Registered number: 00014809

THE MARINE INSURANCE COMPANY LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

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Company information

Directors[1]

Ken Anderson
Nathalie Dufresne
Steven Watson

Secretary

Roysun Limited

Registered Office

St Marks Court
Chart Way
Horsham
West Sussex
RH12 1XL

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

[1]Changes to the board during the year are detailed on page 6.

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

The Company's ultimate parent company and controlling party is Intact Financial Corporation (IFC). At a local level the Company is a member of the RSA Insurance Group Limited (the RSA Group or RSA) headed by RSA Insurance Group Limited (RSAIG). The Company's immediate parent company is Royal & Sun Alliance Insurance Limited (RSAI). The RSA Group provides the Company with access to all central resources that it needs and provides policies in all key areas including finance, risk and human resources. The directors of the Company have concluded that the RSA Group approach to strategy, risk management, performance review and custody of assets fully meets the needs of the Company as a separate regulated entity.

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

Principal activity

The principal activity of the Company is the writing of marine, transport, construction, engineering, renewable energy, casualty and wholesale international property insurance business in the United States.

Business review

Comparatives are re-stated for first time adoption of International Financial Reporting Standards (IFRS). This includes the adoption of IFRS 17 - Insurance Contracts (IFRS 17). Refer to note 3 - First time adoption of IFRS for further information.

The Company reports a profit on ordinary activities before tax of **£11,379k** (2022: £7,673k*) for the year. Net assets are **£76,796k** (2022: £68,249k*).

With effect from 1 January 2012, the Company entered into a 100% quota share agreement with RSAI under which the insurance risk of the Company'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 premium written, net of reinsurance.

*2022 comparative data restated for the impact of IFRS implementation.

Our KPIs

The Company uses both IFRS and non-IFRS financial measures to assess performance, including common insurance industry metrics. Refer to note 23 - Alternative performance measures for a reconciliation of these measures to the Income statement.

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

i. **Underwriting result[1] £9,925k** (2022: £6,084k profit): insurance service result less other expenses as shown in note 23 – Alternative performance measures. The Company aims to provide competitive pricing to customers that delivers a sustainable ongoing underwriting profit for the Company; and
ii. **Profit before tax £11,379k** (2022: £7,673k restated): net profit generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Company. The impact of tax can vary from company to company, therefore excluding this enhances comparability. The Company seeks to maximise its profit before tax.

The directors of RSAIG, and the Company, manage the RSA Group's operations on a divisional basis as described in the Annual Report and Accounts of RSAIG. For this reason, the Company's directors believe that analysis using KPIs for the UK business in aggregate is also relevant to the Company. Further information on KPIs can be found in the Strategic Report of the 2023 Annual Report and Accounts of the RSA Group.

[1] Underwriting result is an APM. Refer to note 23 – Alternative performance measures.

Non-financial and sustainability KPI statement

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

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

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

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

Principal risks and uncertainties

The Company considers credit risk to be its principal risk as the Company utilises reinsurance agreements which fully transfer all insurance risks from the Company. This risk is integrated within, and managed together with, the principal risks of the RSA Group. The principal risks and uncertainties of the RSA Group, and those specific to the Company, are set out in note 8 – Financial risk of the Company's Accounts and the Strategic report of the 2023 Annual Report and Accounts of RSAIG.

Future outlook

We continue to improve the performance and resilience of the business. An ongoing focus is to further simplify what we do and drive and focus on areas of strength. We remain disciplined on new business, prioritising quality and profitability. We continue to increase rates to offset claims inflation, while also enhancing pricing capabilities. Markets remain competitive but the Company has the right foundation to target sustainable growth in targeted product lines and customer types.

Managing risk

Managing risk to deliver for our customers and achieve our goals

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

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

Approach to managing risk and our appetite in 2023

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

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

Risk culture – culture of accountability and openness

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

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

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the RSAIG. The principal risks and uncertainties of the RSA Group, which include those of the Company, are set out in note 8 - Financial risk of the Company's Accounts and the Strategic report of the 2023 Annual Report & Accounts of RSAIG.

Anti-bribery and Corruption

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

Human rights

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

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

Section 172(1) Companies Act 2006 statement

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

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

Shareholder

The Company is wholly owned by RSAI and is part of the RSA Group. The RSA Group's ultimate parent is IFC. RSA shares the Purpose and Values of IFC and is aligned with IFC's strategic objectives to deliver outperformance and value for its shareholders. The directors of the Company are senior members within the RSA Group and are in regular contact with the directors of the RSA Board. Shareholder representatives are included on the RSA Group Board.

Customers

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

As a part of the RSA Group, the Board receives regular updates on risk and compliance matters. The directors receive regular updates on operational and underwriting risks and how these could impact customer outcomes as part of their oversight of the Company's risk profile.

Customers are protected by virtue of the Company being part of the RSA Group and therefore benefits from 100% reinsurance agreement with Royal & Sun Alliance Insurance Limited.

Regulators

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

Community and environment

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

Suppliers

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

By order of the Board

R Law

Ryan Law
For and on behalf of Roysun Limited
Secretary

Approved by the Board of Directors on 3 April 2024

Directors

Ken Anderson

Paul Dilley (resigned 1 August 2023)

Nathalie Dufresne (appointed 09 November 2023)

Louisa Leonard

Steven Watson

Louisa Leonard resigned as a director and Chair of the Board, effective 16 February 2024. Ken Anderson has been appointed Chair of the Board, subject to regulatory approval.

Directors' responsibilities

The directors' responsibilities statement appears on page **8** and is incorporated by reference into this report.

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

Dividends

No interim dividends were paid during the year (2022: nil). The directors do not recommend payment of a final dividend (2022: £nil).

Information included within the Strategic report

Information relating to financial risk management is contained within the Strategic report on pages **3 to 5** and is incorporated into this report by reference.

Political and charitable donations

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

Auditor

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

i. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

ii. the director has taken all reasonable steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

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

Auditor tenure

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

Directors' indemnity

Article 82 and 83 of the Articles of Association provides that, among other things and insofar as permitted by law, the Company may indemnify its directors against any liability and may purchase and maintain insurance against any liability. The directors and officers of the Company have the benefit of Directors' and Officers' insurance which provides cover in respect of legal actions brought against them.

Post balance sheet events

There are no post balance sheet events to report.

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board have reviewed the Company's ongoing commitments for at least the next twelve months. The Board's assessment included review of the Company's strategic plans and updated forecasts, capital position and liquidity including credit facilities and investment portfolio. Plans and forecasts are based on the Company continuing to operate and reflect the Company's assessment of the impact of the current challenging economic environment. The Board have also considered, in respect of reinsurance arrangements, the credit worthiness and going concern status of reinsurance providers, recognising the 100% reinsurance cover taken out by the Company with its parent company. The parent company's going concern assessment included sensitivity analysis and stress testing, assessing a 1-in-10 year market risk shock and reduction of longer-term underwriting profitability, and no material uncertainties were identified in relation to its ability to continue as a going concern.

