

ReAssure Limited

Company Registration Number: 00754167

STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
for the year ended 31 December 2023

ReAssure Limited

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Strategic report

The Directors present the Strategic report, their Report and the financial statements of ReAssure Limited ("the Company") for the year ended 31 December 2023.

The Company has transitioned from UK adopted International Accounting Standards to UK Generally Accepted Accounting Principles ("UK GAAP") when preparing the statutory accounts for year ended 31 December 2023, with a transition date of 1 January 2022. The provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies also apply to the Company. The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with UK GAAP in conformity with the requirements of the Companies Act 2006.

Business review

Principal activities

The principal activity of the Company is the provision of life assurance and pension products in the United Kingdom ("UK"). The Company places customers at the heart of what it does and is committed to delivering a high level of customer service. The Company remains focused on delivering profits to support the cash generation policy of Phoenix Group Holdings plc ("the Group").

The Company has acquired individual closed blocks of in-force long-term life, pensions and health business, either through reinsurance or by the purchase of an entire life insurance company and the subsequent transfer of its business to the Company under Part VII of the Financial Services and Markets Act 2000 ("Part VII transfer"). The Company administers policies until they reach maturity, are surrendered, or an insured event occurs. The principal products administered are long-term life and pension products, permanent health insurance and critical illness products and retirement annuities.

As part of the service to existing customers, the Company continues to write limited amounts of new business on a passive basis, responding to requests for pension annuities on retirement of existing policyholders, top-ups to existing contracts, and single premium reinvestment options at maturity.

All business is written in the UK.

All Phoenix Group life company entities operate under the governance and risk management frameworks of the Group. Standard Life Assurance Limited, Phoenix Life Limited, Phoenix Life Assurance Limited, ReAssure Limited and ReAssure Life Limited (together "the Life Companies") operate joint Boards of Directors, Audit Committees and Risk Committees, which operate under the Group's frameworks whilst having responsibility delegated to them for oversight of policies and activities that only impact the Life Companies.

Strategy

The Company is a member of the Phoenix Group which is the UK's largest long-term savings and retirement business. The main focus has traditionally been on closed life fund consolidation, and the Group specialises in the acquisition and management of closed life insurance and pension funds. Alongside this, the Group has open business which manufactures and underwrites new products and policies to support people saving for their futures. The Phoenix Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, enabling improved outcomes for customers and to deliver value for shareholders.

Partial recapture of intra-group retrocession ("IGR")

On 1 January 2023, work completed on the transfer out of all Swedish, Norwegian and German based policies held by ReAssure Life Limited ("RLL"), a fellow group company, to a new Irish incorporated entity. This new entity, Phoenix Life Assurance Europe Designated Activity Company ("PLAEDAC"), is a subsidiary of the Company. Court approvals for the Part VII transfer were obtained on 18 October 2022 and 1 November 2022 and were effective from 1 January 2023.

The Company has an IGR with RLL, which covers the non-linked business and the insurance component of the unit-linked business of RLL. Further details on the IGR are included in note 2 (l). As a result of this Part VII transfer, the part of the IGR with RLL which relates to the policies transferred to PLAEDAC has been recaptured. The Company received £1m from RLL to terminate the contract.

Longevity Swap

As part of the Company's strategy to manage and mitigate longevity risk the Company entered into a longevity swap arrangement for £2.5bn in February 2023 with an external party, PartnerRe Ltd, which transferred 37% of the pre-swap longevity risk.

Diligenta

As part of a long-term strategy to provide policyholders with a consistent customer experience across all group entities it was announced in February 2023 that the Company's policies, currently administered by the ReAssure in house administration system Alpha, will be transferred over a three-year period to an administration system managed by an outsource provider, Diligenta.

Climate change: activity in the year and future developments

Climate change is one of the greatest global challenges faced today. As a purpose-led organisation, the Group believes that it has a responsibility to society to help address the climate emergency and play a leading role in supporting the transition to a net zero economy for the benefit of all its stakeholders. That is why the Group have committed to being net zero by 2050 across its investment portfolio, operations and supply chain, with stretching interim targets set for 2025 and 2030 to ensure that it remains on track. The Groups climate ambition is to optimise value for its customers and play a key role in delivering a net zero economy.

In May 2023 the Group published its inaugural Net Zero Transition Plan which marked an important step in its journey towards net zero. It outlines the actions being undertaken to become net zero by 2050 and to achieve its interim targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in its plan. The Company supports the Group view on climate having undertaken the first Taskforce for Climate related Financial Disclosure (“TCFD”) entity climate report under the FCA Environmental, Social & Governance (“ESG”) Sourcebook for the year ending 31 December 2022, released in June 2023. The Company continues to build on the publicly disclosed climate metrics from first year reporting and will disclose its second year of climate reporting by the end of June 2024. During 2023, the Group also became a signatory to the UK Stewardship code and published its inaugural Stewardship Report. This report expands on climate change and looks to provide greater clarity on the Group’s position towards ESG emerging themes.

In parallel with the Group’s work to address climate change, the Group is on a journey to improve its understanding of its exposure to nature-related impacts, dependencies and risks, and to identify possible investment opportunities. The Group recognises that managing nature risk and opportunity is critical in ensuring its long-term sustainability as a business and serving the best interests of its customers. In May 2023 the Group signed the Finance for Biodiversity Pledge and Foundation, which includes five commitments for signatories: collaboration and knowledge sharing, engaging with companies, assessing impact, setting targets and reporting publicly. The Group also joined Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

The Company continues to disclose in line with the strategy, risk management, and governance framework set by the Group to ensure it can contribute and help support the Group to meet its Climate and Sustainability targets. More information can be found in the Group’s Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Regulatory developments

The UK government has launched a consultation into the Future Regulatory Framework for financial services, and separately into the Solvency II regime. These reviews could lead to significant changes to the Company’s regulatory environment, and could create both challenges and opportunities for its business. The Company continues to monitor changes in the regulatory environment and feedback on consultations both via the Group and industry bodies. Solvency II reform introduced changes in measurement, methodology and reporting requirements for year ended 31 December 2023 but further changes based on consultation feedback are not expected to take effect until year ended 31 December 2024. All changes are subject to parliamentary approval.

Key Performance Indicators (“KPIs”)

The results of the Company for the year are shown in the Statement of comprehensive income on page 40.

The Company’s performance is measured and monitored by the Board with particular regard paid to the following KPIs:

Capital resources

The Company’s solvency position is an important measure of financial strength. As at 31 December 2023, the Company’s estimated Solvency II Own funds and excess of own funds over solvency capital requirement were £2,672m (2022: £2,769m) and £1,330m (2022: £1,129m) respectively.

Dividends paid

Cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. Dividends of £200m were paid to the parent company during the year (2022: £650m). The directors do not recommend the payment of a final dividend.

Speed of pension transfer payouts

This is a recognised industry measure, and the Pensions Transfer performance has contributed to Phoenix earning an accreditation with STAR, which is the industry initiative to improve pension transfers for customers. The 2023 results show the STAR accreditation has improved year on year.

For 2023 as a whole the average speed of pension transfer payouts was at 10.2 calendar days (2022: 10.3 days) across Pension to Pension and Pension to Annuity transfers. This is better than the industry average of 13.6 days (2022: 14.2 days).

Financial ombudsman service ("FOS") overturn rate

This is an independent view of how the Company is handling complaints. The 2023 result for the Company, was 54% (2022: 43%) which is worse than the industry average of 37% and the "Decumulation, Life and Pensions" category average of 39%.

Operations

During the year, the Company has maintained four with-profits ("WP") funds of which the Windsor Life With Profit Fund ("WLWPF"), Guardian With Profit Fund ("GAWPF") and L&G With Profit Fund ("LGWPF") are operated on a 90:10 basis and the National Mutual With Profit Fund ("NMWPF") on a 100:0 basis. The Company also maintains a portfolio of non-profit business ("NPF"s) for which the profits accrue to the shareholder.

Administration is outsourced to ReAssure UK Services Limited ("RUKSL"), which, in turn, has sub-contracted some administration to Hindustan Computers Ltd ("HCL"). Under the Company's agreement with RUKSL, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

The Company continues to partner with LV= ("Liverpool Victoria") to offer customers the option to take an annuity from a panel of the UK's best-known providers.

Asset management is outsourced to a range of providers, of which the most significant are abrdn and Legal and General Investment Management.

Investment administration and custody services are primarily outsourced to HSBC Security Services.

The performance of the Company's invested assets is reviewed against fund specific, pre-defined benchmarks by the Board, the Investment Committee and the Investment Management Committee, which is an internal management committee.

Directors' duties under section 172 of the Companies Act

Section 172 of the Companies Act 2006 ("the Act") requires each director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, each director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

During the year the Directors of the Company have applied Section 172 of the Act in a manner consistent with the wider Group's purpose, values and strategic priorities, whilst having due regard to the Company's ongoing regulatory responsibilities as a financial services business. To support the fulfilment of the Directors' duties outlined above, each paper prepared for consideration by the Board contains an analysis of the potential impact of proposals to be considered by the Board in light of the factors contained in Section 172.

ReAssure Limited

The Board recognises that the Company's stakeholders are integral to its success. During the year, the Board ensured that its considerations and decision-making processes took into account their impact on its own stakeholders. The key stakeholder groups of the Company and its relationships with each are as follows:

Strategic priorities key



Optimise our in-force business



Grow organically and through mergers and acquisitions



Enhance our operating model and culture

Key stakeholder groups



Customers

Our customers span a broad spectrum of products and services, across individual life, pensions and savings business.

The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.



Suppliers

We depend on our outsourced service providers ("OSPs") to deliver the highest standards of service and continually promote good outcomes for all our customers.

The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.



Colleagues

Our colleagues, engaged via Group service company arrangements are integral to the Company's success.

The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.

Link to strategic priorities



How has the Board has engaged with and had oversight of stakeholder views during the year?

- The Board sought to understand whether customer needs were being met through consideration of regular reports on customer service, customer satisfaction and complaints. During the year, there were specific updates on the development of a Customer Experience Dashboard, analysis on customer complaints and 'goneaway' customers
- The Board monitored the impact of the Group's change agenda, including resource required to maintain focus, and the potential impact on, customer outcomes
- The Board considered reports from management in relation to implementation of an evolved, customer-centric, operating model and drive to a consistent strategy for customers within existing products
- The Board challenged management to ensure the customer was central to the narrative in the development of the Group Net Zero Transition Plan
- The Board was informed on the activity being undertaken to support customers impacted by the Cost of Living crisis
- The Board received regular reports from management on ongoing customer service performance and outsourced services
- Relationships with outsourced service providers were monitored via regular updates to the Board
- The Board received updates on the planned customer migration programme to the Group's long-term customer service strategic partner, TCS Diligentia
- The Board received regular updates on the planned customer migration programmes
- Through its Risk Committee, the Board continued to receive updates on the adherence to operational resilience requirements
- Bespoke updates on specific OSPs were held during the course of the year
- The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management
- The Board considered the forward looking performance metrics proposed for the Group's Annual Incentive Plan with respect to customer performance. In addition, the Board's non-objection was sought for any intended bespoke remuneration plans for functions responsible for the delivery of good customer outcomes

The Board's role in promoting positive stakeholder relationships

The Board holds management to account throughout the year, ensuring due care and attention is given to good customer outcomes and needs, especially in the context of data and platform migration work and projects to grow and develop the Group.

The Board monitors the performance of its OSPs to ensure Phoenix is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with OSPs are vital to the success of both parties.

The Group Board is responsible for setting cultural tone for all Group colleagues. However, the ReAssure Life Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Company.

Key stakeholder groups continued



Community

The most significant way in which we impact the community is through the investment decisions we make.

The Group also encourages all colleagues to support our local communities through volunteering.

The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.

[Link to strategic priorities](#)



Investors

Our sole shareholder is ReAssure MidCo Limited. As a Phoenix Group company, our ultimate controlling party is Phoenix Group Holdings plc ("PGHP").

The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers.



Government, trade bodies & regulators

Our business is regulated by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA").

The Board acknowledges the importance of maintaining positive relationships with the Company's regulators to enable good outcomes for its customers.



How has the Board has engaged with and had oversight of stakeholder views during the year?

- The Board received regular reporting on its sustainable investments which is a core focus of its Board Investment Committee
- The Board contributed towards development of the Group's Sustainability Strategy and Stewardship Policy for 2023 and beyond
- The Board provided feedback in relation to the Group's Net Zero Transition Plan published in 2023, in particular with respect to customer impacts
- The Board attended informal sessions with the Phoenix Insights team and the Director of Public Affairs
- The governance framework within which the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Group
- The Group Chief Executive and Chief Financial Officer are both members of the Board, which further strengthens the link between the Company and its ultimate parent, PGHP. Both provide updates on the Group Board's activity within their regular reporting
- During the year, the Board approved the payment of loans and a dividend to PGHP
- The Board received updates on management's interactions with regulators and any feedback received from those bodies
- The Board considered regular updates in relation to the Group's preparation for implementation of the FCA's new Consumer Duty, including an in-depth education session
- At the request of the regulators, certain Board directors have met with representatives on a formal basis.
- The Board received feedback on the external interactions with Government and trade / industry bodies by the Life Companies CEO and the CEO, Savings & Retirement
- Both the PRA and FCA attended sessions with the Board during the year

The Board's role in promoting positive stakeholder relationships

The Board, through its Investment Committee, monitors investment performance against agreed strategy within the wider parameters of the Group's Sustainability Strategy. The Board maintains strong links with its ultimate parent, PGHP, through regular reporting and interaction with the Group Board and its committees and vice versa. As the guardian of the Company, (ensuring robust governance, controls and risk management) the Board is responsible for holding management to account for day to day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in Phoenix.

Key board decisions

The pages that follow contain examples of key decisions of the Board, their alignment to the Group's strategy, how the Board reached its decision (including consideration of matters set out in Section 172; the interests of stakeholders; related risks and opportunities; and challenges it faced) and the outcome of those considerations. The examples shown are provided to demonstrate how the Directors of the Company have carried out their duties under Section 172 of the Act.

Strategic priorities key



Optimise our in-force business



Grow organically and through mergers and acquisitions



Enhance our operating model and culture

Key Board decision Longevity swap

Link to strategic priorities How the Board reached its decision



Consideration of section 172 matters

The Board considered a proposal to implement a longevity swap as part of an interest rate hedging strategy to support the reduction of longevity risk.

