unchanged during the year. The capital injections of £480m, £39m and £565m received from 2283485 Alberta Limited to fund the pension fund buy-in; the repurchase of issued debt; and the DLG brokered Commercial lines acquisition respectively had a neutral impact on own funds.

In June 2023, £40m (nominal value) of the 2014 subordinated notes were repurchased and cancelled which reduced RSAI Tier 2 capital (remaining notional £120m).

RSAI Tier 3 capital is broadly unchanged over the year.

Eligible own funds to cover the MCR

A basic own funds to eligible own funds to cover the MCR reconciliation for RSAI is shown below:

	Basic Own Funds £m	Ancillary Own Funds £m	Availability restrictions £m	Available Own Funds £m	Eligibility restrictions £m	Eligible Own Funds £m	Eligibility Capacity £m	Eligibility rule
Tier 1	1,605	-	-	1,605	-	1,605		
Tier 1 (R)	-	-	-	-	-	-	401	20% of total Tier 1
Tier 2	119	250	(250)	119	(3)	116	116	Tier 2 up to 20% of MCR
Tier 3	253	-	(253)	-	-	-		Ineligible
Total	1,977	250	(503)	1,724	(3)	1,721		
					MCR	578		
					Surplus	1,143		
					MCR Coverage	298%		

Comparison between IFRS net equity and SII basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£m
Excess of assets over liabilities (see Section D)	2,020
Foreseeable dividends, distributions and charges	(43)
Ancillary own funds items	250
SII Own Funds	2,226

Included in the foreseeable dividends, distributions and charges row in the S.23.01 is a deduction for net intercompany amounts owed to RSAI from entities above in the Group structure.

In practice, these amounts can only be settled via a dividend payment from RSAI, the excluded amount being approximately £22m, which reflects amounts owed by entities above RSAI which cannot be readily settled using existing resources.

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve, the excluded amount being approximately £21m.

SCR and MCR

At 31 December 2023 RSAI's SCR was £1,285m and the MCR £578m.

Movements in the SCR

The increase in SCR during the year predominantly reflects the changes in risk profile of the business as a result of the acquisition of DLG's brokered Commercial lines business unit, and the announcement to exit the UK Personal Lines market, which increased the SCR c.£230m, partially offset by a reduction in SCR of c.£90m following PRA approval for a Major Model Change as part of the pensions transaction.

Movements in the MCR

As was the case at year-end 2022, RSAI's MCR remains bound by the 45% upper bound of the SCR corridor. As such, the MCR increase over the year is as a direct result of the increase in SCR.

Deferred tax

Availability and eligibility of deferred taxes is covered in the Basic own funds to eligible own funds and Eligible own funds to cover the MCR sections above.

Non-compliance with the MCR and non-compliance with the SCR

RSAI has been fully compliant with its SCR and MCR during the reporting period.

Appendix 3. Royal & Sun Alliance Reinsurance Limited Solo SFCR Sections

Summary

The principal activity of the Company is to act as a fronting insurer and to provide a settlement function for the insurance activities carried out by the Group offices and Global Network Partners. The Global Network consists of local partner insurers and allows multinational insurance programmes to be written across the globe.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the Group as a whole.

A. Business and Performance

General structure

RSA Re is the legal entity through which the following types of Group activities are undertaken:

- Business written by the Global Network
- Intra-group reinsurance treaties

Global Network

RSA Re provides a reinsurance function for the international insurance activities of the Group offices and the Global Network partners (Strategic Network Partners), selected insurers which work with RSA. The Global Network also provides local coverage for those parts of the world where RSA does not have approval to write business.

The Global Network facilitates the fronting of risks by RSA group entities through servicing offices (RSA entities or external Network Partners) via licences to operate in the relevant territory. As of December 2023, the Global Network covered 180 territories worldwide through 34 producing offices. All producing offices pay a fee to use the network (including external Strategic Network Partners). Membership of the Global Network enables the producing offices to offer wider geographical coverage to their clients. Most of the business written relates to global insurance programmes for multinational entities. The Global Network Team undertake relationship management and business development, with the Central Accounting Unit (CAU), a dedicated team based in Liverpool undertaking reconciliation of reinsurance activity, contributing to financial reporting for RSA Re, and efficient cash flow.

RSA Re acts as the reinsurer between the producing office (the legal entity which ultimately holds the risk, predominantly RSAI, and the servicing office (the legal entity which fronts the risk). 100% of the gross premiums are retroceded. RSA Re has a net nil retention in respect of underwriting risk.

Intra-group Reinsurance

The intra-group reinsurance principally comprises the Internal Reinsurance Vehicle IRV, a mechanism whereby insurance risk is ceded from RSAI, its branches and subsidiaries, to RSA Re in order to allow local and group risk appetite to be met. Market pricing is established by either using external reinsurance for a minimum 10% of the ceded risk (i.e. this does not go into the IRV) or using external reinsurers to provide a firm quote without then ceding them any risks. RSA Re has a 100% retrocession agreement moving all of the ceded premium from RSA Re to RSAI (RSA Re keeps a 2% fronting fee). This activity is conducted by Group Reinsurance and all cessions into the IRV are overseen by the Group Reinsurance quarterly business review meetings.

RSA Re has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Agreement.

Business strategy

RSA Re has adopted the Group business strategy which is to the pursuit of outperformance through:

- Strong customer franchises.
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes.
- A balance sheet that protects customers and RSA Re.

- Intense and accomplished operational delivery – improving customer service, underwriting and costs.

Performance information

Section A of this Appendix provides information about the business and performance of RSA Re, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for RSA Re's financial statements.

A.1 Business

A.1.1 Company name & legal form

RSA Re is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The PRA is the authority responsible for prudential supervision of RSA Re. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

RSA Re's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

The sole shareholder is RSAI.

A.1.5 Position within the Group legal structure

RSA Re's immediate parent company is RSAI, a company incorporated in England and Wales. RSA Re's ultimate parent and controlling party is IFC, a company incorporated in Canada.

A.1.6 Material related undertakings

RSA Re has no subsidiaries. See Appendix 1 for a list of all RSA Re's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 of the RSAIG SFCR.

A.1.8 Business lines and geographical areas

RSA Re's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK
Line of businesses – non-life
Marine, aviation and transport
Fire and damage to property
General liability
Non Proportional- property
Non Proportional - casualty

A.1.9 Significant events

Nothing to report.

A.2 Underwriting performance

RSA Re's activities are focused on the internal reinsurance programme and Global Network business. 100% of the gross premiums are retroceded, with a 2% reinsurance commission added in certain circumstances. RSA Re has nil retention in respect of underwriting risk. Management of the treaties has been outsourced to RSAI. RSA Re's underwriting profit for the year was nil (2022: nil). All business is underwritten in the UK.

A.3 Investment performance

The information in this section of the report is taken from the RSA Re Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in RSA Re's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

	2023	2022
Years ended 31 December	£000	£000
Interest income calculated using the effective interest method:		
Debt securities designated or classified as FVTOCI	1,306	1,793
Interest or similar income on securities designated as FVTPL	1,117	-
Investment income	2,423	1,793

A.3.2 Gains and losses recognised in equity

Unrealised (losses) on other financial instruments classified as available for sale net of tax are as follows:

	2023	2022
	Fixed income	Fixed income
Year ended 31 December	£000	£000
Net gains/(losses) from:		
Financial instruments:		
Classified or designated as FVTOCI	1,242	(2,281)
Classified as FVTPL	988	(2,164)
	2,230	(4,445)
Net foreign currency (losses)/gains	(2,994)	3,062
ECL expense	(8)	-
Other	-	78
	(772)	(1,305)
Recognised in:		
Income statement - net (losses)/gains on investment portfolio	(2,014)	976
Statement of comprehensive income	1,242	(2,281)
Total losses on investment portfolio	(772)	(1,305)

A.3.3 Investments in securitisation

RSA Re has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

For details of other material income and expenses, see notes 14,15 and 19 of the RSA Re financial statements.

A.4.2 Operating and finance leasing arrangements

RSA Re has no material operating or finance leases.

B. System of Governance

B.1 General information on the System of Governance

RSA Re's System of Governance

RSA Re has adopted the RSAI System of Governance as more fully described in Section B in the main body of the report.

Board and committees

As at 31 December 2023, the RSA Re Board comprised:

Chair	Managing Director UK Personal Lines
Chief Executive Officer	Managing Director UK Specialty
Director	UK&I Chief Finance Officer
Director	UK&I Chief Underwriting Officer

The Board is accountable to RSA Re's ultimate shareholder, IFC, for the creation and delivery of strong sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board meets quarterly and there is an additional meeting to approve SII submissions. The Board is responsible for organising and directing the affairs of RSA Re in a manner that will promote the success of RSA Re and is consistent with good corporate governance practice, ensuring that in carrying out its duties RSA Re meets legal and regulatory requirements.

The Board oversees the business of RSA Re. It may exercise all the powers of the company subject to the Articles of Association, the Board's Terms of Reference, relevant laws, and any directions as may be given by shareholder resolution. The directors of RSA Re have access to the services and advice of the Group General Counsel and Company Secretary, Corporate Audit Services, Compliance Function, Risk Function, and the Actuarial Function. In addition, directors may take independent professional advice at the expense of RSA Re in furtherance of their duties.

The Board's Terms of Reference sets out matters which are reserved for RSA Re's Board and those matters which are reserved to the RSA Re's shareholder, RSAI, for approval.

The RSAI Board Risk Committee and Audit Committee operate on behalf of RSA Re. The RSAI Board Risk Committee oversees the investment policy and strategy on behalf of RSA Re, including the operation of the investment portfolios within established strategy and risks frameworks.

The RSA Re Board remains responsible for RSA Re's System of Governance.

At the current time, there are no RSA Re Board level committees.

There is a standing agenda of items for RSA Re Board meetings, the contents of which are regularly refreshed. All decisions are documented by Company Secretariat. The Board reviews RSA Re's financial performance through regular reports, including quarterly capital updates and a quarterly presentation on actual performance against plan and a previous financial year comparison. The Board approves the corporate budget ("Operational Plan"). Board approval of the outsourcing of the Key Governance Functions and other critical functions and important activities, and Board review of the performance of these functions and activities provided by the service provider, are required at least annually.

RSA Re Board meetings are held in a combined session with the meeting of the MIC Board.

Effectiveness of the RSA Re Board

The Board has implemented an effectiveness review process which is undertaken periodically to ensure that the Board is operating effectively.

Key Governance Functions

All of the Key Governance Functions have been outsourced to RSAI. The RSA Re Board's Terms of Reference require it to ensure each key governance function is suitable, effective and proportionate to the nature, scale and complexity of RSA Re's business.

The RSA Re Board's Terms of Reference explicitly note the right of the Heads of the Key Governance Functions to have direct access to the RSA Re Board at all times and for a private meeting with the directors at least annually.

Remuneration

RSA Re has adopted the RSAI remuneration framework and aligns to general principles and standards set by RSAI. These are contained in the RSAI Remuneration Policy.

RSA Re's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to RSA as a whole.

Changes during 2023

There were no changes to the RSA Re System of Governance over the 2023 year. For all other changes see section B.1.3 of the Group SFCR.

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Fitness and Propriety Governance Document and certain HR policies provide a framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The policies apply to the Executive Management, Key Governance Functions, and the directors. RSAI, RSA Re's service provider, applies the Fitness and Propriety Policy and the relevant HR policies.

See section B.2 within the Group SFCR for details of the Group fit and proper requirements.

B.3 Risk management system including the own risk and solvency assessment

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group's risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

RSA Re has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's internal audit function.

This approach is applied to the plans for RSA Re. CAS provides its audit plans and quarterly updates on progress against plans; the outcomes of its work; and progress against issues to the RSA Re Board.

B.6 Actuarial function

RSA Re operates within the same risk appetite and operational control environments as RSAI. The scope of the Actuarial Function is hence covered by RSAI and the Group's Actuarial Function documentation.

The Group Actuarial Function Holder is also the Actuarial Function Holder for RSA Re. On an annual basis, the RSA Re Actuarial Function produces Actuarial Function reports summarising the key conclusions of the Actuarial Function's work covering RSA Re and these are presented to the RSA Re Board.

See section B.6 within the Group SFCR for details of the Group's Actuarial Function.

B.7 Outsourcing

RSA Re has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to RSA Re, including the Key Governance Functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the RSA Re Board by the UK & International Risk Function. The risks are a combination of the relevant Group risks and additional material risks specific to RSA Re (e.g. Global Network). In this way, the RSA Re Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to RSA Re's business. Other risks, for example investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the main body of the report which sets out the Group's risk profile. RSA Re is covered by the treaty and facultative protection described in Section C.1.6 in the Group SFCR. Liquidity risk concentrations are considered immaterial for RSA Re. At 31 December 2023 RSA Re's EPIFP was £nil. RSA Re is not exposed to pension risk.

Currency risk

The principal risk to RSA Re is currency risk as a result of the business carried out by the Group's offices and Global Network partners being denominated in overseas currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

Credit risk

RSA Re is exposed to credit risk in respect of other group companies and Global Network Partners. This risk is integrated within and managed together with the other principal risks of the Group.

RSA Re has a credit risk insurance policy with RSAI which is assessed annually and protects it against loss of reinsurance recoverables due to third party reinsurer insolvency.

Debtor credit risk is managed through tight credit control by the CAU.

Operational risk

RSA Re is exposed to Operational risks as described for the Group in section C.5.3 in the Group SFCR.

The Master Services Agreement mitigates most of the operational risks. However, RSA Re is exposed to regulatory risk in respect of changes in its operating environment or breaches of regulation/failure to renew licences. For the former, we look to mitigate by monitoring changes in regulation through engagement with local partners and use of AXCO as an industry standard provider of regulatory insight, and then responding accordingly. The latter is controlled through a combination of Group functions and procedures plus a centrally managed licensing register being held by the Network team. Licence renewal dates are diarised.

As there are limited residual risks within RSA Re, the impact of operational risk is minimal, and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with IFRS, the accounting standards used for RSA Re's financial statements. All basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to RSA Re.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSA Re's financial statements.