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

Signed by order of the Board

R Law

Ryan Law
For and on behalf of Roysun Limited
Secretary

Approved by the Board of Directors on 3 April 2024

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MARINE INSURANCE COMPANY LIMITED

1 Our opinion is unmodified

We have audited the financial statements of The Marine Insurance Company Limited ("the Company") for the year ended 31 December 2023 which comprise the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 4.

In our opinion the financial statements:

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

Basis for opinion

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

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

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

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

Valuation of the liability for incurred claims (gross)

(2023: £45.5 million; 2022: £32.5 million, restated)

Risk vs 2022 <->

Refer to pages 22-25 (accounting policy) and pages 35-36 (financial disclosures)

The risk	Our response
Subjective valuation The liability for incurred claims represents the single largest liability for the Company and comprises the discounted unbiased probability weighted estimate of the cashflows and a risk adjustment. There is a significant risk around the valuation of liability for incurred claims driven by the risk of inappropriate estimation in respect of the future cash flows. Valuation of incurred but not reported claims outstanding is the most subjective component of the incurred claims liability, requiring a number of assumptions to be applied, with high estimation uncertainty. The assumptions include: • loss ratios; • estimates of the frequency and severity of claims; • assumptions over claims inflation; and • the development factors used in the chain ladder reserving method. Certain lines of business have greater inherent uncertainty, for example those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts and	With the assistance of our own actuarial specialists, our procedures included: **Independent re-performance:** We performed independent re-projections of the expected future cash flows using our own models for the majority of classes of business that apply standard models and considered whether the valuation was within a range of acceptable outcomes. - **Independent assessment:** For non-standard modelled portfolios we assessed the appropriateness of reserving methodology, key judgements and assumptions applied. - **Our sector experience:** We applied our industry experience to support our consideration and challenge of the Company's reserving methodology, key judgements and assumptions. - **Challenge of key assumptions:** Our audit approach responded to the uncertainty in the current economic environment by making explicit allowance for inflation in our independent re-projections, to the extent the Impact of inflation was not already present in the data.

potential exposure to large losses due to the effect of uncertain or unknown future events. The effect of these matters is that, as part of our risk assessment, we have determined that the valuation of incurred but not reported claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.	- **Tests of details:** We reconciled the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to assess the integrity of the data used in our actuarial reserving process. - **Assessing transparency:** We considered the adequacy of the Company's disclosures in respect of the sensitivity of the valuation of liability for incurred claims and key assumptions applied to key areas of judgement and estimation uncertainty. We performed the tests above over the valuation of the liability for incurred claims rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the valuation of the liability for incurred claims outstanding to be acceptable (2022 result: acceptable).

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

Materiality for the financial statements was set at £1.25m (2022: £1.25m), determined with reference to a benchmark of total assets (of which it represents 0.9% (2022: 0.9%)).

We consider total assets to be the most appropriate benchmark as all business written is 100% reinsured and therefore the profit or loss of the Company and other net benchmarks do not represent the overall activity or size of the Company.

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

Performance materiality for the Company was set at 65% (2020: 65%) of materiality for the financial statements, which equates to £812k (2022: £812k). We applied this percentage in our determination of performance materiality based on the level of based on the level of audit misstatements identified in prior periods and to reflect the uncertainty and increased aggregation risk arising from the implementation of IFRS 17.

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding £62k (2022: £62k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Investments are managed centrally at an Intact Financial Corporation group level. Accordingly we engaged EY Canada, as the auditor of the Group to perform specified risk-focussed procedures over investments. We communicated our audit risk assessment, participated in the scoping of planned audit procedures, agreed the information to be reported back and auditor oversight procedures were performed, including review of the audit documentation. All other audit procedures were performed by the audit team in the UK.

4 Going concern

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

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

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 4 to be acceptable.

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

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

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. In view of the reinsurance arrangements in place, we rebutted the presumed risk of fraud in revenue recognition and we did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by individuals who seldom post such entries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

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

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

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

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

6 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

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

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

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

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Elizabeth Cox

Elizabeth Cox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

3 April 2024

STATEMENT OF FINANCIAL POSITION

As at	Note	**31 December 2023** £000	31 December 2022 £000	1 January 2022 £000
Assets				
Cash and cash equivalents	**6**	**18,024**	17,371	407
Financial assets	**6**	**16,705**	16,858	14,752
Reinsurance contract assets	**9**	**72,196**	46,011	55,058
Deferred tax assets	**17**	**107**	198	26
Other assets	**10**	**33,393**	28,828	52,923
Total assets		**140,425**	109,266	123,166
Liabilities				
Insurance contract liabilities	**9**	**60,524**	39,429	59,537
Income taxes payable		**3,105**	1,588	906
Total liabilities		**63,629**	41,017	60,443
Equity				
Equity attributable to shareholders		**76,796**	68,249	62,723
Total equity and liabilities		**140,425**	109,266	123,166

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

The financial statements were approved on 3 April 2024 by the Board of Directors and are signed on its behalf by:

Ken Anderson
Chief Financial Officer

INCOME STATEMENT

For the year ended	Note	31 December 2023 £000	31 December 2022 £000
Income			
Insurance revenue	9	67,871	47,420
Insurance service expense	9/16	(43,184)	(23,282)
Insurance service result from insurance contracts		24,687	24,138
Expenses from reinsurance contracts	9	(42,966)	(30,763)
Income from reinsurance contracts	9	29,194	13,305
Net expense from reinsurance contracts		(13,772)	(17,458)
Insurance service result		10,915	6,680
Net investment income	14	1,206	272
Net (losses) gains on investment portfolio	14	(954)	1,748
Net investment return		252	2,020
Insurance finance income (expense)	14	1,440	(6,197)
Reinsurance finance expense	14	(1,176)	7,100
Net insurance financial result		264	903
Net investment return and net insurance financial result		516	2,923
Other net gains (losses)	15	938	(1,334)
Other expenses	16	(990)	(596)
Profit before tax		11,379	7,673
Income tax expense	17	(3,105)	(1,588)
Profit for the period		8,274	6,085

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended

	31 December 2023	31 December 2022
	£000	£000
Profit for the period	**8,274**	6,085
Items that may be reclassified to the income statement:		
Fair value gains (losses) on FVTOCI assets net of tax	**273**	(559)
Total other comprehensive income (expense) for the period	**273**	(559)
Total comprehensive income for the period	**8,547**	5,526
Attributable to:		
Shareholders	**8,547**	5,526
	8,547	5,526