The Board reviewed the long-term consequences of the swap, noting that the swap would reduce the Company's capital requirement and risk margin, whilst also reducing sensitivity to further yield rises.

In satisfying itself as to the suitability of the swap from a regulatory perspective, the Board sought additional assurance in respect of the Prudent Persons Principle, thus ensuring that high standards of business conduct were maintained. Further, the PRA has been kept updated as the transaction progressed.

Outcome Following due consideration of the matters set out in section 172 and in support of the long term interests of the Company, the Board approved the decision to pursue the longevity swap activity and to protect the solvency position.

Key Board decision	Consumer Duty implementation for active products
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Link to strategic priorities	How the Board reached its decision
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**Consideration of section 172 matters**

Throughout the year the Board closely monitored the Company's progress toward achieving compliance with the FCA's Consumer Duty via regular update reports. This included a standalone education session on the progress of the Consumer Duty programme and dedicated consideration of Conduct Strategy reporting and the wider Group's approach to Fair Value. As a final step it considered evidence to support the Company's compliance.

The Board reviewed activity undertaken in relation each of the key dimensions of Consumer Duty, which included: defining all terms of the Duty; documenting existing pricing practices and developing a Fair Value Framework; documenting foreseeable harm scenarios; undertaking a review of high-risk customer journeys; testing customer communications and developing a group-wide communications framework; updating existing policies and frameworks; and initiating actions to support cultural change.

The output of a gap analysis exercise for reporting measures was received, whereby confirmation was provided around existing reporting measures and the delivery roadmap for additional measures.

The Board also considered the Consumer Duty Programme's responses to the FCA's Dear CEO Letter and sample questions as a means of assessing readiness for meeting the deadline in relation to open products.

Outcome	Following due consideration of the matters set out in section 172 and evidence presented, the Board concluded that the Company had materially achieved compliance with the FCA's requirements of the Consumer Duty in relation to its open products.
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Key Board decision	Outsourcing of customer operations to the TCS Diligenta BaNCS platform
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Link to strategic priorities	How the Board reached its decision
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**Consideration of section 172 matters**

In January 2023, the Board confirmed its decision to support the consolidation of the Company's operating model for customers onto the TCS Diligenta BaNCS platform.

Whilst noting the expectation that the decision would simplify the operating model, improve resilience, reduce operating costs and also offer a consistent and enhanced customer experience, the Board spent time considering the effects on colleagues who would be impacted. In particular, the Board reviewed the communications strategy and ongoing colleague deployment options for the future.

Outcome	Following due consideration of the matters set out in section 172, the Board concluded that the decision to outsource customer operations to TCS Diligenta was in the best interests of its customers and for the long term benefit of the Company as a whole.
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Key Board decision	2023 Sustainability Strategy
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Link to strategic priorities	How the Board reached its decision
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**Consideration of section 172 matters**

During the year the Board considered proposals relating to the framing of the Group's Sustainability Strategy for 2023 and beyond.

As part of its consideration, the Board explored recommendations relating to the strategic framework, sustainability strategy organisation, investing in a sustainable future, engaging people in better financial futures and building a leading responsible business. It also received insight into the strategy's three pillars, which included the Net Zero Transition Plan, digital inclusion, financial wellness and ensuring that products supported longevity.

The Board explored how funds might be deployed for investment and recognised the challenges around reconciling sustainability and nature. It also considered ways in which the business proposed to invest in its people and culture and support local communities through initiatives such as charity partnerships, volunteering and monetary donations amongst others.

Of importance, given its responsibility for customers, the Board spent time gaining comfort on how the Sustainability Strategy and Net Zero Transition Plan would impact and thus be communicated to customers.

Outcome	Following due consideration of the matters set out in section 172, the Board approved the Sustainability Strategy at local level, providing a non-objection for the overall strategy. Final approval for the overall strategy was then sought and received from the Company's ultimate parent, Phoenix Group Holdings plc.
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Key Board decision	Payment of cash remittance
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Link to strategic priorities	How the Board reached its decision
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**Consideration of section 172 matters**

On two occasions during the year the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available to make a cash remittance to the Company's ultimate parent, PGHP in the form of a loan.

When considering each proposal the Board paid due regard to the long-term impact of the decision, specifically in the context of risk appetite alongside capital, liquidity and balance sheet resilience. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposals.

The Board recognised the importance of being able to provide assurance to the regulator, the PRA, as to its sound and prudent management and noted the expectations of the regulator in this respect. Further, the proposal relating to one of the payments had been shared and discussed with the regulator prior to the Board's consideration.

Outcome	Following due consideration of the matters set out in section 172 on each occasion, the Board approved the loans to its ultimate parent, PGHP.
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Key Board decision	Payment of dividend
Link to strategic priorities	How the Board reached its decision
 	<p>Consideration of section 172 matters</p> <p>In the final quarter of 2023, the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available for distributions to the Company's ultimate parent, PGHP.</p> <p>When considering the proposals the Board paid due regard to the long-term impact of those decisions, specifically in the context of capital and liquidity affordability. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposals.</p> <p>The Board recognised the importance of being able to provide assurance to the regulator, the PRA, as to its sound and prudent management. In addition to confirmation that the proposals were compliant with the PRA's Supervisory Statement on Financial Management and Planning by Insurers, it received confirmation that PRA feedback provided earlier in the year in relation to dividend decision-making had been addressed.</p>
Outcome	Following due consideration of the matters set out in section 172, the Board approved the payment of a dividend to its ultimate parent, PGHP.

Business relationships with customers

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

Business relationships with Partners/Suppliers

The Service Companies within the Group are the principal leads on maintaining relationships with suppliers with respect to their contractual obligations. In accordance with the PRA's Supervisory Statement 'SS2/21', the Company's Board, as part of the collective Life Companies' Board, has oversight of the relationship with OSPs with respect to their delivery of services to customers. The Life Companies' Board's schedule of matters reserved includes the responsibility for monitoring the performance of management service provider contracts (including services contracted with OSPs).

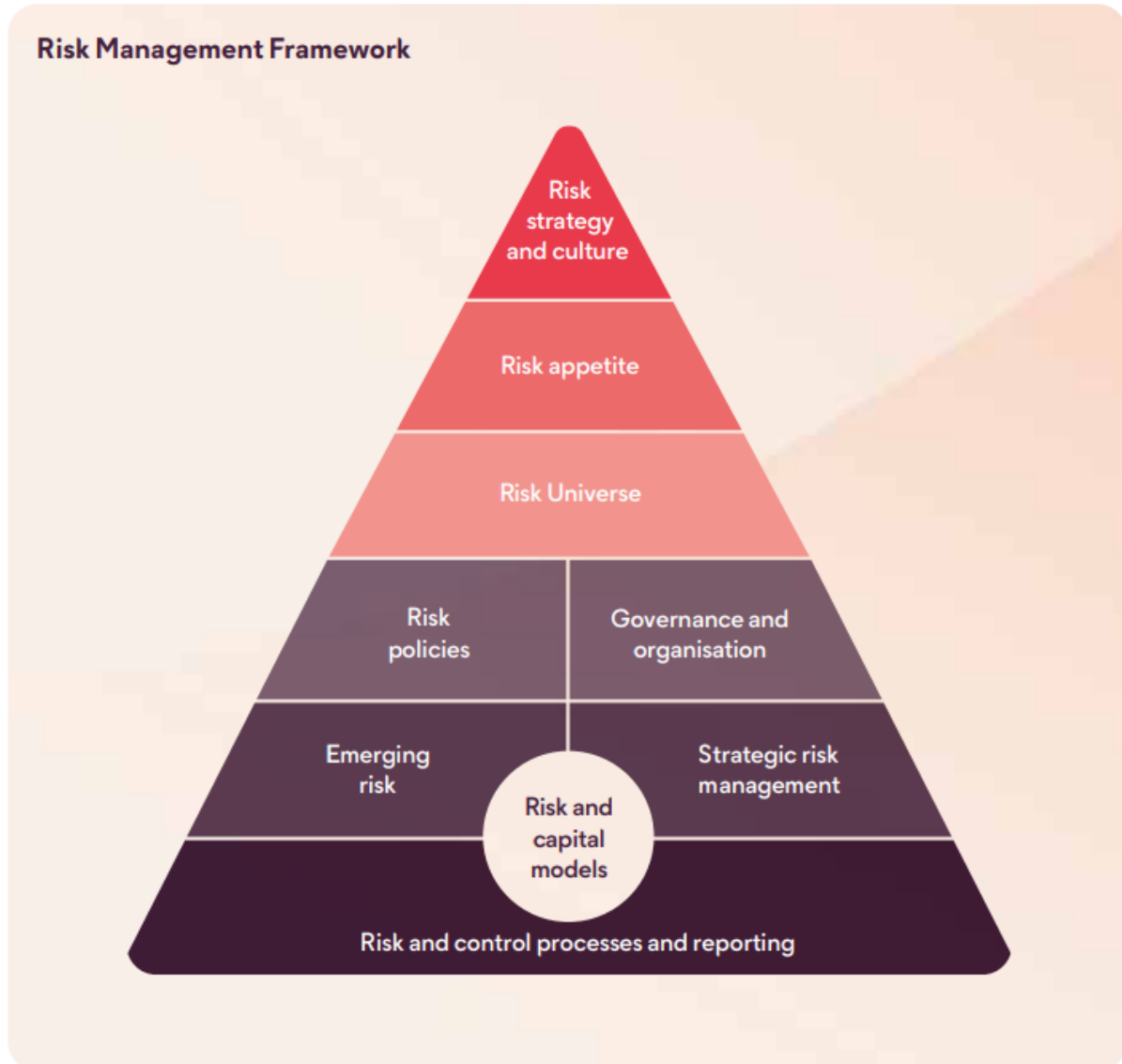
Energy and carbon reporting

Energy and Carbon usage information is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on this in these individual financial statements.

Risk Management Framework

The Company adopts the Phoenix Group's Risk Management Framework ("RMF"). The Group's RMF embeds proactive and effective risk management. It seeks to ensure that all material risks are identified, assessed, controlled monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group's RMF is aligned to the principles and guidance in ISO 31000 Risk Management standards.

The nine components of the Group's RMF are illustrated in the diagram below. Further details on each component are outlined in the Strategic Report of the Group's Annual Report and Accounts 2023.



Risk Environment

The Group continues to operate in a volatile risk environment with multiple external factors requiring navigation to enable the Group to deliver on its strategic priorities.

Geopolitical risk remains most prominent. Tensions in the Middle East have escalated and whilst the Group has low exposure to assets heavily influenced by the price of gas and oil it is closely monitoring impacts to inflation or interest rates which may occur from disruption to Red Sea shipping. The Group's Stress and Scenario testing programme continues to consider a range of adverse circumstances to help the Group and its Life Companies determine any actions needed to respond to economic pressures.

The regulatory change agenda continues to have potentially significant implications for the Group achieving its strategic priorities. The Group is supportive of the Solvency II Reforms and continues to engage in industry consultations as the draft regulations are refined. Progressing key tasks on the implementation plan for the FCA's New Consumer Duty is another key area of focus, well aligned to Group's purpose of helping customers achieve a life of possibilities. The Group supports the Sustainability Disclosure Requirements ("SDR") and investment labelling

requirements, and the Group has mobilised a project to ensure its practices align within the new regulations. Additionally, work is underway to provide a response to the FCA following the Advice Guidance Boundary Review consultation paper. The Group recognises the importance of this review, which aligns well to the Group's purpose and strategy.

The Group continues to monitor developments across the political environment and to engage with political parties, regulators and industry bodies on reforms which could help people live better, longer lives. The Group remains alert to the risk of cyber-attack which could impact the Group or its strategic partners directly, or indirectly via impact to customers and colleagues should state infrastructure be targeted.

The Group continues to support customers on their journey to and through retirement and places significant focus on monitoring and managing sustainability risks, including climate change, to ensure ongoing resilience over the long-term to such risks.

Principal risks and uncertainties

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of the Group. Twelve of the thirteen Group principal risks are relevant to the Company and are outlined in the sections that follow.

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Insurance; Credit; Customer; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in more detail in note 31 of the financial statements.

The principal risk exposures for the Company relate to the non-profit business and reflect the wide range of products in the funds. The Company is particularly exposed to insurance risk and a number of financial risks arising from its underlying assets and liabilities, including movements in financial markets, changes in interest rates, widening of credit spreads and the risk of corporate defaults.

The WP funds are all strong financially (i.e. the assets within the funds are sufficient for meeting its liabilities and capital requirements without requiring capital support from the Company) and the risks, such as annuitant longevity and meeting policyholder guarantees, are unlikely to have a material adverse impact on the owners. De-risking strategies are in place such as investment strategies matching liabilities with fixed and variable rate income securities to mitigate risks associated with guarantees and with the purchase of derivatives to mitigate risks of guaranteed annuity options. Selective reinsurance arrangements may be used to mitigate mortality, morbidity and longevity risk.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the Solvency II Directive and the PRA. The Capital Management Framework is detailed in note 30.

Market risk

1. Adverse investment market movements or broader economic forces can impact the Group, and the Company's, ability to meet its cash flow targets, along with the potential to negatively impact customer investments or sentiment

Impact	Mitigation	Events in the year
The Company and its customers are exposed to the implications of adverse market movements. This can impact the Company's capital, solvency, profitability and liquidity position, fees earned on assets held, the certainty and timing of future cash flows and long-term investment performance for shareholders and customers.	<p>The Company undertakes regular monitoring activities in relation to market risk exposure, including limits in each asset class, cash flow forecasting and stress and scenario testing.</p> <p>The Company continues to implement de-risking strategies and control enhancements to mitigate unwanted customer and capital outcomes from certain market movements such as equities, interest rates, inflation</p>	<p>The global macro-economic environment remains highly uncertain; although prices continue to rise, the rate of inflation is lower. The UK Consumer Price Index is down to 3.2% in March 2024 from a peak of 11.1% in October 2022. There is an increased expectation that the Bank of England will achieve its target of 2% by the end of 2025.</p> <p>The Bank of England base rate has increased from 0.1% in December 2021 to 5.25% in August 2023, and remains at</p>

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There are a number of drivers for market movements including government and central bank policies, geopolitical events, market sentiment, sector specific sentiment, global pandemics and financial risks of climate change, including risks from the transition to a low carbon economy.

and foreign currencies. These strategies may give rise to liquidity risk, which is monitored and reviewed frequently.