RSA Re has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate RSA Re's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

RSA Re SII balance sheet

The assets as per the SII balance sheet at the valuation date are as follows:

	Financial statements note	Financial statements value £'000	Reclass- ification £'000	SII valuation adjustments £'000	Solvency II value £'000	Group SFCR section
Deferred tax assets	17	832	-	-	832	D.1.1.4
Investments (other than assets held for index-linked and unit-linked contracts)	6	99,674	2,365	-	102,039	
<i>Bonds</i>	6	99,674	463	-	100,137	D.1.1.9
<i>Deposits other than cash equivalents</i>		-	1,902	-	1,902	D.1.1.9
Reinsurance recoverables	10	609,284	-	(79,870)	529,414	D.2
Insurance and intermediaries receivables		-	-	17,830	17,830	D.1.1.9
Reinsurance receivables		-	-	16,359	16,359	
Receivables (trade, not insurance)		8,423	(1,902)	-	6,521	D.1.1.9
Cash and cash equivalents	6	192	-	-	192	D.1.1.9
Any other assets, not elsewhere shown		463	(463)	-	-	D.1.1.9
Total assets		718,868	-	(45,681)	673,187	
Technical provisions	10	606,118	-	(74,170)	531,948	D.2
Insurance & intermediaries payables		-	-	19,018	19,018	D.3.1.1
Reinsurance payables		-	-	14,537	14,537	D.3.1.1
Payables (trade, not insurance)		34,091	-	-	34,091	D.3.1.1
Any other liabilities, not elsewhere shown		262	-	-	262	D.3.1.1
Total liabilities		640,471	-	(40,615)	599,856	
Excess of assets over liabilities		78,397	-	(5,066)	73,331	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

Deferred Tax	Asset £'000	Liability £'000
Deferred tax assets	832	-

The following are the major deferred tax assets recognised by RSA Re:

	£'000
Net unrealised loss on investments	398
Transitional relief on IFRS9 assets	434
Net deferred tax position at 31 December	832

The utilisation of RSA Re's net deferred tax asset of £832,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Audit Committee. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £5,066,000 gross SII adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

In addition, RSA Re has deductible temporary differences of £4,000 for which no deferred tax has been recognised.

The procedure for providing SII deferred tax figures for RSA Re utilises a walkthrough bridge from the figures reported on an IFRS basis in RSA Re's financial statements. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these valuation adjustments give rise to a new temporary difference under IAS 12, the recognition of a deferred tax asset or liability is considered in accordance with IFRS principles and SII guidance, including an assessment of the availability of future profits in the case of a deferred tax asset.

D.2 Technical provisions

The gross provisions of RSA Re are fully reinsured, so at a net level the company's exposure is close to £nil. For this reason, the statutory account values are small, and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin. For reasons of proportionality, there is no allowance made for BBNI in the technical provisions for RSA Re.

		SII Net technical provisions		Statutory	
		Best	Risk	accounts	
		estimate	margin	value	Difference
		£'000	£'000	£'000	£'000
Direct business and accepted proportional reinsurance	Motor vehicle liability	2	-	1	1
	Other motor	1	-	1	-
	Marine, aviation and transport	(379)	18	(1,845)	1,484
	Fire and other damage to property	1,375	190	(1,240)	2,805
	General liability	7	105	(851)	963
Accepted non- proportional reinsurance	Non-proportional property RI	511	51	801	(239)
	Non-proportional casualty RI	600	53	(33)	686
Total		2,118	417	(3,166)	5,701

Uncertainties and contingencies

The uncertainties and contingencies referred to in Section D.2.3 of the Group SFCR are also applicable to RSA Re.

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt securities and collective investment schemes.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for IFRS reporting.

E. Capital Management

Section E is subject to external audit, with the exception of any text or figures which are, or derive from, the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

Information on the Group's capital management is contained in Section E within the Group SFCR.

Capital composition

The capital structure of RSA Re by tier as at 31 December 2023 is as per the table below.

		2023 £'000	2022 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	70,000	70,000
	Reconciliation reserve	2,499	(2,427)
		72,499	67,573
Tier 1 Restricted		-	-
Tier 2		-	-
Tier 3	Net deferred tax asset	832	1,190
	Total Own Funds	73,331	68,763

Basic own funds to eligible own funds

A basic own funds to eligible own funds to cover the SCR reconciliation for RSA Re is shown below. No capital is deemed to be non-available to meet the SCR within RSA Re's own funds.

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	72,499	-	72,499	-	72,499		
Tier 1 (R)	-	-	-	-	-	18,125	20% of total Tier 1
Tier 2	-	-	-	-	-	13,509	Tier 2 + Tier 3 up to
Tier 3	832	-	832	-	832		50% of SCR
Total	73,331	-	73,331	-	73,331		

SCR	27,018
Surplus	46,313
SCR Coverage	271%

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an improved profit before tax driven by other net foreign currency gains recognised in 2023.

Tier 3 capital reduced by £358k during the year as a result of market movement impacts on the investment portfolio resulting in a reduced deferred tax asset being recognised.

Eligible own funds to cover the MCR

A basic own funds to eligible own funds to cover the MCR reconciliation for RSA Re is shown below:

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	72,499	-	72,499	-	72,499		
Tier 1 (R)	-	-	-	-	-	18,125	20% of total Tier 1
Tier 2	-	-	-	-	-	1,351	Tier 2 up to 20% of MCR
Tier 3	832	(832)	-	-	-		Ineligible
Total	73,331	(832)	72,499	-	72,499		
					MCR	6,755	
					Surplus	65,744	
					MCR Coverage	1073%	

Comparison between IFRS net equity and Solvency II basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£'000
Excess of assets over liabilities (see Section D)	73,331
SII Basic Own Funds	73,331

SCR and MCR

At 31 December 2023 RSA Re's SCR was £27,018k and the MCR £ 6,755k.

Movements in the SCR

The SCR is broadly unchanged over the year.

Movements in the MCR

The MCR is broadly unchanged over the year.

Deferred tax

Deferred tax assets of £832k are included in available own funds.

Availability and eligibility of deferred taxes is covered in the Basic own funds to eligible own funds and Eligible own funds to cover the MCR sections above.

Non-compliance with the MCR and non-compliance with the SCR

RSA Re has been fully compliant with its SCR and MCR during the reporting period.

Appendix 4. The Marine Insurance Company Limited Solo SFCR Sections

Summary

The principal activity of the Company is the writing of marine, transport, construction, engineering, renewable energy, casualty and wholesale international property insurance business in the United States.

With effect from 1 January 2012, MIC entered into a 100% quota share agreement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The company receives a reinsurance commission in relation to the quota share agreement, which is determined by reference to gross premium written.

The Group SFCR meets the regulatory requirement for public disclosure in respect of RSAI, RSA Re and MIC. As mentioned in the introduction in the Group SFCR, RSAI, RSA Re and MIC are legal entities meeting all regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. However, the Group does not manage each entity as an individual business and does not set individual business strategies. In light of this, it is important for the reader to understand that the focus of the Group SFCR is the activities of the Group as a whole.

A. Business and Performance

MIC is the Group vehicle for the writing of United States (US) Surplus Lines risks. MIC is registered with the US National Association of Insurance Commissioners (NAIC) as an eligible surplus lines alien insurer. The registration is renewed annually following authorisation by the MIC Board. The actual underwriting is undertaken by London based personnel. In those States where certain classes of non-admitted business such as marine are exempt from the surplus lines regulations the business is written by RSAI, however, there are exceptions considered on a case by case basis where business of this type is written by MIC.

With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quota share arrangement has applied to business written since the beginning of 2012. Following the transfer of nearly all of MIC's insurance risk to Mercantile Indemnity Company Ltd on 1 July 2019, the excess of loss reinsurance was commuted on 1 September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC's insurance liabilities are reinsured to RSAI under the quota share from 1 September 2019. MIC received a commission of 36.5% during the year, in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

MIC has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Services Agreement.

Business strategy

MIC has adopted the Group business strategy which is the pursuit of outperformance through:

- Strong customer franchises.
- Disciplined business focus, majoring on strengths, seeking to avoid mistakes.
- A balance sheet that protects customers and MIC.
- Intense and accomplished operational delivery – improving customer service, underwriting and costs.

Performance information

Section A of this Appendix provides information about the business and performance of MIC, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for MIC's financial statements.

A.1 Business

A.1.1 Company name & legal form

MIC is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The PRA is the authority responsible for prudential supervision of MIC. The contact details of the PRA are in section A.1.2 in the Group SFCR.

A.1.3 External auditor

MIC's external auditor is KPMG LLP. See section A.1.3 in the Group SFCR for contact details.

A.1.4 Holders of qualifying holdings

The sole shareholder is RSAI.

A.1.5 Position within the Group legal structure

MIC's immediate parent company is RSAI, a company incorporated in England and Wales. MIC's ultimate parent and controlling party is IFC, a company incorporated in Canada.

A.1.6 Material related undertakings

MIC has no subsidiaries. See Appendix 1 for a list of all MIC's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 in the Group SFCR.

A.1.8 Business lines and geographical areas

MIC's material lines of business and the material geographical areas where it has carried out business during the year are detailed in the table below:

Geographic regions
UK
Line of businesses – non-life
Marine, Aviation and Transport
Fire and other damage to property
General Liability

A.1.9 Significant events

There is nothing to report for 2023.

A.2 Underwriting performance

MIC is the Group vehicle for the writing of US Surplus Lines risks. With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quota share arrangement has applied to business written since the beginning of 2012. Following the transfer of nearly all of MIC's insurance risk to Mercantile Indemnity Company Ltd on 1 July 2019, the excess of loss reinsurance was commuted on 1 September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC's insurance liabilities are reinsured to RSAI under the quota share from 1 September 2019. MIC receives a commission of 36.5% in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

The underwriting result for the period by material SII lines of business is shown below and is calculated on the same basis as the MIC underwriting result as shown in the Alternative Performance Measures section of its financial statements. All business is underwritten in the UK.

	Underwriting Result	
	2023	2022
		Restated for IFRS17
	£'000	£'000
Non-life		
Marine, aviation and transport	7,994	2,625
Fire and other damage to property	1,173	3,459
General liability	758	-
Total	9,925	6,084

A.3 Investment performance

The information in this section of the report is taken from the MIC Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in MIC's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

	2023	2022
Years ended 31 December	£000	£000
Interest income calculated using the effective interest method:		
Debt securities designated or classified as FVTOCI	457	139
Loans and cash and cash equivalents	750	100
Investment income	1,207	239

A.3.2 Gains and losses recognised in equity

Unrealised (losses)/gains on other financial instruments classified as available for sale net of tax are as follows:

	2023	2022
	Fixed income	Fixed income
Year ended 31 December	£000	£000
Net gains/(losses) from:		
Financial instruments:		
Classified or designated as FVTOCI	364	(738)
	364	(738)
Net foreign currency (losses)/gains	(954)	1,737
Other	-	11
	(590)	1,010
Recognised in:		
Income statement - net (losses)/gains on investment portfolio	-	11
Other net (losses)/gains	(954)	1,737
Income statement	(954)	1,748
Statement of comprehensive income	364	(738)
Total (losses)/gains on investment portfolio	(590)	1,010

A.3.3 Investments in securitisation

MIC has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

For details of other material income and expenses, see notes 15,16 and 20 of the MIC financial statements.

A.4.2 Operating and finance leasing arrangements

MIC has no material operating or finance leases.

B. System of Governance

B.1 General information on the System of Governance

MIC's System of Governance

MIC has adopted the RSAI System of Governance as more fully described in Section B in the main body of the report.

Board and committees

As at 31 December 2023, the MIC Board comprised:

Chair	Managing Director UK Personal Lines
Chief Executive Officer	Managing Director UK Specialty
Director	UK&I Chief Finance Officer
Director	UK&I Chief Underwriting Officer

The Board is accountable to MIC's ultimate shareholder, IFC, for the creation and delivery of strong sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board meets quarterly and there is an additional meeting to approve Solvency II submissions. The Board is responsible for organising and directing the affairs of MIC in a manner that will promote the success of MIC and is consistent with good corporate governance practice, ensuring that in carrying out its duties MIC meets legal and regulatory requirements.

The Board approves the corporate budget (known as the "Operational Plan"), and a business plan is submitted to NAIC.

The Board oversees the business of MIC. It may exercise all the powers of the company subject to the Articles of Association, the Board's Terms of Reference, relevant laws, and any directions as may be given by shareholder resolution. The directors of MIC have access to the services and advice of the UK&I General Counsel and Company Secretary, Corporate Audit Services, Compliance Function, Risk Function, and the Actuarial Function. In addition, directors may take independent professional advice at the expense of MIC in furtherance of their duties.

The Board's Terms of Reference sets out matters which are reserved for MIC's Board and those matters which are reserved to MIC's shareholder, RSAI, for approval.

The RSAI Board Risk Committee and Audit Committee operate on behalf of MIC. The RSAI Board Risk Committee oversees the investment policy and strategy on behalf of MIC, including the operation of the investment portfolios within established strategy and risks frameworks.

The MIC Board remains responsible for MIC's System of Governance.

At the current time, there are no MIC Board level committees.

There is a standing agenda of items for MIC Board meetings, the contents of which are regularly refreshed. All decisions are documented by Company Secretariat. The Board reviews MIC's financial performance through regular reports, including quarterly capital updates and a quarterly presentation on actual performance against plan and a previous financial year comparison. Board approval of the outsourcing of the Key Governance Functions and other critical functions and important activities, and Board review of the performance of these functions and activities provided by the service provider, are required at least annually.

MIC Board meetings are held in a combined session with the meeting of the RSA Re Board.

Effectiveness of the MIC Board

The Board has implemented an effectiveness review process which is undertaken periodically to ensure that the Board is operating effectively.

Key Governance Functions

All of the Key Governance Functions have been outsourced to RSAI. The MIC Board's Terms of Reference requires it to ensure each Key Governance Function is suitable, effective and proportionate to the nature, scale and complexity of MIC's business.