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Ordinary share capital	Ordinary share premium	Fair value reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2023	**16,312**	**6,021**	**(598)**	**46,514**	**68,249**
Total comprehensive income					
Profit for the period	-	-	-	**8,274**	**8,274**
Other comprehensive income for the period	-	-	**273**	-	**273**
	-	-	**273**	**8,274**	**8,547**
Balance at 31 December 2023	**16,312**	**6,021**	**(325)**	**54,788**	**76,796**
For the year ended 31 December 2022					
Balance at 31 December 2021 (as reported)	16,312	6,021	(39)	40,420	62,714
Impact of the first time adoption of IFRS[1]	-	-	-	9	9
Balance at 1 January 2022 (restated)	16,312	6,021	(39)	40,429	62,723
Total comprehensive income					
Profit for the period	-	-	-	6,085	6,085
Other comprehensive expense for the period	-	-	(559)	-	(559)
	-	-	(559)	6,085	5,526
Balance at 31 December 2022	16,312	6,021	(598)	46,514	68,249

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

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

STATEMENT OF CASH FLOWS

For the year ended	Note	31 December 2023 £000	31 December 2022 £000
Operating activities			
Profit before tax		11,379	7,673
Income tax paid, net		(1,588)	(906)
Adjustments for non-cash items	**18**	280	(727)
Changes in other operating assets and liabilities	**18**	(8,772)	12,602
Net cash flows provided by operating activities		**1,299**	18,642
Investing activities			
Proceeds from sale of investments		8,064	8,657
Purchases of investments		(8,710)	(10,335)
Net cash flows used in investing activities		**(646)**	(1,678)
Net increase in cash and cash equivalents		653	16,964
Cash and cash equivalents at beginning of the period		17,371	407
Cash and cash equivalents at end of the period		**18,024**	17,371
Composition of cash and cash equivalents			
Cash		16	15,547
Cash equivalents		18,008	1,824
Cash and cash equivalents, end of period		**18,024**	17,371
Other relevant cash flow disclosures – operating activities			
Interest receivable		934	2,513

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

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the Company

The Company is a private, wholly owned subsidiary of RSAI and is incorporated and domiciled in the UK. The Company's ultimate parent company and controlling party is IFC. At a local level, the Company is a member of the RSA Group, which is registered in England and Wales and is the smallest group to consolidate these financial statements.

RSAIG has prepared its consolidated financial statements in accordance with UK adopted International Accounting Standards and the requirements of Companies Act 2006.

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

2. Glossary of abbreviations

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

3. First time adoption of IFRS

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

During the year, the Company transitioned from FRS 101 to the full IFRS basis of accounting. As a first time adopter of IFRS, IFRS 1 has been applied. The major adjustments arising from the transition to full IFRS Standards arose from the application of IFRS 17 Insurance contracts. The Company's transition date is 1 January 2022 and an opening IFRS Balance Sheet has been prepared at that date.

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

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

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

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

Equity as at 31 December 2022 and 1 January 2022		**31 December 2022 £000**	**1 January 2022 £000**
Equity attributable to shareholders as reported under FRS 101 Reduced Disclosure Framework		68,259	62,714
Reinsurance contract assets (IFRS 17)	3.1 (i)		
Discounting	a	(1,295)	126
Risk adjustments and other remeasurement of claims liabilities	b	950	1,011
Onerous contracts	c	-	302
Other		(82)	(6)
Insurance contract liabilities (IFRS 17)	3.1 (i)		
Discounting	a	1,907	485
Risk adjustments and other remeasurement of claims liabilities	b	(1,465)	(1,639)
Onerous contracts	c	-	(302)
Other		(25)	32
Total impact of IFRS 17 adoption		(10)	9
Equity attributable to shareholders as reported under IFRS		**68,249**	**62,723**

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

Total comprehensive income for the year ended 31 December 2022		**£000**
Profit for the year ended 31 December 2022 as reported under FRS 101 Reduced Disclosure Framework		6,097
Adjusted for:		
Reinsurance contract assets (IFRS 17)	3.1 (i)	
Discounting	a	(1,421)
Risk adjustments and other remeasurement of claims liabilities	b	(61)
Onerous contracts	c	(302)
Other		(76)
Insurance contract liabilities (IFRS 17)	3.1 (i)	
Discounting	a	1,422
Risk adjustments and other remeasurement of claims liabilities	b	174
Onerous contracts	c	302
Other		(50)
Total impact of IFRS 17 adoption		(12)
Profit for the year ended 31 December 2022 as reported under IFRS		6,085
Total other comprehensive income for the year ended 2022 as reported under FRS 101 Disclosure Framework		(559)
Total other comprehensive income for the year ended 31 December 2022 as reported under IFRS		(559)
Total comprehensive income for the year ended 31 December 2022 as reported under IFRS		**5,526**

Notes to the reconciliations of equity and total comprehensive income

3.1 IFRS 17 Insurance contracts

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

i) Changes to classification, recognition and measurement

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

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

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

a. ***Discounting*** – the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Previously, only claims liabilities where there is a long period from incident to claims settlement were discounted, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date;
b. ***Risk adjustment*** – the liability for incurred claims includes an explicit risk adjustment which replaces the risk margin under FRS 101. The previous risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Like the risk margin, the risk adjustment includes the benefit of diversification; and
c. ***Onerous contracts*** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under FRS 101. Under IFRS 17 the loss component of onerous contracts measured based on projected profitability is recognised immediately in the Income statement, resulting in earlier recognition.

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

ii) Changes to presentation and disclosure

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

Statement of financial position

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

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

i. portfolios of insurance and reinsurance contracts issued that are assets;

ii. portfolios of reinsurance contracts held that are assets;

iii. portfolios of insurance contracts and reinsurance contracts issued that are liabilities; and

iv. portfolios of reinsurance contracts held that are liabilities.

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

Income statement

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

4. Summary of material accounting policies

4.1 Basis of presentation

These financial statements and the accompanying notes are prepared in accordance with IFRS, as adopted in the UK. They were authorised for issue in accordance with a resolution of the Board of Directors on 3 April 2024.

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

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

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board have reviewed the Company's ongoing commitments for at least the next twelve months. The Board's assessment included review of the Company's strategic plans and updated forecasts, capital position and liquidity including credit facilities and investment portfolio. The risk profile, both current and emerging, has been considered, including capital requirements and the impact of the current challenging economic environment. The Board have also considered, in respect of reinsurance arrangements, the credit worthiness and going concern status of reinsurance providers, recognising the 100% reinsurance cover taken out by the Company with its parent company. The parent company's going concern assessment included sensitivity analysis and stress testing, assessing a 1-in-10 year market risk shock and reduction of longer-term underwriting profitability, and no material uncertainties were identified in relation to its ability to continue as a going concern.