Capital and liquidity positions are monitored closely and the market outlook is regularly discussed with its asset managers.

this level with the outlook is for this to remain stable until summer 2024 before reductions can be expected. Higher interest rates, coupled with cost-of-living rises, have suppressed residential property prices. These are expected to bottom out in summer 2024 and see a return to growth after interest rates start to come down. UK gilt yields remain high, rivalling the levels seen during the 2022 mini-budget market event. The Company continues to monitor and manage its market risk exposures, including to interest rates and inflation, and to markets affected by the increasing number of geopolitical conflicts and concerns. For example, continued attacks on shipping in the Red Sea pose a risk of worsening inflationary pressures and the downstream effects on interest rates. The Company's strategy continues to involve hedging the major market risks and, in 2023, the Company's Stress and Scenario Testing Programme continued to demonstrate the resilience of its balance sheet to market stresses. Contingency actions remain available to help manage the capital and liquidity position in the event of unanticipated market movements.

Credit Risk

2. The Group, including the Company, is exposed to the risk of downgrade and/or failure of a significant counterparty

Impact	Mitigation	Events in the year
<p>The Company is exposed to the risk of downgrades and deterioration in the creditworthiness or default of investment, derivatives or banking counterparties. This could cause immediate financial loss or a reduction in future profits.</p>	<p>The Company regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties (with sub-limits for each credit risk exposure), sector concentration, geographies and asset class. Limits also restrict exposure to BBB+ and below rated assets.</p>	<p>Over 2023 the Company continued to undertake actions to increase the overall credit quality of its portfolio and mitigate the impact on risk capital of future downgrades. This positive progress is balanced by risks arising from geopolitical conflicts such as those in Ukraine and the Middle East, and supply chain disruptions arising from the risk of deterioration in the relationship between the USA and China. Uncertainties over the global economic outlook, persistent high inflation and higher for longer interest rates present an increased risk of defaults and downgrades. However, a UK sovereign downgrade is less probable than at the end of 2022, following both Moody's and S&P's revision of the UK credit rating's outlook from 'negative' to 'stable' during 2023. This has a positive impact on UK-related</p>
<p>The Company is also exposed to trading counterparties, such as reinsurers or service providers failing to meet all or part of their obligations. This would negatively impact the Company's operations which may in turn have adverse effects on customer relationships and may lead to financial loss.</p>	<p>The Company undertakes regular stress and scenario testing of the credit portfolio. Where possible, exposures are diversified using a range of counterparty providers. All material reinsurance and derivative positions are appropriately collateralised.</p> <p>The Company regularly discusses market outlook with its asset</p>	

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managers in addition to the Line 2 Risk oversight.

For mitigation of risks associated with stock-lending, additional protection is provided through collateral and indemnity insurance.

assets including Gilts, Housing Associations and Local Authority Loans.

Despite the failure of a number of US regional banks and a regulator-facilitated merger of Credit Suisse with UBS in early 2023, the Group's view is that a full-blown banking crisis will not follow. In addition, the Company has limited exposure to banks with idiosyncratic risks.

The Company has no direct shareholder credit exposure to Russia or Ukraine and no exposure to sanctioned entities.

Insurance risk

3. The Group, including the Company, may be exposed to adverse demographic experience which is out of line with expectations

Impact	Mitigation	Events in the year
<p>The Company has guaranteed liabilities, annuities and other policies that are sensitive to future longevity, persistency and mortality rates. For example, if annuity policyholders live for longer than expected, then the Company will need to pay their benefits for longer.</p> <p>The amount of additional capital required to meet additional liabilities could have a material adverse impact on the Company's ability to meet its cash flow targets.</p>	<p>The Company undertakes regular reviews of demographic experience and monitors exposure relative to quantitative risk appetite limits.</p> <p>Monitoring includes identifying any trends or variances in experience, in order to appropriately reflect these in assumptions.</p> <p>The Company regularly reviews assumptions to reflect trends in future mortality improvements.</p> <p>The Company continues to manage its longevity risk exposures, which includes the use of longevity swaps and reinsurance contracts to maintain this risk within appetite.</p> <p>Where required the Company continues to take capital management actions to mitigate adverse demographic experience.</p>	<p>Demographic experience and the latest assessment of future trends continue to be considered in regular assumption reviews; including making appropriate allowance for the impacts of COVID-19 on both longevity and mortality as part of the 2023 assumption reviews.</p> <p>The Company continues to monitor customer behaviour as a result of the cost-of-living crisis to ensure its impact on demographic assumptions is appropriately reflected in regular assumption reviews. As noted elsewhere in this section, proactive action is being taken to ensure support is provided to customers as the impacts from the cost-of-living crisis continue to materialise.</p>

Customer Risk**4. The Group, including the Company, fails to deliver good outcomes for its customers or fails to deliver propositions that continue to meet the evolving needs of customers**

Impact	Mitigation	Events in the year
<p>The Company is exposed to the risk that it fails to deliver good outcomes for its customers, leading to adverse customer experience and potential customer harm. This could also lead to reputational damage for the Company and/or financial losses.</p> <p>In addition, a failure to deliver propositions that meet the evolving needs of customers may result in the Company's failure to deliver its purpose of helping people secure a life of possibilities.</p>	<p>The Group's Conduct Risk Appetite, applicable to the Company, sets the boundaries within which the Group expects customer outcomes to be managed.</p> <p>The Group's Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where the Group and the Company's customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.</p> <p>The Group, including the Company, has a suite of customer policies which set out key customer risks and the Control Objectives that determine the Key Controls required to mitigate them. The Company maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes.</p> <p>The Company's Proposition Development Process ensures consideration of customer needs and conduct risk when developing propositions.</p>	<p>The FCA's Consumer Duty represents a step change in approach for the industry, re-enforcing a shift away from a rules-based regime to principles-based regulation. The Duty introduces an overarching requirement that firms, and their employees, must act to deliver good outcomes for retail customers. In response, the Company mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024.</p> <p>Despite having met the first two deadlines, the Group's view is that the risk exposure around the Duty is elevated whilst the supervisory approach matures, and closed products are reviewed against the Duty's principles, most notably fair value, ahead of the end-July 2024 deadline. The Company has built on its' strong foundations, enhancing existing and creating new Group frameworks (which apply to the company), processes and strategies to meet Duty requirements. This includes a Fair Value Framework designed to assess value in its broadest definition and refreshing the Conduct Strategy to embed and maintain the culture of the Company, informed by monitoring behaviours and customer outcomes.</p> <p>The FCA is raising the bar in terms of expectations on firms to ensure and evidence good outcomes are being achieved for their customers. The FCA continues to provide guidance to the industry to support firms' plans to embed the Duty within their businesses. It also recognises that its own understanding and development of guidance and supervisory approach will continue to evolve.</p> <p>The Company continues to monitor the impacts of the cost-of-living crisis on its customers. Proactive action to support customers, including those most vulnerable, is a priority. The Company is using customer behaviour research and analysis to provide customers with the support and help that they need. This</p>

has included improving all brand websites to provide general cost-of-living support, encouraging customers to get in touch for help and including links to external support websites.

Operational Risk - Regulatory, legislative or political

5. The Group, including the Company, is impacted by significant changes in the regulatory, legislative or political environment

Impact	Mitigation	Events in the year
<p>Changes in regulation could lead to non-compliance with new requirements that could impact the quality of customer outcomes, lead to regulatory sanction, impact financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance.</p> <p>Political uncertainty or changes in the government could see changes in policy that could impact the industry in which we operate.</p>	<p>The Company undertakes proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Company to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline.</p> <p>The Group engages with many political parties and industry bodies to foster collaboration and inspire change which supports the Group's purpose of helping customers secure a life of possibilities.</p>	<p>In June 2023, HM Treasury published draft legislation related to the Solvency II reforms, indicating the reform implementation would be staged with some reforms coming into force on 31 December 2023 and the remainder on 30 June 2024. The PRA has since issued two of three anticipated consultations on the rules to implement those reforms in H2 2023, and its near final policy to go live at year-end 2024, relating to Internal Models, Transitional measures on Technical Provisions and Group supervision. Internal teams are reviewing the detail to assess what actions are needed to ensure the Group is compliant with the new rules.</p> <p>The Group supports the PRA and HM Treasury's objectives to reform the regulations to better suit the UK market whilst maintaining appropriate safeguards for policyholders. The financial impact of the reforms will depend on the exact detail of the final legislation. The relatively short time period between the PRA final Policy Statement and the implementation date of the new rules contributes to the status of this risk. The Group will therefore remain actively involved in industry lobbying on Solvency II and is preparing as much as possible ahead of time to ensure compliance with new rules at the point of implementation.</p> <p>The Group views the FCA's Consumer Duty as well aligned to its strategic priority of helping people secure a life of possibilities and, from 31 July 2023, the Group is materially compliant with the Duty for its open products. Focus remains on reviewing customer journeys and Fair Value assessments for closed products to achieve compliance with the Duty's principles for these products ahead of the 31 July 2024 deadline.</p>

In November 2023 the FCA issued SDR and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments. The Group supports FCA's aims noting that terminology used and a lack of consistency between providers makes it difficult for consumers to navigate. The Group has mobilised a project to ensure its practices align with the new regulation.

In December 2023, the FCA issued the Advice Guidance Boundary Review consultation paper. The consultation could lead to a significant change in the way that people who cannot access advice are supported in the industry and the Group is actively engaging with the FCA on the topic.

Operational Risk – Diverse and engaged workforce

6. The Group, including the Company, fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy

Impact	Mitigation	Events in the year
<p>Delivery of the Company's strategy is dependent on a talented, diverse, and engaged workforce.</p> <p>This risk is inherent in the Company's business model given the nature of acquisition activity and specialist skillsets.</p> <p>Potential areas of uncertainty include the ongoing transition of ReAssure businesses into the Group, the expanded strategic partnership with TCS and the introduction of the flexible working model.</p> <p>Potential periods of prolonged uncertainty could result in a loss of critical corporate knowledge, unplanned departures of key individuals, or the failure to attract and retain individuals with the appropriate skills to help deliver our strategy.</p> <p>This could ultimately impact the Company's operational capability, its customer relationships and financial performance.</p>	<p>The Group aims to attract and retain colleagues from all backgrounds by creating a shared sense of purpose and commitment to our strategy, supported by offering competitive terms and conditions, benefits, and flexibility. Monthly colleague surveys help to improve engagement whilst promoting continuous listening and rapid identification of concerns and actions. The Company looks to proactively respond to external social, economic and marketplace events that impact colleagues.</p> <p>The increased scale and presence of the Group, and success in multi-site and remote working, gives greater access to a larger talent pool to attract and retain in the future. In addition, the Group's graduate and early career programmes helps to support the talent pipeline.</p>	<p>Skills essential to the Company continue to be in high-demand in the wider marketplace. The Company monitors this closely and continues to remain confident in the attractiveness of its colleague proposition.</p> <p>The Group, including the Company, launched MidLife MOT assessments to help colleagues take stock in the key areas of wealth, work and wellbeing.</p> <p>The Company continues to leverage apprenticeships to support workforce diversity and to fill key skills, creating bespoke graduate and early careers programmes for specialist technical areas.</p> <p>The Company continues to successfully operate a flexible working model, with strategic investments in technology and other resources maximising its effectiveness. The Company introduced 'Phoenix Flex' as a core part of its employee offering in 2023, to help support colleagues in balancing their personal and professional lives, by encouraging and celebrating flexibility at work, embracing differences, and helping colleagues to thrive.</p>

Operational Risk – Operational Resilience**7. The Group, including the Company, or its outsourcers are not sufficiently operationally resilient**

Impact	Mitigation	Events in the year
<p>The Company is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption. This could occur either in-house or within the Company's primary and downstream outsourcer partners, and be triggered by a range of environmental and climatic factors such as the cost-of-living crisis and adverse weather phenomena.</p> <p>The Company regularly conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes.</p> <p>Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group and the Company is already exposed to regulatory censure in the event of operational disruption should the regulator determine that the cause was a breach of existing regulation.</p>	<p>The Group's Operational Resilience Framework, which applies to the company, enhances the protection of customers and stakeholders. It is designed to prevent intolerable harm and supports compliance with the regulations. The Company continues to work closely with its outsourcer partners to ensure that the level of resilience delivered is aligned to the Company's impact tolerances.</p> <p>The Group, including the Company, has already taken some action, through previous strategic transformation activity, to reduce exposure to technological redundancy and key person dependency risk, increasing the resilience of its customer service. It continues to do so where further exposure is identified.</p> <p>The Company regularly reviews important business service MI to ensure appropriate action is taken to rectify and prevent customer harm. The Group is working to further strengthen and enhance the overall resilience of the Group and its outsource partners by March 2025 through its Operational Resilience Remediation Project.</p> <p>The Company and its outsourcer partners have well established business continuity management and disaster recovery frameworks that are annually refreshed and regularly tested. Disruption events are used to assess lessons learned to identify any continual improvements to be made.</p>	<p>The Company has a significant change and customer migration agenda over the next three to five years, effective completion of which is required to deliver planned strengthening of its operational resilience both internally and with some material outsourced service providers. This exposes the Company to increased risk. However, this is mitigated through strengthened Operational Resilience and Change Management Frameworks, where the risk of late delivery is actively managed by both the relevant change programme and separate operational resilience remediation governance and reporting.</p> <p>The quantum of strategic customer transformation activity requires subject matter expertise to execute successfully. The Company's operational resilience, internally and with material third-parties, would be impacted by a large-scale loss of colleagues, for example due to illness or incapacity such as Influenza, in the UK or globally. Such impacts are difficult to mitigate in the short-term, however the Company and material suppliers made substantial investments in remote working capability to manage the impacts of COVID-19, which would be expected to help mitigate the impacts of a further pandemic to service continuity.</p>

Operational Risk – Cyber Resilience**8. The Group, including the Company, or its Supply Chain are not sufficiently Cyber resilient**