The MIC Board's Terms of Reference explicitly notes the right of the Heads of the Key Governance Functions to have direct access to the MIC Board at all times and for a private meeting with the directors at least annually.

Remuneration

MIC has adopted the RSAI remuneration framework and aligns to general principles and standards set by RSAI. These are contained in the RSAI Remuneration Policy.

MIC's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to RSA as a whole.

Changes during 2023

There were no changes to the MIC System of Governance over the 2023 year. For all other changes see section B.1.3 of the Group SFCR.

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Fitness and Propriety Governance Document and certain HR policies provide a framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The policies apply to the Executive Management, Key Governance Functions, and the directors. RSAI, MIC's service provider, applies the Fitness and Propriety Policy and the relevant HR policies.

See section B.2 within the Group SFCR for details of the Group fitness and propriety requirements.

B.3 Risk management system including the own risk and solvency assessment

MIC has outsourced its risk management system to RSAI, which has adopted the Group's risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

MIC has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's Internal Audit function.

This approach is applied to the plans for MIC. CAS provides its audit plans and quarterly updates on progress against plans; the outcomes of its work; and progress against issues to the MIC Board.

B.6 Actuarial function

MIC operates within the same risk appetite and operational control environments as RSAI. The scope of the Actuarial Function is hence covered by RSAI and the Group Actuarial Function documentation.

The Group Actuarial Function Holder is also the Actuarial Function Holder for MIC. On an annual basis, the MIC Actuarial Function Holder produces Actuarial Function reports summarising the key conclusions of the Actuarial Function's work covering MIC and these are presented to the MIC Board.

See section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

MIC has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to MIC, including the Key Governance Functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

MIC has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the MIC Board by the UK & International Risk Committee. This information is a combination of data from the UK risk profile and more granular Commercial and Marine risk profiles. The risks are a combination of the relevant Group risks and additional material risks specific to MIC. In this way, the MIC Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to MIC's business. Other risks, for example, investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the main body of the report, which sets out the Group's risk profile. At 31 December 2023 MIC's EPIFP was £nil. MIC is not exposed to pension risk.

Currency risk

The principal risk to MIC is currency risk as a result of writing direct marine, aviation, transport and renewable energy insurance business in the US which is denominated in foreign currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

Credit risk

MIC has credit risk exposure to RSAI, and in the event of the failure of RSAI, the negation of the reinsurance protection and ceded insurance. The risk of the excess of loss policy is mitigated by MIC holding the premium for the reinsurance policy in a funds withheld account and netting off sums owed by RSAI under the excess of loss policy against it. The MIC Board pays close attention to the creditworthiness of RSAI and has the option not to extend the quota share agreement.

Operational risk

MIC is exposed to Operational risks as described for the Group in section C.5.3 in the Group SFCR.

The Master Services Agreement combined with the reinsurance arrangement with RSAI mitigate most of the operational risks. However, MIC is exposed to regulatory risk in respect of changes in its operating environment (which it cannot mitigate) or breaches of regulation/failure to renew licences. The latter is controlled through a combination of Group functions. The risk of failing to maintain sufficient regulatory capital or meet US trust fund requirements is controlled through careful monitoring and reporting to the MIC Board.

As there are limited residual risks within MIC, the impact of operational risk is minimal, and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with IFRS, the accounting standards used for MICs Annual Report and Accounts. All basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to MIC.

MIC has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

Section D is subject to external audit, with the exception of the text and figures relating to Risk Margin. These are excluded from the scope of external audit as they are derived from the internal model used to calculate MIC's Solvency Capital Requirement which is also unaudited. See Appendix 6 for further details of the scope of the external audit.

MIC SII balance sheet

	Financial statements note	Statutory accounts value £'000	Reclass- ification £'000	SII valuation adjustments £'000	Solvency II value £'000	Group SFCR section
Deferred tax assets	17	107	-	-	107	D.1.1.4
Investments (other than assets held for index-linked and unit-linked contracts)	6	16,705	18,161	-	34,866	
<i>Bonds</i>	6	16,705	82	-	16,787	D.1.1.9
<i>Collective Investments Undertakings</i>		-	18,008	-	18,008	D.1.1.9
<i>Deposits other than cash equivalents</i>		-	71	-	71	D.1.1.9
Reinsurance recoverables	10	72,196	-	(9,363)	62,833	D.2
Insurance and intermediaries receivables		-	-	1,376	1,376	D.1.1.9
Reinsurance receivables		-	-	153	153	
Receivables (trade, not insurance)		33,305	(65)	-	33,240	D.1.1.9
Cash and cash equivalents	6	18,024	(18,008)	-	16	D.1.1.9
Any other assets, not elsewhere shown		88	(88)	-	-	D.1.1.9
Total assets		140,425	-	(7,834)	132,591	
Technical provisions	10	60,524	-	(7,053)	53,471	D.2
Insurance & intermediaries payables		-	-	58	58	D.3.1.1
Reinsurance payables		-	-	122	122	D.3.1.1
Any other liabilities, not elsewhere shown		3,105	-	-	3,105	D.3.1.1
Total liabilities		63,629	-	(6,873)	56,756	
Excess of assets over liabilities		76,796	-	(961)	75,835	

D.1 Assets

Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

Deferred Tax	Asset £'000	Liability £'000
Deferred tax assets	107	-

The deferred tax asset relates to unrealised losses on investments.

The utilisation of MIC's net deferred tax asset of £107,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Audit Committee. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £961,000 gross SII adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

The procedure for providing SII deferred tax figures for RSAI utilises a walkthrough bridge from the figures reported on an IFRS basis in RSAI's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these valuation adjustments give rise to a new temporary difference under IAS 12, the recognition of a deferred tax asset or liability is considered in accordance with IFRS principles and SII guidance, including an assessment of the availability of future profits in the case of a deferred tax asset.

D.2 Technical provisions

The gross provisions of MIC are fully reinsured, so at a net level the company's exposure is close to £nil. For this reason, the statutory account values are small, and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin. For reasons of proportionality, there is no allowance made for BBNI in the technical provisions for MIC.

		SII Net technical provisions		Statutory accounts value	Difference
		Best estimate £'000	Risk margin £'000	£'000	£'000
Direct business and accepted proportional reinsurance	Marine, aviation and transport	(7,844)	14	(6,541)	(1,289)
	Fire and other damage to property	(1,697)	31	(3,699)	2,033
	General liability	112	22	(1,432)	1,566
TOTAL		(9,429)	67	(11,672)	2,310

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities.

The assets and liabilities for this entity are managed and valued in the same way as for the Group, therefore see Section D of the Group SFCR for a description of the valuation techniques used and how they are assessed.

There are no differences between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for IFRS reporting.

E. Capital Management

Section E is subject to external audit, with the exception of any text or figures which are, or derive from, the internally modelled Solvency Capital Requirement. See Appendix 6 for further details of the scope of the external audit.

Information on capital management, which is carried out at the Group level, is contained in Section E within the Group SFCR.

Capital composition

The capital structure of MIC by tier as at 31 December 2023 is as per the table below. MIC does not include any subordinated liabilities in its basic own funds. The increase in own funds over the year was mainly down to an improved underwriting result.

		2023 £'000	2022 £'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	22,334	22,334
	Reconciliation reserve	53,394	45,300
		75,728	67,634
Tier 1 Restricted		-	-
Tier 2		-	-
Tier 3	Net Deferred tax	107	198
	Total Own Funds	75,835	67,832

Basic own funds to eligible own funds

A reconciliation from basic own funds to eligible own funds to cover the SCR for MIC is shown below. No capital is deemed to be unavailable to meet the SCR within MIC's own funds.

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	75,728	-	75,728	-	75,728		
Tier 1 (R)	-	-	-	-	-	18,932	20% of total Tier 1
Tier 2	-	-	-	-	-	1,610	Tier 2 + Tier 3 up to
Tier 3	107	-	107	-	107		50% of SCR
Total	75,835	-	75,835	-	75,835		

SCR	3,221
Surplus	72,614
SCR Coverage	2355%

Analysis of significant changes in own funds

The reconciliation reserve has increased in value versus year-end 2022 largely driven by an improved underwriting result which increased profit before tax.

Tier 3 capital decreased by £91k during the year as a result of market movement impacts on the investment portfolio resulting in a reduced deferred tax asset being recognised.

Eligible own funds to cover the MCR

A reconciliation from basic own funds to eligible own funds to cover the MCR for MIC is shown below:

	Basic Own Funds £'000	Availability restrictions £'000	Available Own Funds £'000	Eligibility restrictions £'000	Eligible Own Funds £'000	Eligibility Capacity £'000	Eligibility rule
Tier 1	75,728	-	75,728	-	75,728		
Tier 1 (R)	-	-	-	-	-	18,932	20% of total Tier 1
Tier 2	-	-	-	-	-	699	Tier 2 up to 20% of MCR
Tier 3	107	(107)	-	-	-		Ineligible
Total	75,835	(107)	75,728	-	75,728		
				MCR	3,495		
				Surplus	72,233		
				MCR Coverage	2167%		

Comparison between IFRS net equity and SII basic own funds

Following on from Section D, SII basic own funds are calculated in the following table:

	£'000
Excess of assets over liabilities (see Section D)	75,835
SII Basic Own Funds	75,835

SCR and MCR

At 31 December 2023 MIC's SCR was £3,221k and the MCR £3,495k, the absolute floor as defined in Rule 3.2 of the Minimum Capital Requirement Part and Rule 4.2 of the Insurance General Application Part of the PRA Rulebook applicable to SII firms.

MIC's MCR is bound by the "absolute floor" of €4.0m, which is higher than the internally modelled SCR of £3.2m – as a result, the MCR is the binding solvency measure.

Movements in the SCR

There were no material movements in the SCR over the period.

Movements in the MCR

There were no material movements in the MCR over the period.

Deferred tax

Deferred tax assets of £107k are included in available own funds.

Availability and eligibility of deferred taxes is covered in the Basic own funds to eligible own funds and Eligible own funds to cover the MCR sections above.

Non-compliance with the MCR and non-compliance with the SCR

MIC has been fully compliant with its SCR and MCR during the reporting period.

Further, MIC is subject to NAIC requirements in order to write surplus lines business in the US. Requirements include maintaining a minimum of \$50m of shareholders equity on a continuous basis. MIC remained compliant with this requirement throughout the reporting period.

Appendix 5. Directors' Statements in respect of the SFCR

RSA Insurance Group Limited and Royal & Sun Alliance Insurance Limited

The directors are responsible for ensuring that RSA Insurance Group Limited (Group) SFCR and relevant content for Royal & Sun Alliance Insurance Limited have been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- Throughout the financial year to 31 December 2023, RSA Insurance Group Limited and Royal & Sun Alliance Insurance Limited have complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable at the level of the Group.
- It is reasonable to believe that, in respect of the period from 31 December 2023 to the date of publication of the SFCR, the Group and Royal & Sun Alliance Insurance Limited have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2024.

By order of the Board,



Ken Anderson
Chief Financial Officer

Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited

The directors are responsible for ensuring that the relevant content of the SFCR has been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- Throughout the financial year to 31 December 2023, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited have complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable to the insurer.
- It is reasonable to believe that, in respect of the period from 31 December 2023, to the date of publication of the SFCR, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2024.

By order of the Board,



Ken Anderson
Director

Appendix 6. KPMG Audit Report

Report of the external independent auditor to the Directors of RSA Insurance Group Limited ('the Parent Company'), Royal & Sun Alliance Insurance Limited ('RSAI'), Royal & Sun Alliance Reinsurance Limited ('RSA Re') and The Marine Insurance Company Limited ('MIC') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by RSA Insurance Group Limited ('the Parent Company'), Royal & Sun Alliance Insurance Limited ('RSAI'), Royal & Sun Alliance Reinsurance Limited ('RSA Re') and The Marine Insurance Company Limited ('MIC') (together, 'the Entities') as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Entities as at 31 December 2023, (**'the Narrative Disclosures subject to audit'**); and
- Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22 for the Group, and Company templates S.02.01.02, S.12.01.02, S.17.01.02, S22.01.21, S.23.01.01, S.28.01.01 for RSAI, RSA Re and MIC (**'the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'Relevant Elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the Relevant Elements of the Group Solvency and Financial Condition Report set out above which derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01, S.25.03.22 for the Group;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.03.21 for RSAI, RSA Re and MIC;
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited';
- The written acknowledgement by the Directors of the Entities of their responsibilities, including for the preparation of their relevant content of the Group Solvency and Financial Condition Report ('the Responsibility Statement'); and

To the extent the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of the Entities as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations in effect as at the date of approval of the Group Solvency and Financial Condition Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report section of our report. We are independent of each of the Entities in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report. The Group Solvency and Financial Condition Report is prepared in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors of the Parent Company have prepared the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report for the Group on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group and the Parent Company's financial positions mean 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 Group Solvency and Financial Condition Report ("the going concern period"). The Directors of RSAI, RSA Re and MIC have prepared the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report for their respective entity on the going concern basis as they do not intend to liquidate their respective entity or to cease its operations, and as they have concluded that their respective entity'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 the ability of their respective entity to continue as a going concern for the going concern period.

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

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

We considered whether these risks could plausibly affect the Entities' regulatory capital or liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Entities' 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 the management Going Concern assessment paper.

Our conclusions based on this work:

- We consider that the Directors' of the Entities use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report for their respective entity and the Group is appropriate; and
- We have not identified, and concur with the Directors' of the Entities assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Entities' or the Group's ability to continue as a going concern for the going concern period.

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 Entities or the Group will continue in operation.

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 across the Entities. Our risk assessment procedures included:

- Enquiring of directors of the Entities, the audit committee, internal audit and management and inspection of policy documentation as to the Entities' 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 relevant to the Entities.

- Considering remuneration incentive schemes and performance targets for management and directors.
- Performing analytical procedures to identify any unusual or unexpected fluctuations and relationships in the account balances.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls.

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 by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.
- Through inquiries, obtain an understanding of the business rationale of significant transactions that we may become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entities and their environment.