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

The Company's financial statements are presented in pound sterling (£), which is also the Company's functional currency, and rounded to the nearest thousand (k) except where otherwise indicated.

In assessing the functional currency of the Company, management have considered the factors which determine the primary economic environment within which the Company operates. Whilst the majority of the gross business written by the Company is based in the United States, the primary economic environment within which the Company operates is assessed as being the UK due to the 100% reinsurance arrangements in place between the Company and RSAI. RSAI is a UK-based business and the reinsurance arrangements are denominated in GBP. Operating expenses and commissions receivable from RSAI are also denominated in GBP.

4.2 Insurance and reinsurance contracts

IFRS 17 requires management to use judgements, estimates and assumptions, further details of which are provided in note 9 – Insurance and reinsurance contracts.

IFRS 17 accounting policies are described below.

a) Classification

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

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

b) Separating components from insurance and reinsurance contracts

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

c) Level of aggregation

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

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

d) Recognition

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

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

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

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

e) Contract boundary

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

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

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

f) Measurement models

The Company uses the PAA measurement model for all its insurance and reinsurance contracts.

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

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

Premium Allocation Approach

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

	Description
Overview	Simplified measurement model which may be applied to insurance contracts when: i. the coverage period is one year or less; or ii. for contracts longer than one year, and there is no material difference in the liability for remaining coverage between the PAA and the GMM.
Contracts applying this model	All insurance and reinsurance contracts.
Initial and subsequent measurement	The liability for remaining coverage includes: i. premiums received; ii. minus insurance acquisition cash flows paid net of the amortisation of the insurance acquisition cash flows recognised; iii. minus any amounts recognised as insurance revenue for the services provided; and iv. plus any loss component for onerous contracts.
Onerous contracts	The Company assumes that no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Company has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information, forecast information and historic experience (refer to Onerous contracts below).
Other policies	The Company: i. does not discount the liability for remaining coverage; and ii. allocates insurance acquisition cash flows to related groups and amortises them over the coverage period of those groups.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts.

Onerous contracts

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

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

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

Liability for incurred claims

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

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

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

Refer to note 9.3 Significant accounting judgements, estimates and assumptions for more details.

g) Modification and derecognition

The Company derecognises insurance contracts when:

i. the rights and obligations relating to the contract are extinguished; or

ii. the contract is modified such that it results in a change in the measurement, substantially changes the contract boundary, or requires the modified contract to be included in a different group.

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

h) Insurance revenue

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

i. premium receipts excluding cancellations, sales taxes and any investment component; and

ii. other insurance revenue which includes fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans.

i) Insurance service expenses

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

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

ii. amortisation of insurance acquisition cash flows; and

iii. losses and reversal of losses on onerous contracts.

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

j) Insurance acquisition cash flows

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

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

k) . Insurance finance income and expense

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

l) Net expense from reinsurance contracts

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

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

4.3 Financial instruments

IFRS 9 requires management to use judgements, estimates and assumptions, further details of which are provided in note 8 – Financial risk.

IFRS 9 accounting policies are described below:

a) Classification and measurement of financial instruments

Financial assets

Business model assessment

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

i. the Company's primary business model is HTC&S which provides a desired flexibility to support the Company's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities; and

ii. the Company also carries certain financial assets under a HTC business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

SPPI assessment

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

Debt instruments

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

Amortised cost	FVTOCI	FVTPL
Assets held for the collection of contractual cash flows. Cash flows represent solely payments of principal and interest.	Assets held for the collection of contractual cash flows and for selling the financial assets. Cash flows represent solely payments of principal and interest.	Assets that do not meet the criteria for amortised cost or FVTOCI are mandatorily measured at FVTPL.

Financial instruments

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

Classification	Financial instruments	Description	Initial and subsequent measurement
FVTOCI	Debt securities	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices at the end of the period, with changes in fair value recognised in OCI when unrealised or in Net gains or losses when realised or impaired.
Amortised cost – other financial assets	Cash and cash equivalents	Highly liquid investments held to meet short-term requirements that are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at amortised cost using the effective interest method.

b) *Revenue and expense recognition*

Net investment income

Under IFRS 9 interest on debt securities is recognised as follows:

i. FVTOCI debt security interest is recognised in Interest income using the effective interest rate method, including the amortisation of premiums earned or discounts incurred as well as transaction costs; and

ii. FVTPL debt security interest is recognised in Interest income using the same methodology, except that transaction costs are expensed as incurred.

Net gains (losses) on investment portfolio

Gains and losses on the sale of FVTOCI debt securities are calculated on a first in, first out basis.

Transaction costs

Transaction costs are capitalised on initial recognition and amortised using the effective interest rate method.

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

c) *Impairment*

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

Staging	Debt securities
Stage 1 (12 months)	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing)
Stage 2 (Life-time)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired
Stage 3 (Life-time)	Financial instrument is credit impaired. See note 8 – financial risk.

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

i. the ECL does not reduce the carrying amount of FVTOCI financial assets, which remains at their fair value. Instead, an amount equal to the allowance and its subsequent changes is reclassified from OCI to the Income statement. Refer to note 8 – financial risk for details; and

ii. the ECL for financial instruments measured at amortised cost reduces the carrying amount of these financial assets with a corresponding expense recognised in the Income statement.

IFRS 9 provides a simplification where an entity may assume that the criterion for recognising lifetime ECL is not met if the credit risk on the financial instrument is low (investment grade) at the reporting date. The Company will apply the low credit risk simplification to its investment grade assets with a quoted market price. This represents 100% of the debt security portfolio at 31 December 2023 (31 December 2022: 100%).

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

d) *Derecognition of financial assets and financial liabilities*

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

e) Offsetting of financial assets and financial liabilities

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

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

4.4 Foreign currency transactions

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

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

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

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

4.5 Current and deferred tax

Current and deferred tax are recognised in the income statement, except to the extent that the tax arises from a transaction or event recognised either in OCI or directly in equity. Any exceptions to this, as permitted under IAS 12 - 'Income Taxes', are disclosed in note 17 Income tax. To the extent that deferred tax assets are recognised or derecognised in the period and it is not possible to attribute this directly to either the income statement or OCI, as is the case typically for brought forward tax losses, then these amounts are attributed between the income statement and OCI transactions using a reasonable pro rata split based on historical movements.