Impact	Mitigation	Events in the year
<p>Phoenix Group is the UK's largest long-term savings and retirement business, with a significant profile, which leads to greater interest from cyber criminals. The world continues to become increasingly digitally connected and cyber-attacks remain a major threat to the Group. Over the past five years Phoenix Group has grown from 5m to 12m customers, while the number of colleagues in the Group has grown from 900 to over 7,500, not including contractors. In addition, the Group's footprint includes engagement with c. 1,800 suppliers which increases the attack surface significantly. This continual growth poses a greater risk of cyber-attack which could have significant impact on customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand.</p> <p>Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes the Group and the Company to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise.</p> <p>Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security.</p> <p>The pace of change is accelerating due to the rapid rise of Artificial Intelligence</p>	<p>The Company is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review.</p> <p>The Enterprise Information Security Strategy includes a continuous Information Security and Cyber Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and Annual Cyber Threat Assessment that utilises internal and external threat intelligence sources.</p> <p>The Group continues to consolidate its cyber security tools and capabilities and the Enterprise Information Security Strategy 2023–2025 includes delivery of a Group Identity Platform and Zero Trust model, Supplier Assurance Platform, Secure Cloud Adoption and proactive Data Loss Prevention.</p> <p>The specialist Line 2 Information Security & Cyber Risk provides independent oversight and challenge of information security controls, identifying trends, internal and external threats and advising on appropriate mitigation solutions.</p> <p>The Company continues to enhance and strengthen its outsourced service provider and third party oversight and assurance processes. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group.</p> <p>The Group holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes, which provides confidence to both clients and internal stakeholders that it is committed to managing security.</p>	<p>The UK cyber threat level remains elevated, due to the sustained Russia/Ukraine war, China/Taiwan tensions, and the addition of the Israel/Palestine armed conflict. Cyber threat levels remain high with increased likelihood of a cyber-attack from a State actor; however it is highly unlikely that a Nation State actor would directly target the Company and any impact would be as a result of indirect cyber-attacks against the UK's critical national infrastructure, IT or information security service providers or global financial services companies. Cyber Criminals continue to be the Company's most likely adversary, primarily due to the fact that the Company is a Financial Sector organisation and the type of data held is attractive to criminal actors.</p> <p>On 19 April 2023, the UK's National Cyber Security Centre issued an alert warning of a heightened risk from attacks by state-aligned Russian hackers, urging all organisations in the country to apply recommended security measures.</p> <p>The Company's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; whilst the Company's main threat is considered to be cyber crime, from individuals or organised crime groups, the same controls are utilised to defend against a Nation-State level cyber-attack.</p> <p>The single consolidated Group Supplier Information Security Framework, which applies to the Company, is improving the Security Oversight and Assurance of Phoenix's large portfolio of Outsourced Service Providers, third and fourth Party suppliers, and continues to mature. Further embedding and maturing over the next 12 months will help mitigate the risks associated with supply chain cyber security, which is considered Phoenix's key top cyber security threat.</p>

(AI), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability, and predictability.

Vulnerability management continued to mature throughout 2023 with the Enterprise Cyber Exposure Score ('CES') remaining steady. The Group received formal approval from the FCA and PRA in July 2023 for closure of the Cybersecurity Best Practice Evaluation and Testing ('CBEST') remediation programme.

Strategic risk – Strategic Partnerships

9. The Group, and Company's, Strategic Partnerships fail to deliver the expected benefits

Impact	Mitigation	Events in the year
<p>The Company's strategic partnerships are a core enabler for delivery of the Company's strategy; they allow the Company to meet the needs of our customers and clients and deliver value for shareholders. The Group's end state operating model will leverage the strengths of strategic partners whilst retaining in-house key skills which differentiate us from the market.</p> <p>However, there is a risk that the Group and the Company's strategic partnerships do not deliver the expected benefits leading to adverse impacts to customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Some of the key strategic partnerships include:</p> <p>abr dn plc: Provides investment management services to the Group and the Company including the development of investment solutions for customers.</p> <p>HCL: Performs policy administration for ex-Barclays Life business.</p> <p>TCS Diligenta: Provides a range of services including customer administration, digital and technology capabilities to support customer outcomes.</p>	<p>The Group has in place established engagement processes and a rigorous governance structure to manage relationships with its strategic partners, in line with the Group's Supplier Management Model.</p> <p>The Group takes steps to monitor its supplier concentration risks across the Life Companies and has business continuity plans should there be a significant failure of a strategic partner.</p>	<p>The Group continues to develop its partnership with TCS Diligenta to support its strategic deliverables. The successful migration of around 700,000 Phoenix Life customer policies to the TCS Diligenta's BaNCS platform was completed in November 2023. Planning for further migrations in 2024 and beyond is underway.</p>

HSBC: Provides custody and fund accounting services to the Company.

Strategic Risk – Acquisitions & Transitions

10. The Group fails to make further value adding acquisitions or effectively transition acquired businesses. [Note: the Company may be impacted in the event of an acquisition due to its involvement in the transition of acquired businesses]

Impact	Mitigation	Events in the year
<p>The Group is exposed to the risk of failing to transform, simplify and better integrate the component parts of our acquired businesses to deliver leading customer experiences and realise scale efficiencies successfully and efficiently.</p> <p>The transition of acquired businesses into the Group, including customer migrations, could introduce structural or operational challenges that, without sufficient controls, could result in the Group, and the Company, failing to deliver the expected outcomes for customers or achieve the efficiencies of its target operating model.</p>	<p>Integration plans are developed and resourced with appropriately skilled staff to ensure target operating models are delivered in line with expectations. The Group's priority at all times is on delivering for its customers.</p> <p>Customer migrations are planned thoroughly with robust execution controls in place. Lessons learned from previous migrations are applied to future activity to continuously strengthen our processes.</p>	<p>The Company continues to develop its partnership with TCS to support its strategic deliverables. The key risk in respect of migration activity is that the time, and associated cost, to deliver these whilst protecting customer outcomes is greater than expected and the Group regularly assesses its reserving basis as a result.</p> <p>In April 2023 the Group completed the acquisition of Sun Life of Canada UK, a closed book UK life insurance company, from Sun Life Assurance Company of Canada. The integration is progressing well, with the majority of functions due to complete activity in April 2024.</p> <p>The Sun Life of Canada UK acquisition was expected to deliver c. £500 million of incremental long-term cash generation, with 30% expected to emerge in the first three years. The Group have now delivered c. 20% with the remainder due to emerge in 2025 and 2026.</p>

Strategic Risk – Climate Change/ESG

11. The Group, including the Company, fails to appropriately prepare for and manage the effects arising from Climate Change and wider ESG risks

Impact	Mitigation	Events in the year
<p>The Company is exposed to the risk of failing to respond adequately to Environmental, Social and Governance ('ESG') risks and delivering on its social purpose; for example, failing to meet and make its sustainability commitments.</p> <p>A failure to manage ESG risk could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness, reputational risks and litigation.</p>	<p>The Group has a clear sustainability strategy in place which is updated annually to reflect the Group's latest plans and risk exposures, with key metrics on progress monitored throughout the year.</p> <p>Sustainability risk and Climate risk are both embedded into the Group's RMF.</p> <p>Sustainability risk "cross-cuts" the Group's Risk Universe. This means the consideration of material sustainability-related risks is embedded in the Group's risk</p>	<p>Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments.</p> <p>Recent reports from bodies such as the Intergovernmental Panel on Climate Change and the United Nations Environment Programme highlight the</p>

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The Company is exposed to risks arising from the transition to a lower carbon economy, which could result in a loss in the value of policyholder and shareholder assets.

In addition, physical risk can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, impacting demographic experience.

policies (which the Company adopts), with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. Several Sustainability-related Risk Policies are also in place to cover the main sources of Sustainability risk.

The Group is making good progress on integrating the management of climate change and wider ESG risks across the business, including in investment portfolios, with further work underway to embed its consideration fully across the business.

The Group continues to engage with suppliers and asset managers on their progress and approach to managing climate change and wider ESG risks.

The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities.

The Group undertakes deep dives on emerging ESG risk areas (such as greenwashing and ESG litigation risk) to increase understanding and awareness for Boards and Management, and facilitate control improvements where required.

slow progress and significant scale of the challenge in restricting global warming below 1.5°C. Real world events are occurring at a high rate, with 2023 setting the record for the hottest year ever on record.

The Group is cognisant of this changing environment and undertakes thought leadership and wide engagement with policymakers and market participants to actively raise the debate around key sustainability themes.

Analysis indicates the Group is on track to achieve its 2025 targets if planned actions are implemented. However, further internal actions will likely be needed to achieve the 2030 targets, which are also increasingly dependent on external factors such as the decarbonisation of the wider economy and actions by others – in particular government, regulators, and the high transition risk sector.

Strategic Risk – Capacity & Capability to Deliver Change

12. The Group, including the Company, does not have sufficient capacity and capability to fully deliver its significant change agenda which is required to execute its strategic objectives

Impact	Mitigation	Events in the year
<p>The Company's ability to deliver change on time and within budget could be adversely impacted by insufficient resource and capabilities as well as inefficient prioritisation, scheduling and oversight of projects. The risk could materialise both within the Company and its strategic partners.</p> <p>This could result in the benefits of change not being realised by</p>	<p>The Group's Change Management Framework defines a clear set of prioritisation criteria and scheduling principles for new projects. This is to support the safe and controlled mobilisation of new change in line with capacity and risk appetite and to strengthen business readiness processes to deliver change safely into the operational environment. These prioritisation principles are a core part of the Annual Operating Plan process, alongside a significant</p>	<p>The Group and the Company have continued to manage a significant volume of change, consistent with 2022.</p> <p>The Group has continued to strengthen its Change Management Framework during 2023 and expects to see an improving trend in this risk as those enhancements are seen in project delivery, noting that the Group has a number of multi-year change programmes so benefits will emerge in 2024 and beyond. The Group's Chief Operating Officer is driving further enhancements to evolve and mature the</p>

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the Company in the timeframe assumed in its business plans and may result in the Group being unable to deliver its strategic objectives. Poor change delivery could affect the Company's ability to operate its core processes in a controlled and timely manner.

focus on the deliverability of the change portfolio in 2024.

Information setting out the current and forecast levels of resource supply and demand continues to be provided to accountable Senior Management to enable informed decision-making. This aims to ensure that all material risks to project delivery are appropriately identified, assessed, managed, monitored and reported.

Group's change operating model. In 2023 this included significant effort being put into the recruitment of senior change professionals, alongside the assessment and further development of all internal change resources.

On behalf of the Board

DocuSigned by:
Paul Shakespeare
BEFA4131ABD14C5...

P Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary
3 June 2024

Directors' report

The Company is incorporated in England and Wales. Its registration number is 00754167 and its registered office is Windsor House, Telford Centre, Telford, TF3 4NB.

Corporate governance

The Company adheres to the PRA's Supervisory Statement SS5/16, which sets out the principles as to how a PRA-regulated firm, such as the Company, should govern itself if it is not a listed company and does not, therefore, fall within the remit of the UK Corporate Governance Code (the "Code").

Within the guidelines of SS5/16, PRA-regulated firms are expected to focus on twelve aspects of governance, many of which echo the framework provided by the Code. These twelve aspects of governance, whilst not being as formal as following the Code (which is applied by the Company's ultimate parent, Phoenix Group Holdings plc), provide a framework through which the Board is able to demonstrate that it runs the Company with sound governance at its heart.

This framework is assessed, reviewed and challenged by the Board on at least an annual basis with evidence focusing on the following points. The findings of the review for 2023 are set out below. For the avoidance of doubt, there have been no departures from these aspects of governance through the year:

Aspect of Governance	Demonstrated by
Setting Strategy	<p>As noted in the Directors' duties section of the Strategic report which provides an overview of how the directors have regard for their duty in respect of consequences of decisions in the long-term, an annual strategy day is held each June for the Board to debate and challenge the strategy for the Company and input to the overall Group strategy debate. The Chair of the Company (or designated representative) is invited to attend the Group strategy sessions to provide the Board's feedback.</p> <p>A more refined view, developed into an Annual Operating Plan, is created for review and sign off at the beginning of each year which maps out the ongoing strategic direction for the following 12 months and up to 5 years thereafter. Board agendas are prepared to ensure that the more strategic items have sufficient time for review and challenge.</p> <p>Key matters discussed and challenged at the Board during the year were: the means by which the Phoenix Life Companies (of which the Company is one) had implemented the FCA's New Consumer Duty in relation to its open products; the Group's Sustainability Strategy; the payment of loans and a dividend to the Company's ultimate parent.</p> <p>In addition to the items presented for decision, the Board also considered the forward looking approaches to the strategy for existing customer propositions and the Group's overall data strategy to include a session from the Chief Data Strategy Officer and Data Protection Officer on Artificial Intelligence.</p>
Culture of risk awareness and ethical behaviour	<p>The Company operates within the overall Group Risk Management Framework. As part of this, on an annual basis, the Board approves a series of risk appetite statements for articulation throughout the Company.</p> <p>The Group Risk Function have created and presented their assessment of Risk Culture within the business during the year to the Risk Committee. The Dashboard considers 15 specific objectives across Purpose, Psychological Safety and Diversity & Inclusion, Governance & Controls and Leadership with assessments based on a variety of inputs to include colleague surveys and Board / Committee evaluations.</p> <p>In respect of remuneration, the Non-Executive Directors input into the proposed objectives and performance ratings for those individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive and their direct reports who are also Senior Management Function Holders. This ensures that these objectives promote an effective culture of risk awareness and ethical behaviour.</p> <p>In the same way, the Board was also engaged in the review of any bespoke remuneration plans for business units, and the targets to be included in the Group's Annual Incentive Plan with respect to customer performance, in advance of their consideration by the Phoenix Group Holdings plc Remuneration Committee.</p>

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Risk appetite, risk management and internal controls	<p>As described above, risk appetite statements are approved by the Board. Oversight of risks, risk management and internal controls is delegated for oversight by both the Board Audit Committee and Board Risk Committee in line with their Terms of Reference.</p> <p>Both the Head of Internal Audit and Chief Risk Officer have access to the Chair of the Board and the Audit Committee to raise any concerns directly. In addition, the Chief Risk Officer has direct access to the Chair of the Risk Committee.</p> <p>The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.</p>
Board composition	<p>Board skills and associated succession planning are subject to annual review to ensure there is an appropriate mix of skills among the Non-Executive Board members. Our Non-Executive Board members are considered to have the required knowledge to effectively challenge management and to undertake their duties appropriately.</p> <p>In 2023, two new Non-Executive Directors were appointed, with Ian Craston and Jora Gill joining the Board on 1 June 2023. Non-Executive Director, Margaret Hassall, retired on 31 March 2023.</p> <p>As a result of these changes, the Board comprises 7 Non-Executive Directors (including the Chair) and there continues to be 5 Executive Directors. Current Chair, John Lister, was considered independent on appointment to the role in 2021.</p> <p>There is a division of responsibility between the Non-Executive Chair, who is responsible for the leadership and effective operation of the Board, and the Chief Executive Officer, who is responsible to the Board for the overall management and operation of the Company.</p>
Role of Executive and Non-Executive Directors	<p>All appointment letters and associated role profiles for Non-Executive Directors specify the requirements of the role to include constructive challenge, scrutiny of management information and the integrity of financial information.</p> <p>The 'Matters Reserved' for the Board of the Company specifies those activities for which the Board has retained approval with agendas for each meeting reminding all directors of their responsibilities under Section 172 of the Companies Act 2006.</p> <p>Board meetings, as evidenced through the Board Minutes produced, are an open forum for directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the "day to day management" of the Company to be appropriately delegated through a structure of approved Delegations of Authority.</p>
Knowledge and experience of Non-executive Directors	<p>The experience of the Non-Executive Directors is wide across the life insurance industry and all received a comprehensive induction on the business of the Company.</p> <p>A skills assessment is in place which identifies an individual's area of expertise such as accountancy, with-profits management, risk management, life and pensions and investments. This assessment demonstrates that our Non-Executive Directors have a substantial number of years' experience on the matters close to our Company.</p> <p>During the year, the Board is provided with regular education sessions to support any gaps in knowledge and to promote continuous professional development. During 2023, the Board received deep dives on the following topics:</p> <ul style="list-style-type: none"> ➤ Securitisation Enhancement ➤ Sustainability Strategy ➤ Technology and Architecture ➤ Task Force on Climate-related Financial Disclosures Reporting ➤ Actuarial reporting and MI capability improvements

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- Consumer Duty
- Bermudian reinsurance
- Tailored Retirement Planning and Smooth Managed Fund Deep Dive
- Information Security and Artificial Intelligence
- Existing Customer Proposition Strategy
- Major Model Change and Asset Capital Limited Framework
- The Pensions Regulator Relationship & Oversight

Board time and resource The Board met for 9 scheduled Board meetings in 2023 either in person or via video conference.