We identified a fraud risk related to the valuation of Technical Provisions in response to the level of estimation and judgement in this balance and the ability for changes in the valuation to be used to impact the solvency ratio.

We performed procedures including assessing the estimate 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 of the Entities 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 Entities' regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entities' procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our engagement team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to the full scope component engagement team of relevant laws and regulations identified at Group level, and a request the full scope component engagement team to report 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 Group Solvency and Financial Condition Report varies considerably.

Firstly, the Entities are subject to laws and regulations that directly affect the Group Solvency and Financial Condition Report including regulatory capital and liquidity legislation, financial reporting legislation (including related companies legislation), PRA Rules and Solvency II regulations, 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 Group Solvency and Financial Condition Report.

Secondly, the Entities are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Group Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the entities' licence to operate. We identified the following areas as those most likely to have such an effect: conduct regulation and certain aspects of company legislation recognising the financial and regulated nature of the Entities' 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 Group Solvency and Financial Condition Report, 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Directors of the Entities are responsible for their relevant content of the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors of the Entities for the Group Solvency and Financial Condition Report

The Directors of the Entities are responsible for the preparation of their relevant content of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors of the Entities are also responsible for such internal control as they determine is necessary to enable the preparation of their relevant content of the Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors of RSAI, RSA Re and MIC are responsible for assessing their respective entity's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate their respective entity or to cease operations, or have no realistic alternative but to do so.

The Directors of the Parent Company are responsible for assessing the Group's and Parent Company's ability to continue as going concerns, 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 their operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Other Matter – internal model

The Company has authority to calculate the Group Solvency Capital Requirement, and the Entities have authority to calculate their respective entity's Solo Solvency Capital Requirement, using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II

Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of, or outputs from the Model, or whether the Model is being applied in accordance with the Entities' application or approval order.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of each of the Entities' statutory financial statements for the year ended 31 December 2023. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

This engagement is separate from the audits of the annual financial statements of the Entities and the report here relates only to the matters specified and does not extend to the Entities' annual financial statements taken as a whole.

As set out in our audit reports on those financial statements, those audit reports are made solely to the members of the respective Entities, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the members of the respective Entities 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 Entities and the members, as a body, of each of the respective Entities for the audit work, for the audit report, or for the opinions we have formed in respect of those audits.

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

This report of the external auditor is made solely to the Directors of the Entities, as their governing bodies, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Entities' Directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities through their governing bodies, for our audit, for this report, or for the opinions we have formed.



Thomas Tyler
for and on behalf of KPMG LLP
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

4 April 2024

Appendix to Report of the external independent auditor to the Directors of RSA Insurance Group Limited (“the Parent Company”), Royal & Sun Alliance Insurance Limited (“RSAI”), Royal & Sun Alliance Reinsurance Limited (“RSA Re”) and The Marine Insurance Company Limited (“MIC”) (together, “the Entities”) pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms – Relevant Elements of the Group Solvency and Financial Condition Report that are not subject to audit

The Relevant Elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

Group

- The following elements of Group template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of Group template S.22.01.22
 - Column C0030 – Impact of transitional measures on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
 - Row R0020: Non-available called but not paid in ordinary share capital at group level
 - Row R0060: Non-available subordinated mutual member accounts at group level
 - Row R0080: Non-available surplus at group level
 - Row R0100: Non-available preference shares at group level
 - Row R0120: Non-available share premium account related to preference shares at group level
 - Row R0150: Non-available subordinated liabilities at group level
 - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
 - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
 - Row R0210: Non-available minority interests at group level
 - Row R0380: Non-available ancillary own funds at group level
 - Rows R0410 to R0440 – Own funds of other financial sectors
 - Row R0680: Group SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 - Row R0750: Other non-available own funds
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Solo

The Relevant Elements of RSAI, RSA Re and MIC's Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of template S.12.01.02
 - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
 - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
 - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
 - Column C0030 – Impact of transitional measures on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of template S.23.01.01
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
 - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'

Appendix 7. Abbreviations and Terms used in this Report

Abbreviation	Description
ADC	Adverse Development Cover
AMSG	Accumulation Management Steering Group
AOF	Ancillary Own Funds
BI	Business Interruption
BBNI	Bound But Not Incepted
BRC	Board Risk Committee
CAA	Commissariat aux Assurances
CAS	Corporate Audit Services
CAU	Central Accounting Unit
CBI	Central Bank of Ireland
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
The Company	RSA Insurance Group Limited
COO	Chief Operations Officer
COR	Combined Operating Ratio
CRO	Chief Risk Officer
CRRC	Credit Rating Review Committee
The Delegated Acts	Solvency II Delegated Regulation 2015/35 (as brought into UK law by Section 3 of the European Union (Withdrawal) Act 2018)
DAC	Deferred Acquisition Costs
DB	UK Defined Benefit Pensions Schemes
DSU	Deferred Share Units
DLG	Direct Line Group
EEA	European Economic Area

Abbreviation	Description
EIOPA Valuation Guidelines	EIOPA-BoS-15/113 EN Guidelines on recognition and valuation of assets and liabilities other than technical provisions (to be referred to by UK regulated (re)insurers as required by the Bank of England/PRA Statement of Policy on Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU)
ENIDs	Events Not In Data
EPIFP	Expected Profit Included in Future Premiums
ERC	Enterprise Risk Committee
ESG	Economic, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GCR	Governance, Conduct and Remuneration Committee
GI	General Insurance
the Group	RSAIG, together with its subsidiaries
HMRC	His Majesty's Revenue & Customs
IAS	International Accounting Standards
IBNR	Incurred But Not Yet Reported
IFC	Intact Financial Corporation
IFRS	International Financial Reporting Standards
IMGC	Internal Model Governance Committee
IRV	Internal Reinsurance Vehicle
KRI	Key Risk Indicator
LFRC	Liability For Remaining Coverage
MIC	The Marine Insurance Company Limited
MCR	Minimum Capital Requirement
MSCR	Minimum consolidated group Solvency Capital Requirement
NAIC	National Association of Insurance Commissioners
OCI	Other Comprehensive Income
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
PIC	Pension Insurance Corporation plc
PPO	Periodic Payment Orders

Abbreviation	Description
PRA	Prudential Regulation Authority
PSU	Performance Share Units
QRT	Quantitative Reporting Template
QRT LOG	Guidance as extracted from Solvency II Implementing Technical Standard on reporting – Regulation 2015/2450 and Solvency II Implementing Technical Standard on public disclosure – Regulation 2015/2452 (as brought into UK regulation by the Technical Standards (Solvency II Directive & Institutions for Occupational Retirement Provision Directive) (EU Exit) Instrument 2019)
RICS	Royal Institute of Chartered Surveyors
RSA	The Company, together with its subsidiaries
RSA Board	The Boards of RSAI and RSAIG, collectively
RSAI	Royal & Sun Alliance Insurance Limited
RSAIG	RSA Insurance Group Limited
RSAIL	RSA Ireland Insurance DAC
RSA Re	Royal & Sun Alliance Reinsurance Limited
RSU	Restricted Share Units
the Schemes	Royal Insurance Group Pension Scheme and the Sal Pension Scheme
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SLT	Similar to Life Techniques
SMCR	Senior Managers and Certification Regime
SPV	Special Purpose Vehicle
UK	United Kingdom
UKAMC	UK Asset Management Committee
US	United States
VA	Volatility Adjustment

The terms financial statement, statement of financial position, income statement, profit and loss account and other comprehensive income used in this report refer to information presented in the RSAIG 2023 Consolidated financial statements and the 2023 Annual Reports and Accounts for RSAI, RSA Re and MIC. These have been prepared according to IFRS (as adopted for use in the UK) for RSAIG, RSAI, RSA Re and MIC. Refer to the relevant the Consolidated financial statements or Annual Report and Accounts for details.

Appendix 8. Quantitative Reporting Templates (QRTs)

This Appendix contains the following QRTs:

Entity	QRT Reference	QRT Name
Group	S.02.01.02	Group balance sheet
Group	S.05.01.02	Group premiums, claims and expenses by line of business
Group	S.05.02.01	Group premiums, claims & expenses by country
Group	S.22.01.22	Impact of long term guarantees and transitional measures
Group	S.23.01.22	Group own funds
Group	S.25.03.22	Solvency capital requirement - for groups on full internal models
Group	S.32.01.22	Undertakings in the scope of the group
RSAI	S.02.01.02	Balance sheet
RSAI	S.05.01.02	Premiums, claims and expenses by line of business
RSAI	S.05.02.01	Premiums, claims & expenses by country
RSAI	S.12.01.02	Life and health SLT technical provisions
RSAI	S.17.01.02	Non-life technical provisions
RSAI	S.19.01.21	Non-life insurance claims Information
RSAI	S.22.01.21	Impact of long term guarantees and transitional measures
RSAI	S.23.01.01	Own funds
RSAI	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
RSAI	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity
RSA Re	S.02.01.02	Balance sheet
RSA Re	S.05.01.02	Premiums, claims and expenses by line of business
RSA Re	S.05.02.01	Premiums, claims & expenses by country
RSA Re	S.17.01.02	Non-life technical provisions
RSA Re	S.19.01.21	Non-life insurance claims information
RSA Re	S.22.01.21	Impact of long term guarantees and transitional measures
RSA Re	S.23.01.01	Own funds
RSA Re	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
RSA Re	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity
MIC	S.02.01.02	Balance sheet
MIC	S.05.01.02	Premiums, claims and expenses by line of business
MIC	S.05.02.01	Premiums, claims & expenses by country
MIC	S.17.01.02	Non-life technical provisions
MIC	S.19.01.21	Non-life insurance claims information
MIC	S.22.01.21	Impact of long term guarantees and transitional measures
MIC	S.23.01.01	Own funds
MIC	S.25.03.21	Solvency capital requirement - for undertakings on full internal models
MIC	S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity

There is nothing to report for RSA Re or MIC for QRT S.12.01.02 (Life and health SLT technical provisions).

All monetary amounts are shown in thousands of pounds (£000's) in all QRTs.

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	266,186
	22,667
	95,927
	5,657,900
	284,535
	58,177
	131,103
	130,382
	721
	4,777,561
	1,879,650
	2,522,153
	375,758
	242,060
	59,205
	105,259
	394,089
	467
	393,622
	1,475,352
	1,361,447
	1,361,268
	179
	113,907
	113,907
	145,573
	100,986
	61,113
	140,937
	11,416
	8,372,146

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	Property (other than for own use)
R0090	Holdings in related undertakings, including participations
R0100	Equities
R0110	Equities - listed
R0120	Equities - unlisted
R0130	Bonds
R0140	Government Bonds
R0150	Corporate Bonds
R0160	Structured notes
R0170	Collateralised securities
R0180	Collective Investments Undertakings
R0190	Derivatives
R0200	Deposits other than cash equivalents
R0210	Other investments
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	Loans on policies
R0250	Loans and mortgages to individuals
R0260	Other loans and mortgages
R0270	Reinsurance recoverables from:
R0280	Non-life and health similar to non-life
R0290	Non-life excluding health
R0300	Health similar to non-life
R0310	Life and health similar to life, excluding index-linked and unit-linked
R0320	Health similar to life
R0330	Life excluding health and index-linked and unit-linked
R0340	Life index-linked and unit-linked
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

S.02.01.02

Balance sheet

Solvency II value	
C0010	
R0510	Technical provisions - non-life
R0520	<i>Technical provisions - non-life (excluding health)</i>
R0530	<i>TP calculated as a whole</i>
R0540	<i>Best Estimate</i>
R0550	<i>Risk margin</i>
R0560	<i>Technical provisions - health (similar to non-life)</i>
R0570	<i>TP calculated as a whole</i>
R0580	<i>Best Estimate</i>
R0590	<i>Risk margin</i>
R0600	Technical provisions - life (excluding index-linked and unit-linked)
R0610	<i>Technical provisions - health (similar to life)</i>
R0620	<i>TP calculated as a whole</i>
R0630	<i>Best Estimate</i>
R0640	<i>Risk margin</i>
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>
R0660	<i>TP calculated as a whole</i>
R0670	<i>Best Estimate</i>
R0680	<i>Risk margin</i>
R0690	Technical provisions - index-linked and unit-linked
R0700	<i>TP calculated as a whole</i>
R0710	<i>Best Estimate</i>
R0720	<i>Risk margin</i>
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
R0810	Financial liabilities other than debts owed to credit institutions
R0820	Insurance & intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	<i>Subordinated liabilities not in BOF</i>
R0870	<i>Subordinated liabilities in BOF</i>
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities
R1000	Excess of assets over liabilities

RSA Insurance Group Limited

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																
R0110	Gross - Direct Business	2,035	12,204	-48,756	285,210	1,523,340	494,078		7,556		268,893					2,544,561
R0120	Gross - Proportional reinsurance accepted		254,346	144,679	22,124	546,200	111,056				15,128					1,093,534
R0130	Gross - Non-proportional reinsurance accepted														-2	-2
R0140	Reinsurers' share	625	-142,332	-128,315	55,751	396,984	109,847			-1	2,255				-3,452	291,362
R0200	Net	1,410	408,883	224,238	251,583	1,672,557	495,287		7,556	1	281,767				3,450	3,346,731
Premiums earned																
R0210	Gross - Direct Business	2,054	407,156	239,939	270,194	1,458,951	463,352		7,455		254,983					3,104,085
R0220	Gross - Proportional reinsurance accepted		197,361	107,119	21,986	401,921	61,977				3,549					793,913
R0230	Gross - Non-proportional reinsurance accepted														-2	-2
R0240	Reinsurers' share	631	192,231	123,272	52,990	398,125	90,729			-1	2,251				-3,244	856,985
R0300	Net	1,423	412,287	223,786	239,190	1,462,747	434,601		7,455	1	256,280				3,242	3,041,011
Claims incurred																
R0310	Gross - Direct Business	365	216,519	316,983	119,160	930,139	215,376	40	3,326	157	152,768					1,954,834
R0320	Gross - Proportional reinsurance accepted		174,236	66,126	11,477	198,315	20,902				38					471,093
R0330	Gross - Non-proportional reinsurance accepted												9,082	-3	-2	9,077
R0340	Reinsurers' share	340	89,938	187,312	30,047	246,723	78,352				8,513		1,521		-30	642,714
R0400	Net	25	300,818	195,797	100,591	881,730	157,926	40	3,326	157	144,293		7,562	-3	28	1,792,290
Changes in other technical provisions																
R0410	Gross - Direct Business															
R0420	Gross - Proportional reinsurance accepted															
R0430	Gross - Non-proportional reinsurance accepted															
R0440	Reinsurers' share															
R0500	Net															
R0550	Expenses incurred	507	195,128	92,489	87,794	627,193	178,932	209	792	558	89,937				1,742	1,275,280
R1200	Other expenses															177,046
R1300	Total expenses															1,452,326