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

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

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

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

IFRIC 23 Uncertainty over income tax treatments is applied to the recognition and measurement of both current and deferred tax assets and liabilities. In cases where the applicable tax regulation is subject to interpretation, the positions taken in tax returns are recognised in full in the determination of the tax charge in the financial statements, if the Company considers that it is probable that the taxation authority will accept those positions. Otherwise, provisions are established based on management's estimate and judgement of the likely amount of the liability/recovery by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple outcomes. No provision for deferred tax is made for possible Pillar Two tax liabilities.

4.6 Current vs non-current

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

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

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

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

5. Material accounting judgements, estimates and assumptions

5.1 Use of judgements, estimates and assumptions

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

The key estimates that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities in the next twelve months are the assumptions used in the estimation of the ultimate outcome of the claim events that have occurred but remain unsettled at the end of the reporting period. There are no key areas where management has applied judgement.

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

Descriptions	**Reference**
Insurance and reinsurance contracts	Note 9.3

5.2 Global economic environment

Global financial market volatility

The Company continues to observe significant volatility in financial markets, notably due to ongoing high rates of inflation and interest rates across all regions, with central banks reaffirming their intention to tackle inflation with further tightening measures.

The increased uncertainty required management to use judgements, estimates and assumptions related to the Company's exposure to the Global economic environment. As a result, additional disclosures are provided on the Company's exposure to the Global economic environment in respect of the valuation of the liability for incurred claims (note 9).

6. Investments

6.1 Classification of investments

As at 31 December 2023	**FVTOCI**	**Amortised Cost**	**Total carrying amount**
	£000	**£000**	**£000**
Cash and cash equivalents	**-**	**18,024**	**18,024**
Debt & fixed income securities	**16,705**	**-**	**16,705**
	16,705	**18,024**	**34,729**

As at 31 December 2022	FVTOCI	Amortised cost	Total carrying amount
	£000	£000	£000
Cash and cash equivalents	-	17,371	17,371
Debt & fixed income securities	16,858	-	16,858
	16,858	17,371	34,229

6.2 Carrying amounts of investments

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

As at 31 December 2023	Other investments				Total investments
	Cost/ amortised cost	Unrealised gains	Unrealised losses	Carrying amount	Carrying amount
	£000	£000	£000	£000	£000
Cash and cash equivalents	**18,024**	**-**	**-**	**18,024**	**18,024**
Debt & fixed income securities	**17,130**	**39**	**(464)**	**16,705**	**16,705**
	35,154	**39**	**(464)**	**34,729**	**34,729**

As at 31 December 2022	Other investments				Total investments
	Cost/ amortised cost	Unrealised gains	Unrealised losses	Carrying amount	Carrying amount
	£000	£000	£000	£000	£000
Cash and cash equivalents	17,371	-	-	17,371	17,371
Debt & fixed income securities	17,647	-	(789)	16,858	16,858
	35,018	-	(789)	34,229	34,229

7. Fair value measurement

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

Fair value hierarchy

The three-level fair value hierarchy comprises:

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

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

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

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

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

Cash and cash equivalents, other assets and other liabilities

For cash and cash equivalents, other assets, liabilities and accruals, their carrying amounts are considered to be reasonable approximations of their fair values.

7.1 Fair value hierarchy

All investments are US government bonds and classified Level 1 as at December 31, 2023 (and December 31, 2022).

8. Financial risk

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

i. Credit risk

ii. Market risk, including interest rate and currency rate risks

iii. Liquidity risk

The Company undertakes a number of strategies to manage these risks. The adoption of IFRS 17 and IFRS 9 has not changed the way the Company manages financial risk.

8.1 Credit risk

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

The Company is exposed to credit and concentrations of risk with individual partners and with RSAI who provide reinsurance facilities to the Company. The Company has a reinsurance arrangement in place with its parent entity, RSAI, which removes all underwriting risk from the Company. The Company is therefore exposed to the risk of RSAI failing to fulfil its reinsurance obligations. The directors oversee the suitability of this arrangement on an ongoing basis.

For all other reinsurance arrangements, the reinsurance strategy is to purchase reinsurance in the most effective manner from reinsurers who meet the Company's security standards. Reinsurance counterparties are subject to a rigorous internal assessment process on an ongoing basis to ensure that their creditworthiness continues to be satisfactory and the potential impact from reinsurer default is measured regularly and managed accordingly. The Group's Reinsurance Credit Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. Company standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are rarely used and are excluded from the Company's list of approved reinsurers.

The Company regularly monitors its aggregate exposures by reinsurer company against predetermined reinsurer company limits, in accordance with the methodology agreed by the RSA Group's Board Risk Committee. The Company's largest reinsurance exposures include both RSAI and individual partners, which are given annual approval by the RSA Group Board.

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

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

Credit quality

The Company's risk management strategy, for public fixed income, is to invest in high quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing limits based on credit quality. The Company's public fixed income investment portfolio is 100% invested in investment grade securities. This excludes indirect investment through debt funds. In the case of funds, specific policy limits apply to manage the overall exposure to these investments. Management monitors subsequent credit rating changes on a regular basis.

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

As at 31 December	**2023**	2022
Debt securities:		
AAA	**100%**	100%

Credit exposure

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

As at 31 December	**2023 £000**	2022 £000
Cash and cash equivalents	**18,024**	17,371
Debt securities	**16,705**	16,858
Reinsurance contract assets	**72,196**	46,011
Other financial assets[1]	**33,393**	28,858
Credit risk exposure	**140,318**	**109,098**

[1] Mainly includes amounts owed by group undertakings.

Impairment assessment under IFRS 9

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

Expected credit loss

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

Significant increase in credit risk and default

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

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

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

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

Forward-looking information

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

The Company's debt instruments measured at FVTOCI are in stage 1 of the ECL model. Due to the high quality of the Company's investment portfolio, the allowance for ECL was £nil as at 31 December 2023. Refer to 6.1 – Classification of investments for more details.

8.2 Market risk

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

Market risk can be broken down into two key components:

Interest rate risk

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

Given the composition of the Company's investments as at 31 December 2023, the table below illustrates the impact to other comprehensive income of a hypothetical 100bps change in interest rates on fixed income securities and cash that are subject to interest rate risk. There is no impact on the income statement.

Changes in other comprehensive income (OCI):

	Decrease in other comprehensive income	
	2023	2022
	£000	£000
Increase in interest rate markets:		
Impact on fixed income securities and cash of an increase in interest rates of 100bps	303	357

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

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

Currency risk

The Company incurs exposure to operational currency risk by holding investments and other assets and by underwriting and incurring liabilities in currencies other than the currency of the primary environment in which the operating segments operate, the Company is exposed to fluctuations in foreign exchange rates that can impact both its profitability and the reported value of such assets and liabilities; and

Operational currency risk is principally managed by broadly matching assets and liabilities by currency and liquidity. However, operational currency risk overall is not significant.