A further 4 out of cycle meetings were held: one to consider a proposal to purchase corporate credit; one to consider payment of a cash remittance to the Company's ultimate parent, Phoenix Group Holdings plc; one to finalise and confirm the Company's draft Own Risk Solvency Assessment prior to its submission; and another to consider projected capital and liquidity matters and associated triggers. As well as the Board, a number of Board Committees responsible for overseeing Audit, Risk, Nomination, With-Profits, Investment and Model Governance matters, have also been in operation during the course of the year.

The Board Nomination Committee undertakes a review of the estimated time commitment required by a Non-Executive Director to support the Company's activities on an annual basis.

Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the Board Nomination Committee and Board in advance during which time it is confirmed that the time commitment required will not impact their availability for Company matters.

Management information (MI) and transparency Each Board meeting includes a formal Chief Executive and other Company Officer reporting, together with other key Management Information ("MI") reports (which includes Customer Treatment, Customer Complaints, Financial and Operational Capacity MI), as well as reports from the Board's committees. The appointment of the Group Chief Executive Officer as Chief Executive Officer of the Company in October 2022 further strengthened the link, through management representation, between the Group and Life Boards.

Succession planning The performance of the Chief Executive and their direct reports is considered at least annually in private sessions facilitated by the Group HR Director with the Non-Executive Directors during which more informal discussions on succession planning may take place.

During 2023 the Board Nomination Committee considered Non-Executive Director succession planning matters and, in particular, the forthcoming retirements of three Board Members. A skills audit exercise was undertaken during the year to support long term succession planning. The Board formally reviewed its Succession Plan in August 2023.

Remuneration Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements linked to the Company's strategic objectives. In addition, the Non-Executive Directors consider and opine on the performance outcomes of the individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive).

Subsidiary boards Within the scope of Board updates, there is the flexibility to consider the activities of the Company's subsidiary companies. A summary update of any activity of the Company's subsidiaries is provided on a six-monthly basis where appropriate.

Since 1 October 2022, the Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have been executive directors of both the Company and its ultimate parent, Phoenix Group Holdings plc. Conflicts of interest are assessed for each agenda item and, where appropriate, the CEO and CFO are recused from decision making at the meeting.

The Phoenix Life Companies (of which the Company is one) Board Matters Reserved clearly state those matters which are in the gift of the Board and those which require Group oversight, in support of balancing the obligations of the Company within the context of the wider Group.

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Board committees	The terms of reference of the committees of the Board of the Company document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model.
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Going concern

The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. Notes 30 and 31 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

The Board has followed the UK Financial Reporting Council's "*Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)*" when performing their going concern assessment. To this end, the Board has undertaken a review of solvency, liquidity and cash flow projections under normal and stressed conditions.

Going Concern Stress Solvency Scenarios sets out the latest five-year forecasts for Market Down 1-in-10 and Longevity yields 1-in-10 scenarios.

The downside scenario projections reflect the impacts of market disruption in the current financial year and assume a stress period with a duration of one year from December 2023. The projections use the below stress calibrations:

- 30/45bps reduction in UK Swaps- 10 yr
- 30/39bps reduction in Euro Swaps- 10 yr
- 12bps (average of 10yr and 15yr) increase in Gilts spread rise
- Fin:c104bps Non-Fin:c55bps increase in Credit- A rated 15 yr
- 15/34bps reduction in RPI inflation- 10 yr
- EUR 4% up vs GBP on Exchange GBP vs Euro
- USD 8% up vs GBP on Exchange GBP vs USD
- Further 12% of the credit stress (Downgrades)
- 9% reduction in FTSE 100
- 9% reduction in Residential Property
- 6% reduction in Commercial Property
- Longevity mis-estimation 55%/trend 89%

For the 5 year forecast period to which the downside scenario was applied, at all times the Company is anticipated to maintain sufficient headroom to meet its Capital Management Policy ("CMP") buffer.

The projections demonstrated that excess capital over the CMP would remain in the Company under both scenarios at the scenario low points.

Company's existing CMP calibrations remained robust and appropriate and no amendments were required.

The Company is anticipated to be able to meet headroom of liquid assets over projected cash flows including internally imposed liquidity buffers over the next 12 months under base conditions, and also under a combined 1 in 200 stress scenario, supporting cash generation in the going concern period assessed up to 30 June 2025. Liquidity is considered to be adequate to meet liabilities as they fall due.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 30 June 2025. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of those individuals who served as Directors of the Company during the year and who held office at the date of signature of this report are as follows:

A H Bowe	(resigned 30 April 2024)
K Cook	(appointed 1 May 2024)
A D Briggs	
A Cairns	(appointed 1 April 2024)
I A Craston	(appointed 1 June 2023)
A Curran	
J Gill	(appointed 1 June 2023)
R Harris	
T W Harris	
M G Hassall	(resigned 31 March 2023)
J R Lister	(Chairman)

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P K Mayes (resigned 31 March 2024)
B M Meaney
N H Poyntz-Wright
R K Thakrar

Secretary

Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

Matters disclosed in strategic report

The strategic report covers future developments and any dividends paid.

Disclosure of indemnity

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) 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 section 418(2) of the Companies Act 2006.

Auditor appointment

Ernst & Young LLP have reached the maximum period of service for an auditor of a Public Interest Entity, under the mandatory auditor rotation requirements, for another Life Company within the Group and will therefore step down as the Company's auditor on completing the audit for the year ended 31 December 2023. In accordance with section 485 of the Companies Act 2006, KPMG LLP will be appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006.

On behalf of the Board

DocuSigned by:

BEFA4131ABD14C5...

P Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary
3 June 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the Company's financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with UK generally accepted accounting practice ("UK GAAP") (UK Accounting Standards, comprising Financial Reporting Standard 102 The financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102"), Financial Reporting Standard 103 Insurance contracts ("FRS 103") and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK GAAP, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of ReAssure Limited

Opinion

We have audited the financial statements of ReAssure Limited for the year ended 31 December 2023 which comprise Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the related notes 1 to 41 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" ("United Kingdom Generally Accepted Accounting Practice" or "UK GAAP").

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- confirming our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 30 June 2025;
- with support from our actuarial team, we challenged the key actuarial assumptions used in management's five-year Annual Operating Plan ('AOP') and determined that the models are appropriate to enable management to make an assessment on the going concern of the Company. We confirmed that assumptions used in the five-year AOP form the basis for management's going concern projections;
- assessing the accuracy of management's assessment of going concern by testing the inputs and the clerical accuracy of the liquidity and solvency models used;
- assessed management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluating the liquidity and solvency position of the Company by reviewing base case liquidity and solvency projections that incorporate an estimated view of the potential future economic downturn;
- challenging the key assumptions, and plausibility of management actions used in management's stress scenarios, based on our understanding of the Company and the available external data;
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and concluded it to be remote;
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees; and

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- assessed the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on management's assessment, we have observed that the Company continues to have surplus cash and solvency above its Solvency Coverage Ratio in a number of extreme downside scenarios and the Company continues to service customers and meet its commitments in the current environment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 June 2025.

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

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> Valuation of insurance contract liabilities included within technical provisions - long - term business provisions, comprising the following risk areas: <ul style="list-style-type: none"> Actuarial assumptions; and Actuarial modelling. Valuation of modelled debt securities
Materiality	<ul style="list-style-type: none"> Overall materiality of £27.3m (2022: £24.0m) which represents 2% of equity.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

We instructed:

The Central Investments component team with respect to audit of investment balances and the associated income and expenses. All other audit work was performed directly by the audit engagement team.

Component	Scope	Auditor
ReAssure Limited (RAL)	Full Scope	Primary team
Central Investments Component Team	Specific Scope	EY component team

Overall, our audit procedures covered 100% of the Company's equity and 100% of the Company's profit before tax.

Involvement of the component team

In establishing our overall approach to the EY component teams, we determined the type of work that needed to be undertaken at the component, as the primary team.

The primary team provided detailed audit instructions to the component team which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary team.

Audit procedures were performed on the full scope component by the primary team whilst the remaining component was audited by the EY component team. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company financial statements as a whole. We followed a programme of planned meetings and maintained oversight of the component team through onsite collaboration and regular meetings. We reviewed the audit procedures performed by the component team on the specific accounts.

The work performed on the component teams gave us appropriate evidence for our opinion on the Company financial statements as a whole.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Company. The Company has determined that the most significant future impacts from climate change on its operations will be detailed in principal risks and uncertainties sections, explained on page 22. The Company has also explained their climate commitments on page 4. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

The Company has explained in the accounting policies note on page 45 how they have reflected the impact of climate change in their financial statements. The impact of climate risk has been considered and deemed as having a limited effect on the accounting judgement and estimates for the current period. The accounting policies note sets out the Company's consideration of the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments and insurance and investment contract liabilities.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcome as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK GAAP.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk and their resulting conclusion that there was limited effect from climate change on balances in the financial statements and the adequacy of the Company's disclosures in the accounting policies note to explain their rationale.

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

Key audit matters

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

Risk

Valuation of insurance contract liabilities included within technical provisions – long term business provisions (2023 £18.1bn; 2022: £18.9bn)

Refer to the Accounting policies (pages 45 to 55); Critical accounting estimates (page pages 45 to 47); and note 29 of the financial statements (pages 73 to 77)

We considered the valuation of insurance contract liabilities included within technical provisions - long term business provisions to be a significant risk for our audit. Specifically, we considered the actuarial assumptions and modelling that are applied, as these involve complex and significant judgments about future events, both internal and external to the business, for which small changes can result in a material impact to the resultant valuation. We note additionally, there was heightened risk due to the migration of with-profit liabilities to a new actuarial model during the period.

We have split the risks relating to the valuation of insurance contract liabilities included within technical provisions - long term business provisions into the following component parts:

- actuarial assumptions; and
- actuarial modelling;

The specific audit procedures performed to address the significant risk are set out below. In addition, we assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements as this provided important audit evidence over the valuation of insurance contract liabilities included within technical provisions - long term business provisions.

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Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Actuarial Assumptions</p> <p><i>There has been no change in our assessment of this risk from the prior year.</i></p> <p>Economic assumptions are set by management taking into account market conditions as at the valuation date and require minimal judgment. Non-economic assumptions are set based on the Company's past experience, market experience and practice, regulations and expectations about future trends.</p> <p>The assumptions that we consider to have the most significant impact are the base and trend longevity, persistency, assured mortality and morbidity.</p> <p>Given the recent economic volatility we place additional focus on future economic assumptions such as inflation assumptions at the 2023 year-end date.</p>	<p>To obtain sufficient appropriate audit evidence to conclude on the actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions; • Challenged and assessed whether the methodology and assumptions applied are appropriate based on our knowledge of the Company, industry standards and regulatory and financial reporting requirements; • Reviewed and challenged the results of management's experience analysis, including the base and trend longevity, persistency, assured mortality and morbidity and tested the underlying data used in experience investigations, to assess whether these justify the adopted assumptions; • Challenged and assessed management's decisions on the inclusion or exclusion of data relating to COVID-19 when setting individual assumptions, including longevity, mortality, morbidity and persistency; • In respect of trend longevity, we evaluated the results of management's analysis on longevity trend, challenged the judgements applied by management in setting the parameters and benchmarked the output against other industry participants and the output against other industry participants and the results from the industry standard Continuous Mortality Investigation (CMI); • Benchmarked the demographic and economic assumptions against those of other comparable industry participants; • Performed procedures to test that the assumptions used in the year end valuation are consistent with the assumptions approved basis; and • Assessed the expense assumptions are consistent with the managed service agreement ('MSA') between the Company and RUKSL and all MSA and non MSA costs such as Asset management charges are properly reflected and charged to the Company. 	<p>We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements.</p>