S.05.01.02

Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written								
R1410	Gross							
R1420	Reinsurers' share							
R1500	Net							
Premiums earned								
R1510	Gross							
R1520	Reinsurers' share							
R1600	Net							
Claims incurred								
R1610	Gross				14,768			14,768
R1620	Reinsurers' share				5,191			5,191
R1700	Net				9,576			9,576
Changes in other technical provisions								
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net							
R1900	Expenses incurred							
R2500	Other expenses							
R2600	Total expenses							

S.05.02.01

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

R0010

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country	
	CA	IE	FR	US	ES		
	C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110	Gross - Direct Business	1,625,773		278,173	142,572	55,148	129,588	2,231,254
R0120	Gross - Proportional reinsurance accepted	464,607	359,275			79,973	1,279	905,133
R0130	Gross - Non-proportional reinsurance accepted	-2						-2
R0140	Reinsurers' share	2,352	9,041	22,246	73,868	78,878	57,062	243,448
R0200	Net	2,088,026	350,234	255,926	68,704	56,243	73,804	2,892,937

Premiums earned

R0210	Gross - Direct Business	2,188,560		288,922	145,645	42,610	137,676	2,803,413
R0220	Gross - Proportional reinsurance accepted	150,673	381,413			77,851	1,315	611,253
R0230	Gross - Non-proportional reinsurance accepted	-2						-2
R0240	Reinsurers' share	590,704	8,366	22,830	75,320	67,933	65,282	830,434
R0300	Net	1,748,528	373,047	266,093	70,325	52,528	73,710	2,584,230

Claims incurred

R0310	Gross - Direct Business	1,310,229		112,033	75,143	31,781	105,899	1,635,084
R0320	Gross - Proportional reinsurance accepted	131,995	270,431			31,456	1,427	435,309
R0330	Gross - Non-proportional reinsurance accepted	9,044	-5,751					3,293
R0340	Reinsurers' share	435,864	1,216	-9,843	29,396	42,670	73,027	572,330
R0400	Net	1,015,404	263,464	121,876	45,747	20,566	34,299	1,501,356

Changes in other technical provisions

R0410	Gross - Direct Business							
R0420	Gross - Proportional reinsurance accepted							
R0430	Gross - Non-proportional reinsurance accepted							
R0440	Reinsurers' share							
R0500	Net							

R0550	Expenses incurred	894,274	94,888	100,029	22,939	10,212	21,084	1,143,426
R1200	Other expenses							177,046
R1300	Total expenses							1,320,472

S.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
			CA	IE	FR	US	ES	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1400	Gross							
R1420	Reinsurers' share							
R1500	Net							
	Premiums earned							
R1510	Gross							
R1520	Reinsurers' share							
R1600	Net							
	Claims incurred							
R1610	Gross	14,768						14,768
R1620	Reinsurers' share	5,191						5,191
R1700	Net	9,576						9,576
	Changes in other technical provisions							
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net							
R1900	Expenses incurred							
R2500	Other expenses							
R2600	Total expenses							

S.22.01.22

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	5,671,166	0	0	25,417	0
R0020 Basic own funds	1,941,103	0	0	-17,991	0
R0050 Eligible own funds to meet Solvency Capital Requirement	2,117,682	0	0	-17,991	0
R0090 Solvency Capital Requirement	1,285,098	0	0	0	0

RSA Insurance Group Limited

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Own Funds

Basic own funds before deduction for participations in other financial sector

R0010	Ordinary share capital (gross of own shares)
R0020	<i>Non-available called but not paid in ordinary share capital at group level</i>
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0060	<i>Non-available subordinated mutual member accounts at group level</i>
R0070	Surplus funds
R0080	<i>Non-available surplus funds at group level</i>
R0090	Preference shares
R0100	<i>Non-available preference shares at group level</i>
R0110	Share premium account related to preference shares
R0120	<i>Non-available share premium account related to preference shares at group level</i>
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0150	<i>Non-available subordinated liabilities at group level</i>
R0160	An amount equal to the value of net deferred tax assets
R0170	<i>The amount equal to the value of net deferred tax assets not available at the group level</i>
R0180	Other items approved by supervisory authority as basic own funds not specified above
R0190	<i>Non available own funds related to other own funds items approved by supervisory authority</i>
R0200	Minority interests (if not reported as part of a specific own fund item)
R0210	<i>Non-available minority interests at group level</i>
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities
R0240	<i>whereof deducted according to art 228 of the Directive 2009/138/EC</i>
R0250	Deductions for participations where there is non-availability of information (Article 229)
R0260	Deduction for participations included by using D&A when a combination of methods is used
R0270	Total of non-available own fund items
R0280	Total deductions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0380	Non available ancillary own funds at group level
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Own funds of other financial sectors

R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies
R0420	Institutions for occupational retirement provision
R0430	Non regulated entities carrying out financial activities
R0440	Total own funds of other financial sectors

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
1,563,287	1,563,287			
1,364,889	1,364,889			
125,000		125,000		
-1,496,800	-1,496,800			
118,541			118,541	
266,186				266,186
1,941,103	1,431,376	125,000	118,541	266,186
250,000			250,000	
250,000			250,000	

RSA Insurance Group Limited

5.23.01.22 Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

R0450 Own funds aggregated when using the D&A and combination of method

R0460 Own funds aggregated when using the D&A and combination of method net of IGT

R0520 Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

R0530 Total available own funds to meet the minimum consolidated group SCR

R0560 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

R0570 Total eligible own funds to meet the minimum consolidated group SCR (group)

R0610 Minimum consolidated Group SCR

R0650 Ratio of Eligible own funds to Minimum Consolidated Group SCR

R0660 Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)

R0680 Group SCR

R0690 Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

R0700 Excess of assets over liabilities

R0710 Own shares (held directly and indirectly)

R0720 Forseeable dividends, distributions and charges

R0730 Other basic own fund items

R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

R0750 Other non available own funds

R0760 Reconciliation reserve

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business

R0780 Expected profits included in future premiums (EPIFP) - Non- Life business

R0790 Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

2,191,103	1,431,376	125,000	368,541	266,186
1,674,917	1,431,376	125,000	118,541	
2,117,682	1,431,376	125,000	368,541	192,765
1,674,917	1,431,376	125,000	118,541	

647,008				
258.87%				
2,117,682	1,431,376	125,000	368,541	192,765
1,285,098				
164.79%				

C0060

1,843,876
3,319,362
21,314
-1,496,800

95,991
95,991

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	5015JA	PPO UW Risk - Expectation	2,487
2	5015JB	PPO UW Risk - Movement from Expectation	20,256
3	5015ZA	Other Underwriting Risk - Expectation	-338,474
4	5015ZB	Other Underwriting Risk - Movement from Expectation	549,504
5	50199B	Diversification within Underwriting Risk	-19,416
6	50310A	Catastrophe Risk - Expectation	205,720
7	50310B	Catastrophe Risk - Movement from Expectation	394,242
8	5021JA	PPO Reserve Risk - Expectation	8,036
9	5021JB	PPO Reserve Risk - Movement from Expectation	153,871
10	5021ZA	Other Reserving Risks - Expectation	84,801
11	5021ZB	Other Reserving Risks - Movement from Expectation	410,618
12	50299B	Diversification within Reserving Risk	-109,041
13	10300A	Market Risk: interest rate risk - Expectation	-215,905
14	10300B	Market Risk: interest rate risk - Movement from Expectation	160,560
15	10400A	Market Risk: equity risk - Expectation	-2,601
16	10400B	Market Risk: equity risk - Movement from Expectation	15,891
17	10600A	Market Risk: property risk - Expectation	-19,096
18	10600B	Market Risk: property risk - Movement from Expectation	89,717
19	1071AA	Market Risk: spread risk AAA - Expectation	-2,267
20	1071AB	Market Risk: spread risk AAA - Movement from Expectation	32,716
21	1071BA	Market Risk: spread risk AA - Expectation	-1,890
22	1071BB	Market Risk: spread risk AA - Movement from Expectation	23,749
23	1071CA	Market Risk: spread risk A - Expectation	-9,114
24	1071CB	Market Risk: spread risk A - Movement from Expectation	118,710
25	1071DA	Market Risk: spread risk below A - Expectation	-28,237
26	1071DB	Market Risk: spread risk below A - Movement from Expectation	245,959
27	10900A	Market Risk: Group Currency Risk - Expectation	-6,333
28	10900B	Market Risk: Group Currency Risk - Movement from Expectation	92,284
29	19900I	Diversification within Market	-318,184
30	20100A	Credit Risk - Expectation	5,426
31	20100B	Credit Risk - Movement from Expectation	60,172
32	70100B	Operational Risk - Movement from Expectation	128,879
33	80110A	Other Risks: Pension Risk - Expectation	17,388
34	80110B	Other Risks: Pension Risk - Movement from Expectation	116,077
35	80190A	Other Risks: Costs - Expectation	136,672
36	80190B	Other Risks: Costs - Movement from Expectation	1,513
37	80140A	Other Risks: Tax - Expectation	19,357
38	80140B	Other Risks: Tax - Movement from Expectation	-19,357
39	80199B	Diversification within Other risks	-2,975
40	80190C	Other Adjustments: Additional Model Adjustments	293,000

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models**Calculation of Solvency Capital Requirement**

C0100

R0110	Total undiversified components	2,294,716
R0060	Diversification	-1,009,618
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency capital requirement excluding capital add-on	1,285,098
R0210	Capital add-ons already set	
R0220	Solvency capital requirement	1,285,098

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	647,012

Information on other entities

R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	
R0520	<i>Institutions for occupational retirement provisions</i>	
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	

RSA Insurance Group Limited

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	IE	2138003HL1YHLUM7Z184	LEI	123 Money Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
2	GB	213800ANK59AYB612F23 GB10035	Specific code	Alliance Assurance Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
3	IE	6354002QMLYRFBNBZO30	LEI	Benchmark Underwriting Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
4	GB	213800ANK59AYB612F23GB10046	Specific code	Centrium Management Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
5	IE	213800ANK59AYB612F23IE10052	Specific code	EGI Holdings Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
6	GG	213800GEYZIFG43S8671	LEI	Insurance Corporation of the Channel Islands Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Guernsey Financial Services Commission
7	GG	213800UBK38YDFB2WZ49	LEI	Insurance Corporation Service Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
8	GB	213800ANK59AYB612F23GB10089	Specific code	Non-Destructive Testers Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
9	GB	213800Q93FUZEKDN30	LEI	Polaris U.K. Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
10	GB	8945007F5218LZ1NQ570	LEI	Punchbowl Park Management Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
11	GB	213800YCQ2NTZBWKFB71	LEI	Royal & Sun Alliance Pension Trustee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
12	GB	213800ANK59AYB612F23GB10112	Specific code	Royal & Sun Alliance Property Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
13	GB	213800TWB86O896DND08	LEI	Royal & Sun Alliance Reinsurance Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
14	GB	213800ANK59AYB612F23GB10120	Specific code	Royal Insurance (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
15	GB	213800DXUS819BNLJN46	LEI	Royal International Insurance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	0
16	GB	213800ANK59AYB612F23GB10126	Specific code	Roysun Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
17	GB	549300HOGQ7E0TY86138GB10127	Specific code	RSA Accident Repairs Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
18	IN	213800RZ5127857GQ681	LEI	RSA Actuarial Services (India) Private Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
19	GB	21380027C4I45O77BS20	LEI	RSA Finance	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
20	IM	213800ANK59AYB612F23IM10140	Specific code	RSA Isle of Man No.1 Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
21	GB	213800ANK59AYB612F23GB10141	Specific code	RSA Law Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
22	GB	213800ANK59AYB612F23GB10142	Specific code	RSA Northern Ireland Insurance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
23	GB	QG45WA0CBQ35QVT5KU66	LEI	Sal Pension Fund Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0