The table below illustrates the impact of a hypothetical 10% change in Pound Sterling against the most used currency USD on equity attributable to shareholders as at 31 December.

	Strengthening against USD	**Weakening against USD**
	£000	**£000**
Movement in equity attributable to shareholders at 31 December 2023	**1,648**	**1,813**
Movement in equity attributable to shareholders at 31 December 2022	1,257	1,383

8.3 Liquidity risk

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

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

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

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

Financial assets by contractual maturity

As at 31 December 2023	**Less than one year**	**From one to five years**	**Over five years**	**Total**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	**18,024**	**-**	**-**	**18,024**
Debt & fixed income securities	**6,940**	**8,840**	**925**	**16,705**
	24,964	**8,840**	**925**	**34,729**

As at 31 December 2022	Less than one year	From one to five years	Over five years	Total
	£000	£000	£000	£000
Cash and cash equivalents	**17,371**	**-**	**-**	**17,371**
Debt & fixed income securities	**5,992**	**9,388**	**1,478**	**16,858**
	23,363	**9,388**	**1,478**	**34,229**

9. Insurance and reinsurance contracts

9.1 Insurance revenue

	2023	2022
For the year ended 31 December	**£000**	£000
Contracts measured under PAA	**67,871**	47,420

9.2 Reconciliation of movements in carrying amounts

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

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

Insurance contracts analysis by remaining coverage and incurred claims

For the year ended 31 December 2023

	Liability for remaining coverage		Liability for incurred claims		
			Contracts under PAA		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	Total
	£000	£000	£000	£000	£000
Insurance contract balances, beginning of period	**(6,898)**	**-**	**(31,677)**	**(853)**	**(39,428)**
Changes in comprehensive income:					
Insurance revenue	**67,871**	**-**	**-**	**-**	**67,871**
Incurred claims and other insurance service expense	**-**	**-**	**(34,045)**	**(1,148)**	**(35,193)**
Amortisation of insurance acquisition cash flows	**(11,458)**	**-**	**-**	**-**	**(11,458)**
Adjustments to liabilities for incurred claims	**-**	**-**	**3,210**	**257**	**3,467**
Insurance service expense	**(11,458)**	**-**	**(30,835)**	**(891)**	**(43,184)**
Investment component	**-**	**-**	**-**	**-**	**-**
Insurance service result from insurance contracts	**56,413**	**-**	**(30,835)**	**(891)**	**24,687**
Insurance finance income	**1,296**	**-**	**133**	**10**	**1,439**
Total changes in comprehensive income	**57,709**	**-**	**(30,702)**	**(881)**	**26,126**
Cash flows					
Premium received	**(80,719)**	**-**	**-**	**-**	**(80,719)**
Claims and other insurance service expense paid	**-**	**-**	**18,613**	**-**	**18,613**
Insurance acquisition cash flows	**14,884**	**-**	**-**	**-**	**14,884**
Total cash flows	**(65,835)**	**-**	**18,613**	**-**	**(47,222)**
Insurance contract balances, end of period	**(15,024)**	**-**	**(43,766)**	**(1,734)**	**(60,524)**

For the year ended 31 December 2022

	Liability for remaining coverage		Liability for incurred claims		
			Contracts under PAA		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	Total
	£000	£000	£000	£000	£000
Insurance contract balances, beginning of period	(7,408)	(302)	(50,795)	(1,032)	(59,537)
Changes in comprehensive income:					
Insurance revenue	47,420	-	-	-	47,420
Incurred claims and other insurance service expense	-	260	(17,338)	(339)	(17,417)
Amortisation of insurance acquisition cash flows	(7,813)	-	-	-	(7,813)
Losses and reversal on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	71	1,259	618	1,948
Insurance service expense	(7,813)	331	(16,079)	279	(23,282)
Investment component	-	-	-	-	-
Insurance service result from insurance contracts	39,607	331	(16,079)	279	24,138
Insurance finance expense	(981)	(29)	(5,088)	(100)	(6,198)
Total changes in comprehensive income	38,626	302	(21,167)	179	17,940
Cash flows					
Premium received	(45,593)	-	-	-	(45,593)
Claims and other insurance service expense paid	-	-	40,285	-	40,285
Insurance acquisition cash flows	7,476	-	-	-	7,476
Total cash flows	(38,117)	-	40,285	-	2,168
Insurance contract balances, end of period	(6,899)	-	(31,677)	(853)	(39,429)

Reinsurance contracts analysis by remaining coverage and incurred claims

For the year ended 31 December 2023

	Asset for remaining coverage		Asset for incurred claims		
			Contracts under PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
	£000	£000	£000	£000	£000
Reinsurance contract assets, beginning of period	6,982	-	38,176	853	46,011
Changes in comprehensive income					
Expenses from reinsurance contracts	-	-	28,302	891	29,193
Amounts recoverable for incurred claims and other expenses	-	-	31,508	1,148	32,656
Prior-year development	-	-	(3,192)	(257)	(3,449)
Changes in non-performance risk of reinsurers	-	-	(14)	-	(14)
Income from reinsurance contracts	(42,965)	-	-	-	(42,965)
Net expense from reinsurance contracts	(42,965)	-	28,302	891	(13,772)
Reinsurance finance expense	(1,520)	-	354	(10)	(1,176)
Exchange rate differences	-	-	-	-	-
Total changes in comprehensive income	(44,485)	-	28,656	881	(14,948)
Cash flows					
Premium paid	63,396	-	-	-	63,396
Amounts received	-	-	(22,262)	(1)	(22,263)
Total cash flows	63,396	-	(22,262)	(1)	41,133
Reinsurance contract assets, end of period	25,893	-	44,570	1,733	72,196

For the year ended 31 December 2022

	Asset for remaining coverage		Asset for incurred claims		
			Contracts under PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
	£000	£000	£000	£000	£000
Reinsurance contract assets, beginning of period	5,724	302	47,998	1,032	55,056
Changes in comprehensive income					
Expenses from reinsurance contracts	-	(331)	13,915	(279)	13,305
Amounts recoverable for incurred claims and other expenses	-	(260)	1,419	339	1,498
Loss recoveries and reversals on onerous contracts	-	(71)	-	-	(71)
Prior-year development	-	-	12,496	(618)	11,878
Changes in non-performance risk of reinsurers	-	-	-	-	-
Income from reinsurance contracts	(30,762)	-	-	-	(30,762)
Net expense from reinsurance contracts	(30,762)	(331)	13,915	(279)	(17,457)
Reinsurance finance expense	1,962	29	5,008	100	7,099
Exchange rate differences	-	-	-	-	-
Total changes in comprehensive income	(28,800)	(302)	18,923	(179)	(10,358)
Cash flows					
Premium paid	30,058	-	-	-	30,058
Amounts received	-	-	(28,745)	-	(28,745)
Total cash flows	30,058	-	(28,745)	-	1,313
Reinsurance contract assets, end of period	6,982	-	38,176	853	46,011

9.3 Significant accounting judgements, estimates and assumptions

Liability for incurred claims - Estimate of undiscounted future cash flows

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

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

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

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

Discount rates

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

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

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

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

Risk adjustment

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

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

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

The Company has estimated the risk adjustment based on the loss distribution from the Company's approved economic capital model. However, mean net reserves for the entity are nil and no reserve risk is retained by the Company. The net risk adjustment, which relates to the risk retained by the Company after reinsurance, is therefore nil at 31 December 2023 and 31 December 2022.