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<p>Actuarial Modelling</p> <p><i>The migration of the with-profit business to a new actuarial model increases the risk of error this year.</i></p> <p>We consider the integrity and appropriateness of models to be critical to the overall valuation of insurance contract liabilities included within technical provisions - long term business provisions.</p> <p>94% of insurance contract liabilities are modelled using the core actuarial modelling systems, with the residual balance modelled outside these systems to cater for any additional required liabilities not reflected in the models.</p> <p>We consider the key risks to relate to:</p> <ul style="list-style-type: none"> i) Model developments applied to the core actuarial models; ii) Liabilities modelled outside the core actuarial modelling systems; iii) The appropriateness of the core actuarial model <p>In addition, the migration of the with-profit business to a new actuarial model is considered a key risk area for 2023.</p>	<p>To obtain sufficient audit evidence to conclude on core actuarial modelling systems and balances calculated outside these systems, using EY actuaries as part of our audit team, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's process for model changes to the core actuarial system and tested the design, implementation and operating effectiveness of key controls over that process; • Challenged and evaluated the methodology, inputs and assumptions applied to model changes made in the core actuarial modelling systems over the year; • Reviewed the governance process around model changes by review of the relevant committee minutes; • Assessed the results of management's analysis of movements in insurance contract liabilities to corroborate that the actual impact of changes to models is consistent with that expected when the model change is implemented; • With respect to the migration of With Profits business in RAL, we tested management's process with a focus on both the robustness of outputs and ensuring that the differences between current and previous models were understood; • stratified the components of the balance modelled outside the core actuarial systems as at the balance sheet date and focused our testing on those that, in our professional judgement, present a higher risk of material misstatement. As part of the testing, we gained an understanding of the rationale for balances calculated outside of the core actuarial system and assessed the appropriateness of the applied calculation methodology. 	<p>We determined that the models used are appropriate, that changes to the models including the model migration were implemented as intended, and that controls over management's processes for modelling insurance contract liabilities using the core actuarial modelling systems were operating effectively.</p> <p>We also determined that liabilities modelled outside these core actuarial modelling systems are reasonable</p>
<p>Valuation of Modelled Debt Securities (£2.5bn; 2022: £2.5bn);</p> <p><i>Refer to the Accounting policies (pages 45 - 55 and note 21);</i></p> <p><i>There has been no change in our assessment of this risk from the prior year.</i></p> <p>The extent of judgment applied by management in valuing the Company's financial investments varies with the nature of securities held, the markets in which they are traded and the valuation methodology applied.</p> <p>Observable inputs are not readily available for the valuation of the modelled debt securities, such as private placements, local authority</p>	<p>We used EY valuation specialists to test the valuation of modelled debt securities. To obtain sufficient audit evidence to conclude on the valuation of modelled debt securities, we:</p> <ul style="list-style-type: none"> • Reviewed the ISAE 3402 Service Organisation Controls ('SOC') reports of the OSPs, covering the period to 30 September 2023 including those controls over the valuation of modelled debt securities outsourced to the OSPs, and determined the impact of any identified control exceptions; • obtained the bridging letter for the period 1 October 2023 to 31 December 2023 to review that the controls over the valuation of modelled debt securities were operating during the period; • inspected evidence of the operation of management's oversight controls over the OSPs; 	<p>Based on our procedures performed on the modelled debt securities, we are satisfied that the valuation of these complex and illiquid assets is reasonable</p>

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<p>loans, infrastructure loans and commercial real estate loans. Consequently, management use models with other inputs to estimate their value.</p> <p>We consider the key risks related to valuation of modelled debt securities to be:</p> <p>i) Use of complex valuation methodologies as opposed to observable prices;</p> <p>ii) Significant judgments involved in setting the spread above risk free-rate;</p> <p>iii) Subjectivity surrounding the selection of the comparable bonds to derive that spread; and</p> <p>Given the recent economic volatility we place additional focus on economic assumptions.</p>	<ul style="list-style-type: none"> • understood the valuation process of modelled debt securities applied by the OSP and assessed the appropriateness of any methodology and assumption changes during the year, including an impact of the current economic volatility on economic assumptions; • for modelled debt securities overseen by the in-house Independent Pricing Valuation ('IPV') and Credit and Valuation Committee, we have obtained an understanding of the valuation methodology and tested the design and operating effectiveness of the key controls; • engaged EY valuation specialists to evaluate the appropriateness of the valuation methodology, calculate an independent range of comparable values for a sample of modelled debt securities using an independent valuation model and considered reasonable alternative key assumptions based on comparable securities; • validated the accuracy of security related inputs to the valuation of modelled debt securities by tracing a sample of inputs to the underlying agreements and documentation; • performed independent calibration on securities by reviewing the implied rate and sector credit spreads to validate the reasonableness of credit ratings used in the comparable values assessment; and • considered the downgrade of credit ratings or changes of spread in management's credit watchlist and known market risks in our independent comparable values assessment. 	
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In the prior year, our auditor's report included a key audit matter in relation to valuation of insurance contract liabilities included within technical provisions – long term business provisions, specifically policyholder data. The significant risk identified in prior years has primarily been driven by historical data issues that have emerged over time. Given the reduced incidence of such issues in recent years, we no longer consider this to form part of our significant risk related to insurance contract liabilities.

Our application of materiality

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

Materiality

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

We determined 'planning' materiality for the Company to be £27.3 million (2022: £24.0 million), this is based on equity. During the course of our audit, we reassessed initial materiality and considered that the planning materiality remained appropriate. As a closed life assurance consolidator, key performance metrics are cash generation, Solvency II capital requirements and Own Funds. As these measures are non-GAAP measures, we consider UK GAAP equity to be the most appropriate equivalent metric.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £13.6m (2022: £12.0m). We have set performance materiality at this percentage due to the level of corrected and uncorrected misstatements in 2022.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.4m (2022: £1.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the relevant laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Company's control environment included assessment of the consistency of operations and controls in place within the Company.
- The fraud risk was considered to be higher within the valuation of insurance contract liabilities included within technical provisions – long term business provisions and manual non-routine adjustments to revenue. We considered management override risk to be higher in these areas due to the significant judgments and estimates involved.

Our procedures included:

- As detailed in the key audit matters above, we reviewed accounting estimates for evidence of management bias. Supported by our actuarial team, we assessed if there were any indicators of management bias in the valuation of insurance contract liabilities included within technical provisions - long term business provisions.
- Understood and tested manual non-routine adjustments to revenue. We assessed if there were any evidence of management override.
- Tested the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

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- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA and PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

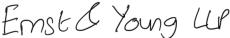
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 28 July 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2020 to 31 December 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the 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.

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Joseph Warrender (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 June 2024

ReAssure Limited

Statement of comprehensive income
for the year ended 31 December 2023

Long term business technical account	Notes	2023 £m	2022 £m *Restated
Gross premiums written		313	283
Outward reinsurance premiums		(566)	(273)
Earned premiums, net of reinsurance	5	(253)	10
Investment income	7	858	1,462
Unrealised gains / (losses) on investments	7	3,412	(8,256)
Other income	6	265	283
Claims paid:			
Gross amount		(2,500)	(2,382)
Reinsurers' share		594	331
Claims paid net of reinsurance		(1,906)	(2,051)
Change in provision for claims:			
Gross amount		7	(25)
Reinsurers' share		1	-
Change in provision for claims net of reinsurance		8	(25)
Claims incurred net of reinsurance		(1,899)	(2,076)
Change in long term business provision:			
Gross amount	29	987	6,710
Reinsurers' share	29	(263)	(481)
Change in long term business provision net of reinsurance		724	6,229
Change in technical provision for linked liabilities net of reinsurance		(2,311)	2,783
Change in technical provisions net of reinsurance		(1,587)	9,012
Net operating expenses	8	(243)	(232)
Investment expenses and charges	7	(69)	(78)
Other charges	9	(68)	(8)
Transfer (to) / from fund for future appropriation		(23)	59
Tax (charge) / credit on long term business	12	(175)	228
Balance on long term business technical account		218	404

*Refer to note 4 for details of restatement.

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Statement of comprehensive income (continued)
for the year ended 31 December 2023

Non-technical account	Notes	2023 £m	2022 £m *Restated
Balance on long term business technical account		218	404
Tax charge on long term business	12	42	53
Balance on long term technical account before tax		<u>260</u>	<u>457</u>
Investment income	7	18	-
Unrealised losses on financial assets	7	(97)	-
Loss on other activities		<u>(79)</u>	<u>-</u>
Profit on ordinary activities before tax		<u>181</u>	<u>457</u>
Tax charge on ordinary activities	12	(46)	(53)
Profit for the year		<u>135</u>	<u>404</u>
Other comprehensive income			
Revaluation deficit on land and buildings		(1)	-
Total comprehensive income for the year		<u>134</u>	<u>404</u>

*Refer to note 4 for details of restatement.

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Statement of financial position – assets

as at 31 December 2023

		As at 31 December 2023	As at 31 December 2022
ASSETS	Notes	£m	£m
Intangible assets	14	364	413
Investments			
Land and buildings	15	333	380
Investments in group undertakings and participating interests	16	1,456	1,353
Other financial investments	17	18,696	20,562
		<u>20,485</u>	<u>22,295</u>
Assets held to cover linked liabilities	23	32,039	32,232
Reinsurers' share of technical provisions			
Long-term business provision	29	98	361
Claims outstanding		16	16
Technical provisions for unit-linked liabilities	29	387	394
Debtors			
Debtors arising out of direct insurance operations – policyholders		108	94
Other debtors	24	474	945
Deferred tax asset	22	-	99
		<u>582</u>	<u>1,138</u>
Other assets			
Cash at bank and in hand		38	35
Contract assets	25	102	133
		<u>140</u>	<u>168</u>
Accrued income	26	13	13
		<u>13</u>	<u>13</u>
Total assets		<u><u>54,124</u></u>	<u><u>57,030</u></u>

ReAssure Limited


Statement of financial position – equity and liabilities

as at 31 December 2023

		As at 31 December 2023	As at 31 December 2022
	Notes	£m	£m
			*Restated
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	27	387	387
Share premium		134	134
Revaluation reserve	28	-	1
Capital contribution reserves	28	683	683
Profit and loss account		163	228
Total capital and reserves		1,367	1,433
Liabilities			
Fund for future appropriations		420	397
Technical provisions			
Long-term business provision	29	18,235	19,222
Claims outstanding		262	269
		18,497	19,491
Technical provisions for linked liabilities	29	32,560	32,592
Provisions for other risks			
Deferred taxation	22	33	-
Other provisions	32	6	13
		39	13
Deposits received from reinsurers		52	56
Creditors			
Creditors arising out of direct insurance operations		96	75
Creditors arising out of reinsurance operations		43	40
Other creditors including taxation and social security	33	1,009	2,902
		1,148	3,017
Accruals	35	41	31
Total liabilities		52,757	55,597
Total equity and liabilities		54,124	57,030

*Refer to note 4 for details of restatement.

On behalf of the board

DocuSigned by:

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Arlene Cairns
 Director
 3 June 2024

ReAssure Limited

Statement of changes in equity
for the year ended 31 December 2023

	Called up share capital £m	Share premium £m	Revaluation reserve £m	Capital contribution reserve £m	Profit and loss account £m	Total £m
Balance at 1 January 2023	387	134	1	683	228	1,433
Profit for the year	-	-	-	-	135	135
Other comprehensive income for the financial year	-	-	(1)	-	-	(1)
Total comprehensive income for the financial year	-	-	(1)	-	135	134
Dividends paid on ordinary shares (note 13)	-	-	-	-	(200)	(200)
Balance at 31 December 2023	387	134	-	683	163	1,367

	Called up share capital £m	Share premium £m	Revaluation reserve £m	Capital contribution reserve £m	Profit and loss account £m	Total £m
Balance at 1 January 2022	387	134	1	683	474	1,679
Profit for the year	-	-	-	-	404	404
Total comprehensive income for the financial year	-	-	-	-	404	404
Dividends paid on ordinary shares (note 13)	-	-	-	-	(650)	(650)
Balance at 31 December 2022	387	134	1	683	228	1,433

*Restated

*Refer to note 4 for details of restatement.

Of the above, £812m (2022: £878m) is considered distributable.

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 40 to 92 were authorised by the Board of Directors for issue on 3 June 2024.

The financial statements have been prepared on a historical cost basis except for investment property, investments in subsidiaries and associates and those financial assets and financial liabilities that have been measured at fair value.

Assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of comprehensive income unless required or permitted by a financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The financial statements are presented in sterling (£) rounded to the nearest £million except where otherwise stated.

These financial statements are separate financial statements and the exemption in section 400 of the Companies Act 2006 has been used not to present consolidated financial statements. The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc, a company incorporated in England and Wales. Copies of the Phoenix Group Holdings plc consolidated financial statements can be obtained from their company website, www.thephoenixgroup.com.

Going Concern

The Board has considered financial projections which demonstrate the ability of the Company to withstand market shocks in a range of scenarios, including very severe ones. In assessing the appropriateness of the going concern basis, the Board considered base case and plausible downside liquidity and solvency projections. The downside scenario used reflected the impacts of market disruption in the latter part of the current financial year and applied a stress period which incorporated a UK Sovereign downgrade amongst other appropriate stress calibrations.

The projections demonstrated that excess capital would remain in the Company under the downside scenario, supporting cash generation in the going concern period to 30 June 2025, and that liquidity was adequate to meet liabilities as they fell due. Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of compliance

The financial statements have been prepared in accordance with the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

The financial statements are prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") (together "UK GAAP").

The financial statements for the year ended 31 December 2022 were prepared under UK adopted international accounting standards. The date of transition to FRS 102 and FRS 103 was 1 January 2022. Information on the adjustments arising as a result of the transition is given in note 41.

The Company is considered to be a qualifying entity under FRS 102 and has applied the exemptions available in respect of the following disclosures:

- Cashflow statement and related notes
- Key management personnel compensation
- Related party transactions between two or more wholly owned subsidiaries of Phoenix Group Holdings plc.

2. Accounting policies

a) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by management in applying the Company's accounting policies include those that have the most significant effect on the amounts that are recognised in the Company's financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the measurement of insurance and investment contract liabilities and determination of the fair value of financial assets and liabilities. Details of all critical accounting estimates and judgements are included below.