RSA Insurance Group Limited

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Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
Country	Identification code of the undertaking		Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	IE	2138003HL1YHLUM7Z184	LEI	123 Money Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
2	GB	213800ANK59AYB612F23 GB10035	Specific code	Alliance Assurance Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
3	IE	6354002QMLYRFBNBZO30	LEI	Benchmark Underwriting Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	213800ANK59AYB612F23GB10046	Specific code	Centrium Management Company Limited	31.45%	31.45%	31.45%	0	Significant	31.45%	Included in the scope		Method 1: Adjusted Equity Method
5	IE	213800ANK59AYB612F23IE10052	Specific code	EGI Holdings Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
6	GG	213800GEYZIFG4358671	LEI	Insurance Corporation of the Channel Islands Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	GG	213800UBK38YDFB2WZ49	LEI	Insurance Corporation Service Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
8	GB	213800ANK59AYB612F23GB10089	Specific code	Non-Destructive Testers Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
9	GB	213800Q93FUZEKDNTD30	LEI	Polaris U.K. Limited	25.38%	25.38%	25.38%	0	Significant	25.38%	Included in the scope		Method 1: Adjusted Equity Method
10	GB	8945007F5218LZ1NQ570	LEI	Punchbowl Park Management Limited	65.09%	100.00%	65.09%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
11	GB	213800YCQ2NTZBWKFB71	LEI	Royal & Sun Alliance Pension Trustee Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
12	GB	213800ANK59AYB612F23GB10112	Specific code	Royal & Sun Alliance Property Services Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
13	GB	213800TWB86O896DND08	LEI	Royal & Sun Alliance Reinsurance Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
14	GB	213800ANK59AYB612F23GB10120	Specific code	Royal Insurance (U.K.) Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	GB	213800DXUS819BNLJN46	LEI	Royal International Insurance Holdings Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
16	GB	213800ANK59AYB612F23GB10126	Specific code	Roysun Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
17	GB	549300HOGQ7E0TY86138GB10127	Specific code	RSA Accident Repairs Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
18	IN	213800RZ5127857GQ681	LEI	RSA Actuarial Services (India) Private Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
19	GB	21380027C4I45077BS20	LEI	RSA Finance	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
20	IM	213800ANK59AYB612F23IM10140	Specific code	RSA Isle of Man No.1 Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
21	GB	213800ANK59AYB612F23GB10141	Specific code	RSA Law Limited	90.00%	100.00%	90.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
22	GB	213800ANK59AYB612F23GB10142	Specific code	RSA Northern Ireland Insurance Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
23	GB	QG45WA0CBQ35QVT5KU66	LEI	Sal Pension Fund Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
24	GB	213800ANK59AYB612F23GB10157	Specific code	Sun Alliance Insurance Overseas Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
25	GB	549300HOGQ7E0TY86138GB10160	Specific code	Sun Alliance Mortgage Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
26	GB	213800ANK59AYB612F23GB10161	Specific code	Sun Insurance Office Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
27	GB	213800XEBBP59GJ7RB65	LEI	The Globe Insurance Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	0
28	GB	213800ANK59AYB612F23GB10164	Specific code	The London Assurance	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
29	GB	213800ZPIJG2HWOKGX70	LEI	The Marine Insurance Company Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
30	IM	213800GQH2OG5CX23H28	LEI	Tower Insurance Company Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Isle of Man Financial Services Authority
31	GB	213800ANK59AYB612F23GB10176	Specific code	Westgate Properties Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
32	IE	635400PUDJ8XTX9SFW67	LEI	RSA Insurance Ireland DAC	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
33	IE	2138007UK3VNVV5JQW88IE00001	Specific code	RSA Overseas Holdings (No. 2) Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
34	IE	2138007UK3VNVV5JQW88	LEI	RSA Overseas Holdings (No 1) Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
35	GB	549300HOGQ7E0TY86138GB00003	Specific code	Royal Insurance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	0
36	LU	213800PTZLYSDVYLA41	LEI	RSA Luxembourg S.A.	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat aux Assurances
37	GB	549300HOGQ7E0TY86138GB00004	Specific code	R&S Marketing Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
38	GB	213800ANK59AYB612F23GB00014	Specific code	Sun Alliance and London Insurance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
39	GB	213800ANK59AYB612F23	LEI	Royal & Sun Alliance Insurance Limited	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
40	GB	549300HOGQ7E0TY86138	LEI	RSA Insurance Group Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	0
41	GB	213800DXUS819BNLJN46GB00001	Specific code	Regent Subco Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
42	GB	213800ANK59AYB612F23GB10059	Specific Code	UK Investment Management Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
43	GB	213800ANK59AYB612F23GB00003	Specific Code	Emersons Green Management Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
44	GB	213800ANK59AYB612F23GB00016	Specific code	RSA Pension funding GP Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
45	BR	213800ANK59AYB612F23BR10110	Specific code	Royal & Sun Alliance Insurance Limited - Escritório de Representação no Brasil Ltda.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0
46	GB	8945007ETYXPC0DWF078	LEI	Hempton Court Manco Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0

RSA Insurance Group Limited

S.32.01.22

Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
24	GB	213800ANK59AYB612F23GB10157	Specific code	Sun Alliance Insurance Overseas Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
25	GB	549300HOGQ7E0TY86138GB10160	Specific code	Sun Alliance Mortgage Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
26	GB	213800ANK59AYB612F23GB10161	Specific code	Sun Insurance Office Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
27	GB	213800XEBBP59GJ7RB65	LEI	The Globe Insurance Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
28	GB	213800ANK59AYB612F23GB10164	Specific code	The London Assurance	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
29	GB	213800ZPIJG2HWOKGX70	LEI	The Marine Insurance Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
30	IM	213800GQHZOG5CX23H28	LEI	Tower Insurance Company Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
31	GB	213800ANK59AYB612F23GB10176	Specific code	Westgate Properties Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
32	IE	635400PUDJ8XTX95FW67	LEI	RSA Insurance Ireland DAC	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
33	IE	2138007UK3VNVV5JQW88IE00001	Specific code	RSA Overseas Holdings (No. 2) Unlimited Company	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
34	IE	2138007UK3VNVV5JQW88	LEI	RSA Overseas Holdings (No 1) Unlimited Company	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
35	GB	549300HOGQ7E0TY86138GB00003	Specific code	Royal Insurance Holdings Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
36	LU	213800PT2YLSYDVYLA41	LEI	RSA Luxembourg S.A.	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
37	GB	549300HOGQ7E0TY86138GB00004	Specific code	R&SA Marketing Services Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
38	GB	213800ANK59AYB612F23GB00014	Specific code	Sun Alliance and London Insurance Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
39	GB	213800ANK59AYB612F23	LEI	Royal & Sun Alliance Insurance Limited	81.96%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
40	GB	549300HOGQ7E0TY86138	LEI	RSA Insurance Group Limited	0.00%	0.00%	0.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
41	GB	213800DXUS819BNLJN46GB00001	Specific code	Regent Subco Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
42	GB	213800ANK59AYB612F23GB10059	Specific Code	UK Investment Management Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
43	GB	213800ANK59AYB612F23GB00003	Specific Code	Emersons Green Management Company Limited	33.00%	33.00%	33.00%	0	Significant	33.00%	Included in the scope		Method 1: Adjusted Equity Method
44	GB	213800ANK59AYB612F23GB00016	Specific code	RSA Pension funding GP Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
45	BR	213800ANK59AYB612F23BR10110	Specific code	Royal & Sun Alliance Insurance Limited - Escritório de Representação no Brasil Ltda.	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
46	GB	8945007ETYXPC0DWFO78	LEI	Hempton Court Manco Limited	62.50%	100.00%	62.50%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
47	IE	635400BFCWZIQMIJB05	LEI	RSA Broker Motor Insurance Ireland Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	0

RSA Insurance Group Limited

S.32.01.22

Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
47	IE	635400BFCWZIQOMJB05	LEI	RSA Broker Motor Insurance Ireland Limited	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	253,108
	3,071
	75,030
	5,881,363
	282,871
	889,263
	131,103
	130,382
	721
	4,319,583
	1,652,171
	2,318,117
	349,295
	175,883
	59,205
	23,455
	406,906
	467
	406,439
	1,157,895
	1,059,460
	1,059,460
	98,435
	98,435
	27,653
	116,021
	64,541
	171,651
	95,555
	11,482
	8,264,276

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	Property (other than for own use)
R0090	Holdings in related undertakings, including participations
R0100	Equities
R0110	Equities - listed
R0120	Equities - unlisted
R0130	Bonds
R0140	Government Bonds
R0150	Corporate Bonds
R0160	Structured notes
R0170	Collateralised securities
R0180	Collective Investments Undertakings
R0190	Derivatives
R0200	Deposits other than cash equivalents
R0210	Other investments
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	Loans on policies
R0250	Loans and mortgages to individuals
R0260	Other loans and mortgages
R0270	Reinsurance recoverables from:
R0280	Non-life and health similar to non-life
R0290	Non-life excluding health
R0300	Health similar to non-life
R0310	Life and health similar to life, excluding index-linked and unit-linked
R0320	Health similar to life
R0330	Life excluding health and index-linked and unit-linked
R0340	Life index-linked and unit-linked
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	4,838,810
R0520	<i>Technical provisions - non-life (excluding health)</i>	4,838,673
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	4,706,318
R0550	<i>Risk margin</i>	132,355
R0560	<i>Technical provisions - health (similar to non-life)</i>	137
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	132
R0590	<i>Risk margin</i>	5
R0600	Technical provisions - life (excluding index-linked and unit-linked)	266,560
R0610	<i>Technical provisions - health (similar to life)</i>	
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	266,560
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	232,847
R0680	<i>Risk margin</i>	33,713
R0690	Technical provisions - index-linked and unit-linked	
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	7,130
R0750	Provisions other than technical provisions	30,835
R0760	Pension benefit obligations	23,306
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	18
R0790	Derivatives	25,455
R0800	Debts owed to credit institutions	28,588
R0810	Financial liabilities other than debts owed to credit institutions	411,264
R0820	Insurance & intermediaries payables	126,202
R0830	Reinsurance payables	23,934
R0840	Payables (trade, not insurance)	294,689
R0850	Subordinated liabilities	
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	
R0880	Any other liabilities, not elsewhere shown	167,891
R0900	Total liabilities	6,244,682
R1000	Excess of assets over liabilities	2,019,594

Royal Sun Alliance Insurance Limited

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																
R0110	Gross - Direct Business		-109,769	-78,232	172,416	1,174,222	324,592		7,554		268,407					1,759,190
R0120	Gross - Proportional reinsurance accepted	705	345,018	163,434	106,663	672,503	217,447			1	15,131				9,585	1,520,900
R0130	Gross - Non-proportional reinsurance accepted															9,585
R0140	Reinsurers' share		-151,462	-129,817	44,145	300,566	78,691				1,839					143,961
R0200	Net	705	386,711	215,019	234,934	1,546,160	463,348		7,554	1	281,698				9,585	3,145,714
Premiums earned																
R0210	Gross - Direct Business		283,573	210,415	157,361	1,115,960	308,492		7,454		254,539					2,337,794
R0220	Gross - Proportional reinsurance accepted	711	290,418	126,339	106,669	527,161	170,581			1	3,554				9,377	1,225,434
R0230	Gross - Non-proportional reinsurance accepted															9,377
R0240	Reinsurers' share		183,118	121,784	41,204	301,272	75,978				1,870					725,226
R0300	Net	711	390,873	214,970	222,826	1,341,849	403,095		7,454	1	256,223				9,377	2,847,379
Claims incurred																
R0310	Gross - Direct Business		157,291	301,117	83,715	558,764	114,892	40	3,334	174	152,983					1,372,310
R0320	Gross - Proportional reinsurance accepted	53	225,876	77,155	42,216	297,944	67,225			-8	40				31,423	710,501
R0330	Gross - Non-proportional reinsurance accepted												9,420			40,843
R0340	Reinsurers' share		100,089	189,479	30,847	79,658	39,394				8,356		2,405			450,229
R0400	Net	53	283,078	188,793	95,084	777,049	142,722	40	3,334	166	144,668		7,015		31,423	1,673,425
Changes in other technical provisions																
R0410	Gross - Direct Business															
R0420	Gross - Proportional reinsurance accepted															
R0430	Gross - Non-proportional reinsurance accepted															
R0440	Reinsurers' share															
R0500	Net															
R0550	Expenses incurred	269	187,024	89,598	84,972	596,235	174,513	209	792	553	89,937				1,742	1,225,844
R1200	Other expenses															164,281
R1300	Total expenses															1,390,125

S.05.01.02

Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written								
R1410 Gross								
R1420 Reinsurers' share								
R1500 Net								
Premiums earned								
R1510 Gross								
R1520 Reinsurers' share								
R1600 Net								
Claims incurred								
R1610 Gross					14,394			14,394
R1620 Reinsurers' share					4,820			4,820
R1700 Net					9,574			9,574
Changes in other technical provisions								
R1710 Gross								
R1720 Reinsurers' share								
R1800 Net								
R1900 Expenses incurred								
R2500 Other expenses								
R2600 Total expenses								

S.05.02.01

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

R0010

C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	CA	IE	LU	US		
C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110	Gross - Direct Business	1,561,071					1,561,071
R0120	Gross - Proportional reinsurance accepted	686,058	344,705	177,739	173,987	66,968	1,449,456
R0130	Gross - Non-proportional reinsurance accepted	9,585					9,585
R0140	Reinsurers' share	37,694			66,966		104,660
R0200	Net	2,219,020	344,705	177,739	173,987	2	2,915,452

Premiums earned

R0210	Gross - Direct Business	2,137,952					2,137,952
R0220	Gross - Proportional reinsurance accepted	357,780	367,725	183,754	180,921	66,729	1,156,909
R0230	Gross - Non-proportional reinsurance accepted	9,377					9,377
R0240	Reinsurers' share	624,446			66,729		691,175
R0300	Net	1,880,663	367,725	183,754	180,921		2,613,063

Claims incurred

R0310	Gross - Direct Business	1,270,849		-838			1,270,011
R0320	Gross - Proportional reinsurance accepted	201,255	251,503	83,724	100,833	27,953	665,269
R0330	Gross - Non-proportional reinsurance accepted	40,726		118			40,843
R0340	Reinsurers' share	424,461			27,953		452,414
R0400	Net	1,088,369	251,503	83,004	100,833		1,523,709

Changes in other technical provisions

R0410	Gross - Direct Business						
R0420	Gross - Proportional reinsurance accepted						
R0430	Gross - Non-proportional reinsurance accepted						
R0440	Reinsurers' share						
R0500	Net						

R0550	Expenses incurred	919,163	94,103	69,550	60,230	1	1,143,047
R1200	Other expenses						164,281
R1300	Total expenses						1,307,328

S.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
			CA	IE	LU	US		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1400	Gross							
R1420	Reinsurers' share							
R1500	Net							
	Premiums earned							
R1510	Gross							
R1520	Reinsurers' share							
R1600	Net							
	Claims incurred							
R1610	Gross	14,394						14,394
R1620	Reinsurers' share	4,820						4,820
R1700	Net	9,574						9,574
	Changes in other technical provisions							
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net							
R1900	Expenses incurred							
R2500	Other expenses							
R2600	Total expenses							

Royal Sun Alliance Insurance Limited

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees				Contracts with options or guarantees		Contracts without options and guarantees				Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole																
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																
R0020																	
Technical provisions calculated as a sum of BE and RM																	
	Best estimate																
R0030	Gross Best Estimate								232,847		232,847						
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								98,435		98,435						
R0080																	
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								134,412		134,412						
R0100	Risk margin								33,713		33,713						
Amount of the transitional on Technical Provisions																	
R0110	Technical Provisions calculated as a whole																
R0120	Best estimate																
R0130	Risk margin																
R0200	Technical provisions - total								266,559		266,559						