10. Other assets and liabilities

10.1. Other assets

As at 31 December	**2023** **£000**	2022 £000
Amounts owed by group undertakings	**33,234**	28,785
Other debtors	**71**	-
Accrued interest and rent	**88**	43
Total other assets	**33,393**	28,828
To be settled within 12 months	**33,393**	28,828

11.Other commitments

In order to write United States surplus lines business, the Company is required to hold a United States Trust Fund to meet National Association of Insurance Commissioners (NAIC) reporting requirements. In spite of an increase to loss reserves in 2023, it is not anticipated that any increases to the Trust Fund will be required in 2024.

12. Share capital

As at 31 December	**2023** **£000**	2022 £000
Allotted, issued and fully paid		
1,304,945 ordinary A Shares of £12.50 (2022: 1,304,945 ordinary A Shares of £12.50 each)	**16,312**	16,312

13. Capital management

13.1 Capital management

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

The Company's overall capital position is primarily comprised of shareholders' equity and aims to maximise shareholder value, while maintaining financial strength and adequate regulatory capital. In addition, the Company aims to hold sufficient capital so as to maintain its single 'A2' credit rating.

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

13.2 Regulatory solvency position during 2023

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

As at 31 December 2023, the Company's unaudited estimated coverage of its Solvency II SCR is approximately **23.6 times** (31 December 2022: 26.2 times).

13.3 Own risk and solvency assessment (ORSA)

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA. RSA received approval in April 2020 from the PRA to produce a single ORSA report covering the UK entities, including the Company. The approval is now in place until 2025 and it replaces the original approval received in 2016.

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

i. the quantity and quality of the risks which it seeks to assume or to which it is exposed;

ii. the level of capital required to support those risks; and

iii. the actions it will take to achieve and maintain the desired levels of risk and capital.

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

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

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

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

The RSA Group ORSA report was delivered to the Board in July 2023. This outlined the balance sheet resilience to market stresses through the consideration of reverse stress testing, based on market and pensions impacts. The report concluded that the Company remains well capitalised.

14. Net investment return and net insurance financial result

14.1 Net investment return and net insurance financial result

Year ended 31 December	2023	2022
	£000	£000
Net investment income	1,206	272
Net (losses) gains on investment portfolio	(954)	1,748
Net investment return	252	2,020
Net insurance financial result	(1,256)	903
Net investment return and net insurance financial results	(1,004)	2,923

14.2 Net investment income

Year ended 31 December	2023	2022
	£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
Interest income	1,207	239
Expenses	(1)	33
Net investment income	1,206	272

14.3 Net (losses) gains on investment portfolio

Year ended 31 December	2023	2022
	Fixed income	Fixed income
	£000	£000
Net (losses) gains 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	(954)	1,748
Statement of comprehensive income	364	(738)
Total (losses) gains on investment portfolio	(590)	1,010

14.4 Net insurance financial result

Year ended 31 December	2023	2022
	£000	£000
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	(1,852)	(534)
Changes in discount rates and other financial assumptions	(74)	1,071
Net foreign currency gains (losses)	3,366	(6,734)
Insurance finance income (expense)	1,440	(6,197)
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	332	534
Changes in discount rates and other financial assumptions	74	(1,071)
Net foreign currency (losses) gains	(3,102)	7,637
Reinsurance expense	(2,696)	7,100

15. Other net gains (losses)

Year ended 31 December	**2023** **£m**	2022 £m
Other net foreign currency gains (losses)	**938**	(1,334)

16. Other expense

Year ended 31 December 2023	**Amortisation of insurance acquisition cash flows £000**	**Other insurance service expense £000**	**Other expenses £000**	**Total £000**
Claims and adjustment expenses	**-**	**30,835**	**-**	**30,835**
Risk adjustment	**-**	**891**	**-**	**891**
Commissions	**11,458**	**-**	**-**	**11,458**
Allocated indirect expenses[1]	**-**	**-**	**990**	**990**
	11,458	**31,726**	**990**	**44,174**
Represented by:				
Insurance service expense	**11,458**	**31,726**	**-**	**43,184**
Other expense	**-**	**-**	**990**	**990**
	11,458	**31,726**	**990**	**44,174**

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

Year ended 31 December 2022	Amortisation of insurance acquisition cash flows £m	Other insurance service expense £m	Other expenses £m	Total £m
Claims and adjustment expenses	-	16,079	-	16,079
Risk adjustment	-	(279)	-	(279)
Losses on onerous insurance contracts[1]	-	(331)	-	(331)
Commissions	7,813	-	-	7,813
Allocated indirect expenses[2]	-	-	596	596
	7,813	15,469	596	23,878
Represented by:				
Insurance service expense	7,813	15,469	-	23,282
Other expense	-	-	596	596
	7,813	15,469	596	23,878

[1] Includes the initial recognition of losses on onerous contract, any subsequent reversals, and the amortisation of the loss component.
[2] Mainly includes salaries, rent and technology costs.

17. Income taxes

17.1 Income tax expense recognised in the Income statement

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

Year ended 31 December	2023 £000	2022 £000
Current tax:		
Charge for the year	**3,168**	1,614
Adjustments in respect of prior years	**(63)**	(26)
Total current tax	**3,105**	1,588
Total tax charge to income statement	**3,105**	1,588

17.2 Effective income tax rate

The tax charge for the year is more than 23.5% (2022: more than 19%) due to the items set out in the reconciliation below.