Financial statement area	Critical accounting estimates, judgements and assumptions	Related notes
Technical provisions, including for linked liabilities	<p>Technical provisions, including for linked liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2023, there were no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 31.</p> <p>Accounting for technical provisions, including for linked liabilities is discussed in more detail in accounting policies (p) with further detail of the key assumptions made in determining technical provisions, including for linked liabilities included in the notes to the accounts. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends.</p> <p>The valuation of technical provisions, including for linked liabilities, is sensitive to the assumptions which have been applied in their calculation. Details of sensitivity analysis carried out is set out within note 31.</p>	29
Guarantees and options	<p>The Company is required to estimate the value of future guarantees and options for the with profits contracts. These estimates are subject to uncertainty and may not represent the ultimate amounts paid out to satisfy claims by policyholders (even before allowing for future enhancements to distribute the surplus assets). However, this risk of estimation uncertainty is offset, due to the fact that in all reasonably foreseeable circumstances, any change in the estimates of the value of options and guarantees will result in an offsetting movement in either asset shares or the unallocated distributable surplus. Since the unallocated distributable surplus is presented as a liability, the total liabilities recognised for contracts within the with profits funds is not subject to significant estimation uncertainty.</p> <p>The measurement of investment contracts is mainly comprised of the value of the underlying units and is not subject to significant estimation uncertainty.</p>	29
Fair value of financial assets and liabilities	<p>The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (k). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values.</p>	21
Investment property	<p>The fair value of commercial investment & residential property is based on valuations provided by external property valuation experts having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, having regard to the condition of the property and local market conditions. Property valuations are carried out in October of each year. These valuations are in accordance with the Royal Institute of Chartered Surveyors ("RICS") guidelines. Management makes an assessment on 31 December to determine if these valuations will be adopted and if any valuation adjustments are required.</p>	15
Investment in subsidiaries	<p>The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments.</p>	16

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	The accounting for both types of subsidiaries, including determining whether the Company has control over its subsidiaries for investment purposes, is discussed in more detail in accounting policy (j). Both types of subsidiary are held at fair value through profit or loss and are subject to the factors set out in the critical estimate above.	
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How climate risk affects our accounting estimates and judgments

In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities and intangible assets. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

The majority of the Company's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk. For the valuation of level 3 financial instruments, there are no material unobservable inputs that the Directors consider particularly sensitive to climate risk. Note 31 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk.

Insurance and investment contract liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2023 there are no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 31.

The assessment of impairment for intangible assets is based on value in use calculations. Value in use represents the value of future cash flows and uses the Company's five year annual operating plan and the expectation of long term economic growth beyond this period. The five year annual operating plan reflects management's current expectations on competitiveness and profitability, and reflects the expected impacts of the process of moving towards a low-carbon economy. No impairment indicators were identified in relation to the impacts of climate related risks on the Company's competitiveness and profitability.

b) Income recognition

Gross premiums written

In respect of insurance contracts and investment contracts with discretionary participation features ("DPF"), premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Funds at retirement under individual pension contracts converted to annuities with the Company are, for accounting purposes, included in both claims incurred and premiums within gross premiums written.

For linked business the due date for payment may be taken as the date when the liability is established.

Reinsurance premiums

Outward reinsurance premiums are accounted for on a payable basis. Reinsured premiums include fixed monthly payments made under longevity swap arrangements.

Reinsurance premiums include amounts receivable as refunds of premiums in cases where the Company cancels arrangements for the reinsurance of risk to another insurer.

Fees and commissions

Fee and commission income is shown under other technical income in the Statement of comprehensive income and relates to investment contract income. Investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those periods. 'Front end' fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of investment management services are deferred and recognised as the services are provided.

Investment income and expense

Investment income comprises interest, dividends and rents receivable. These are recognised in the Statement of comprehensive income as follows:

- Interest income - as it accrues using the effective interest method.
- Dividend income - on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

- Rental income from investment property - on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Realised gains and losses are the difference between the net sale proceeds and the original cost.

Unrealised gains/ losses

Unrealised gains and losses in respect of long term business are included in the long term business technical account. Other unrealised gains and losses, including gains and losses on investments in subsidiaries held for strategic purposes, are included in the non-technical account.

Fair value gains and losses on financial assets designated at fair value through profit or loss are recognised as income or expense in the Statement of comprehensive income.

Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

c) Transfers of business

Where the Company participates in a transfer of insurance business scheme under Part VII of the Financial Services and Markets Act 2000 and the ultimate shareholders remain the same, the transaction constitutes a business combination as part of a Group reconstruction. On initial recognition, the transferred assets and liabilities are measured at the carrying value in the transferring company and the resulting gain or loss is included within equity.

d) Benefits, claims and expenses recognition

Gross benefits and claims

Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and claims payable on death are recognised on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Reinsured claims include variable monthly claim recoveries received under longevity swap arrangements.

Other charges

Interest payable is recognised as an expense in the Statement of comprehensive income as it accrues and is calculated by using the effective interest method.

e) Non-technical account allocation

The Company contains only long-term business, with any other activities within the Group managed via separate entities. The Company manages its position primarily on a Solvency basis. As such there is no concept of a separate long-term insurance fund, with all assets presumed to be available to meet obligations to policyholders and support the solvency position of the Company.

Income and expenses on certain prescribed items such as intercompany loans and investments in strategic subsidiaries (see note 7) has been allocated to the non-technical account on the basis that it relates to Group-wide activities. All other income and expenses have been attributed to the technical account.

f) Taxation

In preparing the financial statements, the Company has adopted International Tax Reform—Pillar Two Model Rules (Amendments to FRS 102) which includes amendments effective from 1 January 2023.

Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in the statement of comprehensive income except to the extent that it relates to items recognised as other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the Statement of financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of timing differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The distinction between timing differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets.

The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on owners' returns. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to owners for the year. Deferred tax assets and liabilities taxed at policyholder rates are not offset against deferred tax assets or liabilities taxed at shareholder rates due to restrictions in place in life tax legislation.

g) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

h) Intangible assets

Acquired in-force business

Insurance and investment contracts with DPF acquired in business combinations and portfolio transfers are measured at fair value at the time of acquisition. The difference between the fair value of the contractual rights acquired and obligations assumed and the liability measured in accordance with the Company's accounting policies for such contracts is recognised in the financial statements as acquired in-force business. This acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The amortisation period and method is reviewed annually.

At each reporting date, the Company assesses whether there are any indications of impairment. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the asset with the estimate of the recoverable amount. When the recoverable amount is less than the carrying value, an impairment charge is recognised as an expense in the Statement of comprehensive income. Acquired in-force business is also considered in the liability adequacy test for each reporting period.

i) Investments: Land and buildings

Land and buildings

Land and buildings are initially recognised at cost and subsequently stated at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Fair value is determined annually by independent professional valuers, who are members of RICS and is based on market evidence. Land and buildings are depreciated over their estimated useful life, which is 60 years. No depreciation is recognised where the expected residual value is in line with the current fair value.

An increase in fair value on land and buildings is recognised in other comprehensive income, except to the extent that it is a reversal of a fair value loss previously recognised in the Statement of comprehensive income. Fair value losses are recognised in other comprehensive income to the extent of any previously recognised gains held in the revaluation reserve; amounts exceeding this are recognised in the Statement of comprehensive income.

Investment property

Investment property is initially recognised at cost, including any directly attributable transaction costs. Subsequently investment property is measured at fair value. Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. Fair value is determined without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses arising from the change in fair value are recognised as income or an expense in the Statement of comprehensive income.

j) Investment in group undertakings and participating interests

Investments in group undertakings

The Company has two categories of investments in group undertakings: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments. Investments in shares in group undertakings are carried at fair value through profit or loss.

The Company has invested in a number of collective investment schemes and other types of investment where judgement is applied in determining whether the Company controls the activities of these entities. These entities are typically structured in such a way that owning the majority of the voting rights is not the conclusive factor in the determination of control.

The Company considers the scope of its decision-making authority, including the existence of substantive rights (such as power of veto, liquidation rights and the right to remove the fund manager) that give it the ability to direct the relevant activities of the investee. The assessment of whether rights are substantive rights, and the circumstances under which the Company has the practical ability to exercise them, requires the exercise of judgement. Where the Company is deemed to control such collective investment schemes they are classified as investment subsidiaries. Where the Company is deemed to exercise significant influence over such investments they are classified as associates. Where the Company has an investment in but not control over these types of

entities, the investment is classified either as shares or participations in investment pools in the Statement of financial position.

Participating interests

Investments in associates that are held for investment purposes are measured at fair value through profit or loss, as permitted by FRS 102. There are no investments in associates which are of a strategic nature.

k) Financial instruments

The Company has chosen to account for its financial instruments in accordance with FRS 102.11.2 (c) which applies the recognition and measurement provisions of International Financial Reporting Standards ("IFRS") 9 *Financial Instruments* (as adopted for use in the UK) with the disclosure requirements of FRS 102.11 and FRS 102.12.

Financial instruments cover a wide range of financial assets and liabilities, including other financial investments, cash at bank and in hand, certain other debtors, and certain other creditors.

Recognition & de-recognition

Financial assets

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset.

The Company derecognises a financial asset (or part of a group of similar financial assets) where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are recognised when due. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Classification & measurement

Financial assets

Financial assets are classified into one of the following measurement categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost. Classification is made based on the objectives of the Company's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. Financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset, except for assets subsequently held at FVTPL where transaction costs are expensed.

Financial assets are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash, receivables and certain loans and deposits are non-derivative financial assets with fixed or determinable payments. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method.

Equities, variable & fixed rate income securities, certain loans and deposits, derivatives and unit trusts and other pooled investments are designated at FVTPL as they are managed and evaluated on a fair value basis. Net gains and losses, including interest and dividend income, are recognised in the Statement of comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

Financial liabilities

At initial recognition, financial liabilities are recognised at the fair value of the consideration received less directly attributable transaction costs (with the exception of liabilities at FVTPL for which all transaction costs are expensed).

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Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts without DPF and other liabilities designated at FVTPL) are measured at amortised cost.

Financial liabilities are designated upon initial recognition at FVTPL where doing so results in more meaningful information because either:

- it eliminates or significantly reduces accounting mismatches that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated and managed on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investments is provided internally on that basis to the Group's key management personnel.

Impairment of financial assets

The Company assesses the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The measurement of credit impairment is based on an ECL model and considers whether there has been a significant increase in credit risk.

For those credit exposures for which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the total ECL resulting from default events that are possible within 12 months after the reporting date ("12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company measures and recognises an allowance at an amount equal to the ECL over the remaining life of the exposure, irrespective of the timing of the default ("Lifetime ECL"). If the financial asset becomes 'credit-impaired' (following significant financial difficulty of issuer/borrower, or a default/breach of a covenant), the Company will recognise a Lifetime ECL. ECLs are derived from unbiased and probability-weighted estimates of expected loss.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs, and subsequent remeasurements of the ECL, are recognised in the Statement of comprehensive income. For other receivables, the ECL rate is recalculated each reporting period with reference to the counterparties of each balance.

Fair value measurement

The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques such as broker quotes, pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values. The fair value of receivables and floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques.

Collateral

It is the Company's practice to receive and pledge collateral in the form of cash or non-cash assets in respect of derivative contracts and reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Company receives collateral depends on an assessment of the credit risk of the counterparty, but is usually in the form of cash or marketable securities.

Collateral received in the form of cash, where the Company has contractual rights to receive the cash flows generated and is available to the Company for investment purposes, is recognised as a financial asset in the Statement of financial position with a corresponding financial liability for its repayment. The collateral repayable is recognised as 'obligations for repayment of collateral received' within 'other creditors including taxation and social security' and is measured at amortised cost, which in the case of cash is equivalent to cost. Non-cash collateral received is not recognised in the Statement of financial position, unless the counterparty defaults on its obligations under the relevant agreement.

Cash and non-cash collateral pledged where the Company retains the contractual rights to receive the cash flows generated is not derecognised from the Statement of financial position, unless the Company defaults on its obligations under the relevant agreement. Where the counterparty has contractual rights to receive the cash flows generated, cash and non-cash collateral pledged is derecognised from the Statement of financial position and a corresponding receivable is recognised for its return.

I) Reinsurance
Reinsurance ceded

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Reinsurers' share of insurance contract liabilities are dependent on expected claims and benefits arising under the related reinsured policies.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment charge is recorded as an expense in the Statement of comprehensive income. The reinsurers' share of investment contract liabilities is measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

Reinsurance premiums payable in respect of certain reinsured individual and group annuity contracts are payable in quarterly instalments until the year 2053. Due to the period of time over which reinsurance premiums are payable under these arrangements, the liability for the outstanding reinsurance premiums is measured at fair value through profit and loss using a discounted cash flow model and pre-tax risk-free discount rate and is recognised as 'deposits received from reinsurers' in the Statement of financial position. The unwinding of the discount calculated at the original effective date is included as a charge within finance costs in the Statement of comprehensive income. The impact of revaluation to a current discount rate is recognised as an item of income or expense within fair value gains or losses.

Gains or losses on purchasing reinsurance are recognised as income or an expense in the Statement of comprehensive income at the date of purchase and are not amortised. They are the difference between the premiums ceded to reinsurers and the related change in the reinsurers' share of insurance contract liabilities.

Reinsurance accepted

The Company accepts insurance risk under reinsurance contracts. Amounts paid to cedants at the inception of reinsurance contracts in respect of future profits on certain blocks of business are recognised as a reinsurance asset. Changes in the value of the reinsurance assets created from the acceptance of reinsurance are recognised as an expense in the Statement of comprehensive income, consistent with the expected emergence of the economic benefits from the underlying blocks of business.

At each reporting date, the Company assesses whether there are any indications of impairment. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the asset with the estimate of the recoverable amount. When the recoverable amount is less than the carrying value, an impairment charge is recognised as an expense in the Statement of comprehensive income. Reassurance assets are also considered in the liability adequacy test for each reporting period.

Intra-group retrocession arrangement ("IGR")

The Company has an IGR with RLL. The IGR covers the non-linked business and the insurance component of the unit-linked business of RLL. In respect of the non-linked business, the premium due to the Company from RLL is recorded within Insurance contract receivables in the Statement of financial position. In respect of the insurance component of the unit-linked business, the Company has paid an advanced claim amount to RLL. This amount is recorded as a Contract asset in the Statement of financial position and released to the Net operating expenses line of the Income Statement over the period in which the underlying cash-flows emerge.

m) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits, money held at call and short notice with banks and any highly liquid investments with less than three months to maturity from the date of acquisition.

n) Share capital and capital contributions

The Company has issued ordinary shares which are classified as equity. Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the Statement of changes in equity. The capital contribution reserve is distributable subject to the availability of distributable reserves.

o) Classification of contracts

Contracts are classified as insurance contracts where the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain event adversely affects the policyholder.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Some insurance and investment contracts contain a DPF. This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

Longevity contracts which do not meet the definition of insurance contracts are classified as derivatives and are valued by models on actuarial bases.