Royal Sun Alliance Insurance Limited

S.17.01.02

Non-Life Technical Provisions

Direct business and accepted proportional reinsurance																	Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance						
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180					
R0010	Technical provisions calculated as a whole																				
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																				
Technical provisions calculated as a sum of BE and RM																					
Best estimate																					
Premium provisions																					
R0060	Gross	86	64,552	9,881	-19,045	55,665	16,794	0	-943	-10	31,254		-152		-2,373	155,709					
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-4,754	-102	-12,495	-36,194	-9,003		0		268					-62,280					
R0150	Net Best Estimate of Premium Provisions	86	69,306	9,983	-6,549	91,859	25,797	0	-943	-10	30,986		-152		-2,373	217,989					
Claims provisions																					
R0160	Gross	41	1,677,960	88,679	185,452	1,351,860	1,124,515	1,274	5,098	3	36,493	5	46,670	0	32,693	4,550,742					
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		649,302	-8,974	2,138	291,369	176,611	-195	-322		11,810					1,121,740					
R0250	Net Best Estimate of Claims Provisions	41	1,028,657	97,653	183,314	1,060,491	947,903	1,469	5,420	3	24,683	5	46,670	0	32,693	3,429,002					
R0260	Total best estimate - gross	127	1,742,512	98,559	166,408	1,407,525	1,141,309	1,274	4,155	-7	67,747	5	46,518	0	30,320	4,706,451					
R0270	Total best estimate - net	127	1,097,963	107,635	176,764	1,152,351	973,700	1,469	4,476	-7	55,668	5	46,518	0	30,320	3,646,991					
R0280	Risk margin	5	46,709	2,255	4,951	28,361	46,923	19	116	0	1,313	0	1,259	0	448	132,359					
Amount of the transitional on Technical Provisions																					
R0290	Technical Provisions calculated as a whole																				
R0300	Best estimate																				
R0310	Risk margin																				
R0320	Technical provisions - total	132	1,789,220	100,814	171,359	1,435,886	1,188,232	1,293	4,270	-6	69,060	5	47,777	0	30,768	4,838,810					
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total		644,548	-9,076	-10,357	255,174	167,609	-195	-322		12,078					1,059,460					
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	132	1,144,672	109,890	181,715	1,180,712	1,020,624	1,488	4,592	-6	56,982	5	47,777	0	30,768	3,779,350					

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)													
(absolute amount)													
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										64,618	64,618	64,618
R0160	-9	900,068	460,090	186,205	102,563	121,419	87,415	56,730	25,036	22,447	8,882	8,882	1,970,855
R0170	-8	871,741	572,567	200,787	121,322	83,932	75,596	57,200	44,573	19,829		19,829	2,047,548
R0180	-7	899,558	539,407	216,828	134,505	91,818	84,782	40,535	31,931			31,931	2,039,365
R0190	-6	979,601	638,917	279,289	137,573	98,005	91,082	71,240				71,240	2,295,706
R0200	-5	1,016,685	730,529	258,474	152,806	121,846	106,061					106,061	2,386,401
R0210	-4	951,177	538,899	247,239	147,517	126,297						126,297	2,011,128
R0220	-3	816,518	599,677	192,064	147,502							147,502	1,755,762
R0230	-2	770,184	535,239	230,288								230,288	1,535,711
R0240	-1	877,463	671,764									671,764	1,549,227
R0250	0	924,435										924,435	924,435
R0260												Total	18,580,755

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Year	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										296,795	267,104	
R0160	-9	0	0	536,311	400,156	269,798	168,173	111,625	84,196	51,360	40,020	36,834	
R0170	-8	0	846,597	495,172	369,412	253,597	204,920	143,916	93,234	65,071		60,205	
R0180	-7	1,106,371	790,242	490,278	375,391	291,847	208,848	165,086	125,774			115,863	
R0190	-6	1,261,279	683,221	582,439	437,131	344,665	248,267	163,516				151,015	
R0200	-5	1,356,176	831,963	584,339	451,210	352,123	237,859					219,197	
R0210	-4	1,307,678	838,121	616,743	683,757	531,450						274,588	
R0220	-3	1,232,154	985,140	691,267	543,756							504,910	
R0230	-2	1,247,845	965,611	596,043								551,047	
R0240	-1	1,431,123	930,807									865,721	
R0250	0	1,607,297										1,504,264	
R0260												Total	4,550,748

S.22.01.21

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	5,105,370	0	0	24,834	0
R0020 Basic own funds	1,976,480	0	0	-17,573	0
R0050 Eligible own funds to meet Solvency Capital Requirement	2,166,137	0	0	-17,573	0
R0090 Solvency Capital Requirement	1,285,098	0	0	0	0
R0100 Eligible own funds to meet Minimum Capital Requirement	1,720,490	0	0	-17,573	0
R0110 Minimum Capital Requirement	578,294	0	0	0	0

Royal Sun Alliance Insurance Limited

S.23.01.01
Own Funds

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

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

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

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

Available and eligible own funds

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

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
1,135,467	1,135,467			
1,854,183	1,735,642		118,541	
-1,266,278	-1,266,278			
253,108				253,108
1,976,480	1,604,831		118,541	253,108

250,000		250,000	
250,000		250,000	

2,226,480	1,604,831		368,541	253,108
1,723,372	1,604,831		118,541	
2,166,137	1,604,831		368,541	192,765
1,720,490	1,604,831		115,659	
1,285,098				
578,294				
168.56%				
297.51%				

C0060
2,019,594
43,114
3,242,758
-1,266,278

49,952
49,952

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	5015JA	PPO UW Risk - Expectation	2,487
2	5015JB	PPO UW Risk - Movement from Expectation	20,256
3	5015ZA	Other Underwriting Risk - Expectation	-338,474
4	5015ZB	Other Underwriting Risk - Movement from Expectation	549,504
5	50199B	Diversification within Underwriting Risk	-19,416
6	50310A	Catastrophe Risk - Expectation	205,720
7	50310B	Catastrophe Risk - Movement from Expectation	394,242
8	5021JA	PPO Reserve Risk - Expectation	8,036
9	5021JB	PPO Reserve Risk - Movement from Expectation	153,871
10	5021ZA	Other Reserving Risks - Expectation	84,801
11	5021ZB	Other Reserving Risks - Movement from Expectation	410,618
12	50299B	Diversification within Reserving Risk	-109,041
13	10300A	Market Risk: interest rate risk - Expectation	-215,905
14	10300B	Market Risk: interest rate risk - Movement from Expectation	160,560
15	10400A	Market Risk: equity risk - Expectation	-2,601
16	10400B	Market Risk: equity risk - Movement from Expectation	15,891
17	10600A	Market Risk: property risk - Expectation	-19,096
18	10600B	Market Risk: property risk - Movement from Expectation	89,717
19	1071AA	Market Risk: spread risk AAA - Expectation	-2,267
20	1071AB	Market Risk: spread risk AAA - Movement from Expectation	32,716
21	1071BA	Market Risk: spread risk AA - Expectation	-1,890
22	1071BB	Market Risk: spread risk AA - Movement from Expectation	23,749
23	1071CA	Market Risk: spread risk A - Expectation	-9,114
24	1071CB	Market Risk: spread risk A - Movement from Expectation	118,710
25	1071DA	Market Risk: spread risk below A - Expectation	-28,237
26	1071DB	Market Risk: spread risk below A - Movement from Expectation	245,959
27	10900A	Market Risk: Group Currency Risk - Expectation	-6,333
28	10900B	Market Risk: Group Currency Risk - Movement from Expectation	92,284
29	19900I	Diversification within Market	-318,184
30	20100A	Credit Risk - Expectation	5,426
31	20100B	Credit Risk - Movement from Expectation	60,172
32	70100B	Operational Risk - Movement from Expectation	128,879
33	80110A	Other Risks: Pension Risk - Expectation	17,388
34	80110B	Other Risks: Pension Risk - Movement from Expectation	116,077
35	80190A	Other Risks: Costs - Expectation	136,672
36	80190B	Other Risks: Costs - Movement from Expectation	1,513
37	80140A	Other Risks: Tax - Expectation	19,357
38	80140B	Other Risks: Tax - Movement from Expectation	-19,357
39	80199B	Diversification within Other risks	-2,975
40	80190C	Other Adjustments: Additional Model Adjustments	293,000

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0220	Solvency capital requirement

C0100

2,294,716
-1,009,618
1,285,098
1,285,098

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590	Approach based on average tax rate
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C0109

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Calculation of loss absorbing capacity of deferred taxes

R0640	Amount/estimate of LAC DT
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit
R0670	Amount/estimate of AC DT justified by carry back, current year
R0680	Amount/estimate of LAC DT justified by carry back, future years
R0690	Amount/estimate of Maximum LAC DT

LAC DT

C0130

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

652,126

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

127	705
1,097,963	386,711
107,635	215,019
176,764	234,934
1,152,351	1,546,160
973,700	463,348
1,469	
4,476	7,554
	1
55,668	281,698
5	
46,518	
30,320	9,585

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

2,823

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

134,412	

Overall MCR calculation

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

C0070

654,949
1,285,098
578,294
321,274
578,294
3,495
578,294

Assets	
R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0290	<i>Non-life excluding health</i>
R0300	<i>Health similar to non-life</i>
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0320	<i>Health similar to life</i>
R0330	<i>Life excluding health and index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

	Liabilities
R0510	Technical provisions - non-life
R0520	<i>Technical provisions - non-life (excluding health)</i>
R0530	<i>TP calculated as a whole</i>
R0540	<i>Best Estimate</i>
R0550	<i>Risk margin</i>
R0560	<i>Technical provisions - health (similar to non-life)</i>
R0570	<i>TP calculated as a whole</i>
R0580	<i>Best Estimate</i>
R0590	<i>Risk margin</i>
R0600	Technical provisions - life (excluding index-linked and unit-linked)
R0610	<i>Technical provisions - health (similar to life)</i>
R0620	<i>TP calculated as a whole</i>
R0630	<i>Best Estimate</i>
R0640	<i>Risk margin</i>
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>
R0660	<i>TP calculated as a whole</i>
R0670	<i>Best Estimate</i>
R0680	<i>Risk margin</i>
R0690	Technical provisions - index-linked and unit-linked
R0700	<i>TP calculated as a whole</i>
R0710	<i>Best Estimate</i>
R0720	<i>Risk margin</i>
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
R0810	Financial liabilities other than debts owed to credit institutions
R0820	Insurance & intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	<i>Subordinated liabilities not in BOF</i>
R0870	<i>Subordinated liabilities in BOF</i>
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities
R1000	Excess of assets over liabilities

Royal Sun Alliance Reinsurance Limited

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																
R0110	Gross - Direct Business															
R0120	Gross - Proportional reinsurance accepted		79	34	42,490	255,665	59,638									357,906
R0130	Gross - Non-proportional reinsurance accepted															
R0140	Reinsurers' share		79	34	42,490	255,665	59,638									357,906
R0200	Net															
Premiums earned																
R0210	Gross - Direct Business															
R0220	Gross - Proportional reinsurance accepted		77	33	38,950	246,681	57,960									343,700
R0230	Gross - Non-proportional reinsurance accepted															
R0240	Reinsurers' share		77	33	38,950	246,681	57,960									343,700
R0300	Net															
Claims incurred																
R0310	Gross - Direct Business															
R0320	Gross - Proportional reinsurance accepted		138	71	21,219	216,015	20,922									258,364
R0330	Gross - Non-proportional reinsurance accepted												-1,967	-328	-1,035	-3,331
R0340	Reinsurers' share		137	70	21,007	216,682	20,789						-1,908	-325	-1,007	255,446
R0400	Net		1	0	212	-668	133						-59	-3	-29	-413
Changes in other technical provisions																
R0410	Gross - Direct Business															
R0420	Gross - Proportional reinsurance accepted															
R0430	Gross - Non-proportional reinsurance accepted															
R0440	Reinsurers' share															
R0500	Net															
R0550	Expenses incurred				0	0	1	0	0							2
R1200	Other expenses															997
R1300	Total expenses															999

Royal Sun Alliance Reinsurance Limited

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170	C0180
R0010	Technical provisions calculated as a whole																		
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																		
R0050																			
Technical provisions calculated as a sum of BE and RM																			
Best estimate																			
Premium provisions																			
R0060	Gross				42	5	3,757	9,535	6,521										19,860
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				42	5	4,471	11,111	7,121										22,750
R0150	Net Best Estimate of Premium Provisions				0	0	-714	-1,575	-600										-2,890
Claims provisions																			
R0160	Gross				191	95	33,502	291,469	83,454							51,806	25	51,130	511,671
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				189	94	33,167	288,519	82,846							51,206	24	50,619	506,664
R0250	Net Best Estimate of Claims Provisions				2	1	335	2,950	608							600	0	511	5,007
R0260	Total best estimate - gross				233	101	37,258	301,005	89,975							51,806	25	51,130	531,532
R0270	Total best estimate - net				2	1	-379	1,375	7							600	0	511	2,118
R0280	Risk margin				0	0	18	190	105							53	0	51	417
Amount of the transitional on Technical Provisions																			
R0290	Technical Provisions calculated as a whole																		
R0300	Best estimate																		
R0310	Risk margin																		
R0320	Technical provisions - total				233	101	37,277	301,195	90,080							51,858	25	51,181	531,948
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				230	99	37,638	299,629	89,968							51,206	24	50,619	529,414
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total				3	1	-361	1,565	112							652	0	562	2,535

5.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											422	422	422
R0160	-9	46,260	68,093	36,493	7,271	3,980	6,658	1,955	5,023	664	295	295	176,694	
R0170	-8	21,166	57,583	40,501	20,448	1,818	2,037	1,068	507	-131		-131	144,997	
R0180	-7	27,521	66,112	20,469	5,718	1,941	8,783	1,068	805			805	132,417	
R0190	-6	32,695	102,010	68,524	10,285	7,380	2,588	5,356				5,356	228,838	
R0200	-5	18,776	99,578	43,582	11,139	16,980	11,047					11,047	201,102	
R0210	-4	40,302	51,268	39,269	18,423	4,358						4,358	153,620	
R0220	-3	47,689	46,970	20,388	27,854							27,854	142,900	
R0230	-2	19,766	40,019	32,410								32,410	92,195	
R0240	-1	49,914	72,899									72,899	122,813	
R0250	0	23,818										23,818	23,818	
R0260												Total	1,419,815	