Year ended 31 December	2023 £000	2022 £000
Profit on ordinary activities before tax	**11,379**	7,673
Tax at the UK rate of 23.5% (2022: 19.0%)	**2,676**	1,457
Tax effect of:		
Transfer pricing	**496**	122
Income/gains not taxable	**-**	3
Adjustment to tax charge in respect of previous periods	**(63)**	(26)
Group relief (received) surrendered without payment	**(4)**	32
Income tax charge	**3,105**	1,588
Effective tax rate	**27.3%**	20.7%

17.3 Income tax recognised in other comprehensive income

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

	Current Tax		**Deferred Tax**		**Total**	
Year ended 31 December	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Fair value gains and losses	**-**	-	**(91)**	185	**(91)**	185
Total (charge) credit to other comprehensive income	**-**	-	**(91)**	185	**(91)**	185

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

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

17.4 Tax rates

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

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

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

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

17.5 Current and deferred tax

Current tax

	Asset		Liability	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
To be settled within 12 months	**-**	-	**3,105**	1,588
Current tax position at 31 December	**-**	-	**3,105**	1,588

Deferred tax

	Asset		Liability	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Deferred tax position at 31 December	**107**	198	**-**	-

Movement in the net deferred tax asset

	2023	2022
	£'000	£'000
Net deferred tax asset at 1 January	**198**	13
Amounts (charged) credited to other comprehensive income	**(91)**	185
Net deferred tax asset at 31 December	**107**	**198**

Major deferred tax assets (liabilities) recognised by the Company:

	As at 1 January 2023	Recognised in OCI	As at 31 December 2023
	£000	£000	£000
Net unrealised losses (gains) on investments	198	(91)	107
Net deferred tax asset at 31 December	**198**	(91)	**107**

18. Additional information on the statement of cash flows

	2023	2022
For the year ended 31 December	**£000**	£000
Adjustments for non-cash items		
Net losses (gains) on investment portfolio (Note 14)	35	(87)
Amortisation of investments	(228)	(16)
Foreign exchange gain/(loss)	473	(631)
Other	-	7
	280	**(727)**
Changes in other operating assets/liabilities		
Changes in insurance and reinsurance contracts	(4,823)	(10,157)
Other operating assets	(3,949)	22,759
	(8,772)	**12,602**

19. Related party transactions

19.1 Transactions with parent company

The Company's parent company is RSAI. RSAI's parent company is RSAIG, a wholly owned subsidiary of IFC, the ultimate controlling party.

The Company has a reinsurance arrangement with RSAI. Under the terms of the arrangement the insurance risk of the Company's business is transferred to RSAI. The Company receives a reinsurance commission in relation to the quota share agreement and the agreement covers the Company's existing insurance liabilities and new written premium for all lines of business.

The Company also utilises RSAI employees for the performance of administrative duties (see note 21), and admin costs are initially incurred by RSAI and then recharged to the Company. The cost to the Company in relation to this was £5,241k (2022: £3,716k).

20. Employee expenses

The Company did not employ anyone during the period (2022: none). All administrative duties are performed by employees of Royal & Sun Alliance Insurance Limited at a cost to the Company £3,655k (2022: £2,825k).

21. Directors' emoluments

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

For the year ended 31 December	2023 £000	2022 £000
Short term benefits (salaries, bonuses, allowances and other benefits)	**2,432**	3,576
Compensation for loss of office	-	2
Total	**2,432**	3,578

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

At the end of 2023 two directors had accrued retirement benefits under a defined benefit pension scheme of £151,794 (2022: £nil). Contributions of £9,792 (2022: £4,000) were made to defined contribution pension schemes in respect of two directors (2022: one directors).

During 2023, no directors (2022: no directors) exercised share options and four directors (2022: no directors) had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company, IFC. Two directors (2022: one director) had Performance Share Units (PSUs) and Restricted Share Units (RSUs) vesting in the Company's ultimate parent company, IFC, as part of their remuneration for service as executives of IFC.

The emoluments of the highest paid director were:

For the year ended 31 December	2023 £000	2022 £000
Short term benefits and compensation for loss of office	**770**	987

During 2023, £89,890 retirement benefits were accrued under defined benefit pension schemes (2022: £nil) and no contributions were made to defined contribution schemes (2022: £nil) for the highest paid director.

During 2023, the highest paid director had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company's ultimate parent company, IFC (2022: nil).

22. Auditor's remuneration

Fees payable to KPMG LLP for the audit of the Company's accounts for the year ended 31 December 2023 were £329,500 (31 December 2022: £247,250) which were borne by the Company's parent company, Royal & Sun Alliance Insurance Limited.

23. Alternative Performance Measures

IFRS reconciliation to management P&L

For the year ended 31 December 2023

£000	IFRS	Underwriting result	Investment result	Business operating result	Other income and charges	Profit before tax
Insurance revenue	67,871	67,871		67,871		67,871
Insurance service expense	(43,184)	(43,184)		(43,184)		(43,184)
Insurance service result from insurance contracts	**24,687**					
Expenses from reinsurance contracts	(42,966)	(42,966)		(42,966)		(42,966)
Income from reinsurance contracts	29,194	29,194		29,194		29,194
Net expense from reinsurance contracts	**(13,772)**					
Insurance service result	**10,915**					
Net investment income	1,206		1,206	1,206		1,206
Net losses on investment portfolio	(954)				(954)	(954)
Net investment return	**252**					
Insurance finance income	1,440				1,440	1,440
Reinsurance finance expense	(1,176)				(1,176)	(1,176)
Net insurance financial result	**264**					
Net investment return and net insurance financial result	**516**					
Other net gains	938				938	938
Other expenses	(990)	(990)		(990)		(990)
Profit before tax	**11,379**	**9,925**	**1,206**	**11,131**	**248**	**11,379**
Income tax expense	(3,105)					
Profit for the period	**8,274**					
Attributable to:						
Shareholders	8,274					

For the year ended 31 December 2022

£000	IFRS	Underwriting result	Investment result	Business operating result	Other income and charges	Profit before tax
Insurance revenue	47,420	47,420		47,420		47,420
Insurance service expense	(23,282)	(23,282)		(23,282)		(23,282)
Insurance service result from insurance contracts	**24,138**					
Expenses from reinsurance contracts	(30,763)	(30,763)		(30,763)		(30,763)
Income from reinsurance contracts	13,305	13,305		13,305		13,305
Net expense from reinsurance contracts	**(17,458)**					
Insurance service result	**6,680**					
Net investment income	239		239	239		239
Net losses on investment portfolio	1,748				1,748	1,748
Net investment return	**1,987**					
Insurance finance income	(6,197)				(6,197)	(6,197)
Reinsurance finance expense	7,100				7,100	7,100
Net insurance financial result	**903**					
Net investment return and net insurance financial result	**2,890**					
Other net gains	(1,334)				(1,334)	(1,334)
Other income	33				33	33
Other expenses	(596)	(596)		(596)		(596)
Profit before tax	**7,673**	**6,084**	**239**	**6,323**	**1,350**	**7,673**
Income tax expense	(1,588)					
Profit for the period	**6,085**					
Attributable to:						
Shareholders	6,085					

24. Accounting standards issued but not yet effective

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