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)													
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Year	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											25,891	24,528
R0160	-9	0	0	14,992	10,480	6,219	4,834	3,480	5,213	3,245	2,948	2,785	
R0170	-8	0	62,532	21,083	8,693	5,731	2,889	2,248	2,905	2,220		2,122	
R0180	-7	127,265	77,071	26,856	24,868	20,511	13,257	12,943	13,406			12,548	
R0190	-6	173,034	114,369	36,290	24,154	34,455	25,082	21,205				20,018	
R0200	-5	143,899	99,169	57,580	51,043	31,790	23,516					22,235	
R0210	-4	148,924	85,792	39,967	34,213	34,260						32,175	
R0220	-3	169,565	75,898	57,489	43,495							40,588	
R0230	-2	151,009	77,370	52,531								49,452	
R0240	-1	159,729	72,288									69,282	
R0250	0	244,282										235,945	
R0260												Total	511,680

S.22.01.21

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	531,948	0	0	1,557	0
R0020 Basic own funds	73,331	0	0	-6	0
R0050 Eligible own funds to meet Solvency Capital Requirement	73,331	0	0	-6	0
R0090 Solvency Capital Requirement	27,018	0	0	0	0
R0100 Eligible own funds to meet Minimum Capital Requirement	72,499	0	0	-6	0
R0110 Minimum Capital Requirement	6,755	0	0	0	0

Royal Sun Alliance Reinsurance Limited

S.23.01.01
Own Funds

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

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

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

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

Available and eligible own funds

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

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconcilliation reserve

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

R0760 Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
70,000	70,000			
2,499	2,499			
832				832

73,331	72,499			832

[illegible]

73,331	72,499		832
72,499	72,499		
73,331	72,499		832
72,499	72,499		

27,018
6,755
271.42%
1073.34%

C0060
73,331
70,832
2,499

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	5015ZA	Other Underwriting Risk - Expectation	494
2	5015ZB	Other Underwriting Risk - Movement from Expectation	446
3	5021ZA	Other Reserving Risks - Expectation	-356
4	5021ZB	Other Reserving Risks - Movement from Expectation	237
5	10300A	Market Risk: interest rate risk - Expectation	-4,121
6	10300B	Market Risk: interest rate risk - Movement from Expectation	5,888
7	1071AA	Market Risk: spread risk AAA - Expectation	-1
8	1071AB	Market Risk: spread risk AAA - Movement from Expectation	6
9	1071BA	Market Risk: spread risk AA - Expectation	-100
10	1071BB	Market Risk: spread risk AA - Movement from Expectation	1,700
11	1071CA	Market Risk: spread risk A - Expectation	-97
12	1071CB	Market Risk: spread risk A - Movement from Expectation	1,473
13	1071DA	Market Risk: spread risk below A - Expectation	-12
14	1071DB	Market Risk: spread risk below A - Movement from Expectation	212
15	10900A	Market Risk: Group Currency Risk - Expectation	-769
16	10900B	Market Risk: Group Currency Risk - Movement from Expectation	20,004
17	19900I	Diversification within Market	-8,768
18	20100A	Credit Risk - Expectation	100
19	20100B	Credit Risk - Movement from Expectation	939
20	70100B	Operational Risk - Movement from Expectation	11,026
21	80140A	Other Risks: Tax - Expectation	1,509
22	80140B	Other Risks: Tax - Movement from Expectation	-1,509

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0220	Solvency capital requirement

C0100

28,300
-1,282
27,018
27,018

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590	Approach based on average tax rate
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C0109

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Calculation of loss absorbing capacity of deferred taxes

R0640	Amount/estimate of LAC DT
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit
R0670	Amount/estimate of AC DT justified by carry back, current year
R0680	Amount/estimate of LAC DT justified by carry back, future years
R0690	Amount/estimate of Maximum LAC DT

LAC DT

C0130

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

337

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
2	
1	
1,375	
7	
600	
0	
511	

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

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

337

27,018

12,158

6,755

6,755

3,495

6,755

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	107
	34,866
	16,787
	16,787
	18,008
	71
	62,833
	62,833
	62,833
	1,376
	153
	33,240
	16
	132,591

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0290	<i>Non-life excluding health</i>
R0300	<i>Health similar to non-life</i>
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0320	<i>Health similar to life</i>
R0330	<i>Life excluding health and index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

S.02.01.02

Balance sheet

Solvency II value	
C0010	
R0510	53,471
R0520	53,471
R0530	
R0540	53,404
R0550	67
R0560	
R0570	
R0580	
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	
R0790	
R0800	
R0810	
R0820	58
R0830	122
R0840	
R0850	
R0860	
R0870	
R0880	3,105
R0900	56,756
R1000	75,835

Liabilities

R0510	Technical provisions - non-life
R0520	<i>Technical provisions - non-life (excluding health)</i>
R0530	<i>TP calculated as a whole</i>
R0540	<i>Best Estimate</i>
R0550	<i>Risk margin</i>
R0560	<i>Technical provisions - health (similar to non-life)</i>
R0570	<i>TP calculated as a whole</i>
R0580	<i>Best Estimate</i>
R0590	<i>Risk margin</i>
R0600	Technical provisions - life (excluding index-linked and unit-linked)
R0610	<i>Technical provisions - health (similar to life)</i>
R0620	<i>TP calculated as a whole</i>
R0630	<i>Best Estimate</i>
R0640	<i>Risk margin</i>
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>
R0660	<i>TP calculated as a whole</i>
R0670	<i>Best Estimate</i>
R0680	<i>Risk margin</i>
R0690	Technical provisions - index-linked and unit-linked
R0700	<i>TP calculated as a whole</i>
R0710	<i>Best Estimate</i>
R0720	<i>Risk margin</i>
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
R0810	Financial liabilities other than debts owed to credit institutions
R0820	Insurance & intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	<i>Subordinated liabilities not in BOF</i>
R0870	<i>Subordinated liabilities in BOF</i>
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities
R1000	Excess of assets over liabilities

The Marine Insurance Company Limited

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total	
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property		
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200	
Premiums written																	
R0110	Gross - Direct Business					27,657	23,674	22,200									73,531
R0120	Gross - Proportional reinsurance accepted						13,005										13,005
R0130	Gross - Non-proportional reinsurance accepted																
R0140	Reinsurers' share					27,657	36,679	22,200								86,536	
R0200	Net																
Premiums earned																	
R0210	Gross - Direct Business					26,884	17,512	12,332									56,728
R0220	Gross - Proportional reinsurance accepted						11,122										11,122
R0230	Gross - Non-proportional reinsurance accepted																
R0240	Reinsurers' share					26,884	28,634	12,332								67,850	
R0300	Net																
Claims incurred																	
R0310	Gross - Direct Business					8,433	13,674	3,766									25,873
R0320	Gross - Proportional reinsurance accepted						3,245										3,245
R0330	Gross - Non-proportional reinsurance accepted																
R0340	Reinsurers' share					8,714	16,695	3,786								29,195	
R0400	Net																
Changes in other technical provisions																	
R0410	Gross - Direct Business																
R0420	Gross - Proportional reinsurance accepted																
R0430	Gross - Non-proportional reinsurance accepted																
R0440	Reinsurers' share																
R0500	Net																
R0550	Expenses incurred																
R1200	Other expenses																
R1300	Total expenses																

S.05.02.01

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

R0010

C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	US					
C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110 Gross - Direct Business
R0120 Gross - Proportional reinsurance accepted
R0130 Gross - Non-proportional reinsurance accepted
R0140 Reinsurers' share
R0200 Net

49,857	23,674					73,531
	13,005					13,005
49,857	36,679					86,536

Premiums earned

R0210 Gross - Direct Business
R0220 Gross - Proportional reinsurance accepted
R0230 Gross - Non-proportional reinsurance accepted
R0240 Reinsurers' share
R0300 Net

39,216	17,512					56,728
	11,122					11,122
39,216	28,634					67,850

Claims incurred

R0310 Gross - Direct Business
R0320 Gross - Proportional reinsurance accepted
R0330 Gross - Non-proportional reinsurance accepted
R0340 Reinsurers' share
R0400 Net

12,199	13,674					25,873
	3,245					3,245
12,500	16,695					29,195
-301	224					-77

Changes in other technical provisions

R0410 Gross - Direct Business
R0420 Gross - Proportional reinsurance accepted
R0430 Gross - Non-proportional reinsurance accepted
R0440 Reinsurers' share
R0500 Net

R0550 Expenses incurred

R1200 Other expenses

R1300 Total expenses

-4,443	-4,160					-8,602
						-8,602

The Marine Insurance Company Limited

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170
R0010	Technical provisions calculated as a whole																	
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	
R0050																		
		Technical provisions calculated as a sum of BE and RM																
		Best estimate																
		Premium provisions																
R0060	Gross						-2,358	4,052	7,510									9,204
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						5,639	6,002	7,435									19,076
R0150	Net Best Estimate of Premium Provisions						-7,997	-1,949	75									-9,872
		Claims provisions																
R0160	Gross						15,568	24,882	3,750									44,200
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						15,414	24,630	3,712									43,757
R0250	Net Best Estimate of Claims Provisions						154	252	37									443
R0260	Total best estimate - gross						13,210	28,934	11,260									53,404
R0270	Total best estimate - net						-7,844	-1,697	112									-9,429
R0280	Risk margin						14	31	22									67
		Amount of the transitional on Technical Provisions																
R0290	Technical Provisions calculated as a whole																	
R0300	Best estimate																	
R0310	Risk margin																	
R0320	Technical provisions - total						13,223	28,966	11,282									53,471
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total						21,053	30,631	11,148									62,833
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total						-7,830	-1,666	134									-9,362

5.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											-1,163	-1,163	-1,163
R0160	-9	2,974	1,136	1,568	166	9	18	31	15	-55	-2	-2	5,861	
R0170	-8	487	3,160	1,104	139	28	-13	16	0	-5		-5	4,916	
R0180	-7	3,721	9,352	3,992	292	625	48	20	-24			-24	18,026	
R0190	-6	6,059	12,218	2,896	779	1,233	5,793	381				381	29,360	
R0200	-5	2,418	4,111	4,376	3,325	13,585	477					477	28,292	
R0210	-4	3,945	4,649	-1,315	1,523	-88						-88	8,713	
R0220	-3	2,578	7,092	1,381	997							997	12,047	
R0230	-2	4,417	10,276	3,452								3,452	18,144	
R0240	-1	2,381	8,450									8,450	10,831	
R0250	0	2,739										2,739	2,739	
R0260												Total	137,767	
												15,215		

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)													
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Year	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											1,685	
R0160	-9	0	0	204	40	229	33	-335	-364	-498	-480	-460	
R0170	-8	0	1,231	110	249	402	335	212	187	202		196	
R0180	-7	19,764	1,528	2,334	536	2,045	1,962	1,974	1,747			1,656	
R0190	-6	15,731	5,909	5,535	5,371	4,986	-418	-673				-632	
R0200	-5	12,230	31,723	31,116	26,305	1,339	1,110					1,074	
R0210	-4	10,921	9,364	5,120	4,488	296						287	
R0220	-3	11,390	-4,257	2,195	354							314	
R0230	-2	16,655	8,774	3,873								3,662	
R0240	-1	12,933	9,662									9,168	
R0250	0	28,909										27,269	
R0260												Total	44,219

S.22.01.21

Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	53,471	0	0	358	0
R0020 Basic own funds	75,835	0	0	14	0
R0050 Eligible own funds to meet Solvency Capital Requirement	75,835	0	0	14	0
R0090 Solvency Capital Requirement	3,221	0	0	0	0
R0100 Eligible own funds to meet Minimum Capital Requirement	75,728	0	0	14	0
R0110 Minimum Capital Requirement	3,495	0	0	0	0

The Marine Insurance Company Limited

S.23.01.01
Own Funds

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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions
Ancillary own funds	
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds
Available and eligible own funds	
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR
Reconciliation reserve	
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve
Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
16,312	16,312			
6,022	6,022			
53,394	53,394			
107				107
75,835	75,728			107
75,835	75,728			107
75,728	75,728			
75,835	75,728			107
75,728	75,728			
3,221				
3,495				
2354.67%				
2166.98%				
C0060				
75,835				
22,441				
53,394				

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	5015ZA	Other Underwriting Risk - Expectation	161
2	5015ZB	Other Underwriting Risk - Movement from Expectation	235
3	5021ZA	Other Reserving Risks - Expectation	-187
4	5021ZB	Other Reserving Risks - Movement from Expectation	125
5	10300A	Market Risk: interest rate risk - Expectation	-1,478
6	10300B	Market Risk: interest rate risk - Movement from Expectation	950
7	10900A	Market Risk: Group Currency Risk - Expectation	-73
8	10900B	Market Risk: Group Currency Risk - Movement from Expectation	3,272
9	19900I	Diversification within Market	-694
10	20100A	Credit Risk - Expectation	37
11	20100B	Credit Risk - Movement from Expectation	331
12	70100B	Operational Risk - Movement from Expectation	1,069
13	80140A	Other Risks: Tax - Expectation	393
14	80140B	Other Risks: Tax - Movement from Expectation	-393

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Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	Solvency capital requirement excluding capital add-on
R0210	Capital add-ons already set
R0220	Solvency capital requirement

C0100

3,747
-526
3,221
3,221

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590	Approach based on average tax rate
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C0109

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Calculation of loss absorbing capacity of deferred taxes

R0640	Amount/estimate of LAC DT
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit
R0670	Amount/estimate of AC DT justified by carry back, current year
R0680	Amount/estimate of LAC DT justified by carry back, future years
R0690	Amount/estimate of Maximum LAC DT

LAC DT

C0130