Contracts with reinsurers are assessed to determine whether they contain significant insurance risk. Contracts that do not give rise to a significant transfer of insurance risk to the reinsurer are considered financial reinsurance and are accounted for and disclosed in a manner consistent with financial instruments.

p) Technical Provisions***Long-term business provision – insurance contracts & investment contracts with DPF***

Insurance contract liabilities for non-participating business, other than unit-linked insurance contracts, are calculated on the basis of current data and assumptions, using either a net premium or gross premium method. Where a gross premium method is used, the liability includes allowance for prudent lapses. Negative policy values are allowed for on individual policies:

- where there are no guaranteed surrender values; or
- in the periods where guaranteed surrender values do not apply even though guaranteed surrender values are applicable after a specified period of time.

For participating business, the liabilities under insurance contracts and investment contracts with DPF are calculated in accordance with the following methodology:

- liabilities to policyholders arising from the with-profits business are stated at the amount of the realistic value of the liabilities, adjusted to exclude the owners' share of projected future bonuses;
- acquisition costs are not deferred; and
- reinsurance recoveries are measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

The realistic liability for any contract is equal to the sum of the with-profit bonus reserve and the cost of future policy-related liabilities. The with-profit bonus reserve for an individual contract is determined by either a retrospective calculation of 'accumulated asset share' approach or by way of a prospective 'bonus reserve valuation' method. In calculating the realistic liabilities, account is taken of the future management actions consistent with those set out in the Principles and Practices of Financial Management.

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profit business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 29.

Present value of future profits on non-participating business in the with-profits funds

For UK with-profits funds, an amount may be recognised for the present value of future profits ("PVFP") on non-participating business written in a with-profits fund where the determination of the value of liabilities in that with-profits fund takes account, directly or indirectly, of this value.

Where the PVFP can be shown to be due to policyholders this amount is recognised as a reduction in the liability rather than as an intangible asset, and is then apportioned between the amounts that have been taken into account in the measurement of liabilities and other amounts which are shown as an adjustment to the Fund for Future Appropriations.

The value of PVFP is determined in a manner consistent with the measurement of liabilities. In particular, the methodology and assumptions involve adjustments to reflect risk and uncertainty, which are based on current estimates of future experience and current market yields and allow for market consistent valuation of any guarantees or options within the contracts. The value is also adjusted to remove the value of capital backing the non-profit business if this is included in the realistic calculation of PVFP. The principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 29.

Technical provisions for linked liabilities

The technical provisions for linked liabilities include liabilities for unit-linked insurance contracts and unit-linked investment contracts (investment contracts without DPF).

Receipts and payments on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the Statement of financial position as an adjustment to the liability to the policyholder.

The valuation of liabilities on unit-linked contracts is based on the fair value of the related assets and liabilities. The financial liability is measured based on the carrying value of the assets and liabilities that are held to back the contract. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

The Company has treaties in place with third party insurance companies to provide reinsurance in respect of liabilities that are linked to the performance of funds maintained by those companies. The contracts in question do not transfer significant insurance risk and therefore are classified as financial instruments and are valued at fair value through profit and loss. These contracts are disclosed under Reinsurers' share of technical provisions in the Statement of financial position.

For unit-linked insurance contract liabilities the provision is based on the fund value, together with an allowance for any excess of future expenses over charges, where appropriate.

Investment income attributable to, and the movements in the fair value of, technical provisions for linked liabilities are included in 'Change in technical provision for linked liabilities' as income or an expense in the long term business technical account.

Embedded derivatives

Embedded derivatives, including options to surrender insurance contracts, that meet the definition of insurance contracts or are closely related to the host insurance contract, are not separately measured. All other embedded derivatives are separated from the host contract and measured at fair value through profit or loss.

Liability adequacy

At each reporting date, liability adequacy tests are performed to assess whether the insurance contract and investment contract with DPF liabilities are adequate. Current best estimates of future cash flows (contractual cash flows, related cash flows such as claims handling costs, and cash flows resulting from embedded options and guarantees) are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the Statement of comprehensive income.

Fund for future appropriations

The Fund for Future Appropriations ("FFA") is the unallocated surplus of the with-profits business and comprises the excess of assets over policyholder liabilities that have yet to be apportioned between policyholders and shareholders. The FFA is recorded wholly as a liability with no allocation to equity. The annual excess or shortfall of income over expenditure within the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the FFA each year through a charge or credit to the Statement of comprehensive income.

The with-profits funds are closed to new business and as required by FRS 103, the whole of the FFA has been classified as a separate liability.

If the realistic value of liabilities to policyholders exceeds the value of the assets in any with-profits fund, the FFA is valued at £nil.

Claims outstanding

Outstanding claims under insurance contracts and investment contracts with DPF are valued using a best estimate method under FRS 103. Outstanding claims under investment contracts without DPF are measured at full settlement value.

Reinsurers' share of technical provisions

The reinsurers' share of technical provisions is dependent on the expected claims and benefits arising under the related reinsured insurance contracts. They are measured on a consistent basis to underlying insurance contracts.

q) Borrowings

Interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised as income or an expense in the Statement of comprehensive income over the period of the borrowing using the effective interest method.

The loan with ERIP LP has been designated upon initial recognition at fair value through profit or loss and measured at fair value where doing so provides more meaningful information due to the reason stated above in the financial instruments accounting policy. Transaction costs relating to borrowings designated upon initial recognition at fair value through profit or loss are expensed as incurred.

The contingent loan from PGHP has been designated upon initial recognition at FVTPL to reduce the accounting mismatch between the contingent loan and the fixed rate loan from the Company to PGHP. Further information on these loans is provided in notes 18 and 34.

r) Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Company has a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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s) Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

3. New and amended accounting standards

During the year, an amendment was made to FRS 102 to introduce a temporary exception to the accounting requirements for deferred taxes, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income tax rules as published by the Organisation for Economic Co-operation and Development ("OECD").

A Financial Reporting Exposure Draft, FRED 82 Draft amendments to FRS 102 Periodic Review was published in December 2022, and incorporated into FRS 102 in March 2024 with an effective date of 1 January 2026. FRED 82 included a new model of revenue recognition, a new model of lease accounting and various other incremental improvements and clarifications. The impact of such changes on the Company continues to be assessed and is not expected to be material.

4. Restatement of prior year balances

The financial statements contain two prior year restatements. Firstly, they have been restated to reflect the impact of the move to UK GAAP from IFRS. Secondly there has been a prior year tax restatement. Details of both the restatements are shown below. Further details of the impact of the move to UK GAAP are also shown in Note 41.

Statement of comprehensive income

	2022 under IFRS 4 2022 £m	Transitional adjustment arising on movement to UK GAAP 2022 £m	Prior year tax restatement 2022 £m	Restated 2022 £m
Tax (charge) / credit on long term business	202	(6)	32	228
Balance on long term business technical account	378	(6)	32	404
Tax charge on long term business	91	(6)	(32)	53
Tax on ordinary activities	(91)	6	32	(53)
Profit for the year	378	(6)	32	404

Statement of financial position

	2022 under IFRS 4 £m	Transitional adjustment arising on movement to UK GAAP £m	Prior year tax restatement £m	Restated £m
Reinsurers' share of technical provisions	763	(8)	-	755
Deferred tax asset	97	2	-	99
Total assets	57,036	(6)	-	57,030
Profit and loss account	206	(10)	32	228
Total equity	1,411	(10)	32	1,433
Gross technical provisions	52,206	5	-	52,211
Other creditors including taxation and social security	2,934	-	(32)	2,902
Total liabilities	55,624	5	(32)	55,597

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Statement of changes in equity	Profit and loss account			
	2022 under IFRS 4 £m	Transitional adjustment arising on movement to UK GAAP £m	Prior year tax restatement £m	Restated £m
Balance at 1 January 2022	534	(60)	-	474
Profit for the year	322	50	32	404
Total comprehensive income for the year	322	50	32	404
Dividends paid on ordinary shares (note 13)	(650)	-	-	(650)
Balance at 31 December 2022	206	(10)	32	228

During 2022, the Company migrated to a group wide valuation system from the previous legacy system. Subsequent to the conversion, analysis has continued on the outputs from the system, including certain inputs into the Company tax computation. As a result of the revised analysis, certain inputs into the tax computation have been revised and the tax position as at 31 December 2022 has been re-stated. The impact as shown in the table above is that the tax credit for the year has been increased by £31.8m, increasing retained profit for the period by that amount. A corresponding update has been made to Tax Creditors in the Statement of Financial Position.

5. Earned premiums, net of reinsurance

Gross premiums written	2023 £m	2022 £m
Direct	275	270
Reinsurance accepted	38	13
	<u>313</u>	<u>283</u>

Direct business is analysed as follows:

	2023 £m	2022 £m
Individual business	247	270
Group contracts	28	-
	<u>275</u>	<u>270</u>
Participating contracts	44	42
Non-participating contracts	159	159
Linked business (excluding investment contracts without DPF)	72	69
	<u>275</u>	<u>270</u>

All business is written in the UK.

Outward reinsurance premiums

Outward reinsurance premiums comprise:	2023 £m	2022 £m
Longevity swap payments	11	-
Reinsurance premiums ceded under on-going reinsurance arrangements	555	273
	<u>566</u>	<u>273</u>

6. Other income

	2023 £m	2022 £m
Fee income from investment contracts without DPF	259	280
Fees and commissions	2	2
Other income from contracts with customers	4	1
Total other technical income	<u>265</u>	<u>283</u>

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7. Investment income and expense

	Technical account		Non-technical account	
	2023	2022	2023	2022
	£m	£m	£m	£m
Interest income on financial assets at FVTPL	710	646	-	-
Dividend income	898	910	-	-
Rental income	78	79	-	-
Income from group undertakings	61	12	18	-
Net realised losses on financial assets at FVTPL	(889)	(185)	-	-
Total investment income	<u>858</u>	<u>1,462</u>	<u>18</u>	<u>-</u>
<i>Unrealised gains/(losses) on investments:</i>				
Financial instruments	3,394	(7,870)	-	-
Land and buildings	(63)	(259)	-	-
Investment in subsidiaries	81	(127)	(97)	-
Net unrealised gains/(losses) on investments	<u>3,412</u>	<u>(8,256)</u>	<u>(97)</u>	<u>-</u>
Investment expenses and charges	(69)	(78)	-	-
Total investment return	<u>4,201</u>	<u>(6,872)</u>	<u>(79)</u>	<u>-</u>

8. Net operating expenses

	Note	2023	2022
		£m	£m
Administration expenses		15	8
Amortisation of contract assets	25	31	33
Amortisation of AVIF	14	49	52
Annual management expenses and transaction costs		132	126
Commissions		13	13
Other expenses		3	-
Total operating expenses		<u>243</u>	<u>232</u>

Employee costs

The Company has no employees. Administrative services are provided by ReAssure UK Services Limited, ("RUKSL"), a fellow group company. Costs incurred by RUKSL are charged to the Company through a Management Services Agreement ("MSA") by way of a monthly service charge.

9. Other charges

	2023	2022
	£m	£m
Interest expense:		
Financial liabilities at FVTPL	68	8
Total other charges	<u>68</u>	<u>8</u>

10. Directors' remuneration

	2023	2022
	£000	£000
Remuneration	828	775
Share option schemes and other long-term benefits	520	680
Contributions to money purchase pension schemes	3	1
Total directors' remuneration	<u>1,351</u>	<u>1,456</u>

Directors' remuneration comprises executive and non-executive Directors' remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes.

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	2023 Number	2022 Number
Number of Directors accruing retirement benefits under: money purchase pension scheme	3	3
Number of Directors who exercised share options during the year	2	5
	2023 £000	2022 £000
Highest paid Director's remuneration	448	433

The highest paid Director exercised share options during the year.

The Executive Directors are employed by either ReAssure UK Services Limited ("RUKSL"), Pearl Group Management Services Limited ("PGMS"), or Pearl Group Services Limited ("PGS"). The Non-Executive Directors are not employed but provide their services via a letter of appointment. For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

11. Auditor's remuneration

	2023 £000	2022 £000
Audit of the financial statements: Related to the Company	2,342	2,057
Related to direct subsidiaries	352	94

During the financial year ended 31 December 2023, Ernst & Young LLP acted as the Company's external auditor. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of PGHP, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

12. Tax charge/(credit)

<i>Current year tax charge/(credit)</i>	Technical account		Non-technical account	
	2023 £m	2022 £m	2023 £m	2022 £m
		*Restated		
Current tax:				
UK Corporation tax	39	45	4	-
Overseas tax	15	15	-	-
	54	60	4	-
Adjustment in respect of prior years	(11)	(19)	-	-
Total current tax charge	43	41	4	-
Deferred tax:				
Origination and reversal of temporary differences	129	(272)	-	-
Adjustment in respect of prior years	3	3	-	-
Total deferred tax charge/(credit)	132	(269)	-	-
Total tax charge/(credit)	175	(228)	4	-
Attributable to:				
- policyholders	133	(281)	-	-
- owners	42	53	4	-
Total tax charge/(credit)	175	(228)	4	-

*Refer to note 4 for details of restatement.

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The Organization for Economic Co-operation and Development (“OECD”) introduced Global Anti-Base Erosion Model Rules (“Pillar Two”) to ensure multinational enterprises pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate. During 2023, the UK has enacted tax legislation in respect of Pillar Two and the Company, as a subsidiary of the Group, is expected to be within the scope of the rules from 1 January 2024.

The Company has applied the disclosure exemptions available as the required equivalent tax disclosures are presented in the consolidated financial statements of the Group, in which the Company is included.

The Company, as a proxy for policyholders in the UK, is required to pay taxes on investment income and net investment gains each year. Accordingly, the tax benefit or expense attributable to UK life assurance policyholder earnings is included in the income tax expense.

Reconciliation of tax charge/(credit)

	2023 £m	2022 £m *Restated
Profit before tax attributable to owners	181	456
Tax at standard UK rate of 23.5% (2022: 19%)	42	87
Tax attributable to policyholders	-	4
Transfer pricing adjustments	(10)	(12)
Adjustments in respect of prior years	1	(17)
Impairment of subsidiaries	23	-
Foreign tax relief	(4)	(3)
Different basis of taxation for UK life insurance companies	(5)	(16)
Movement in recognition of deferred tax asset	-	10
Income not subject to tax	(1)	(1)
Other	-	1
Tax charge attributable to owners	<u>46</u>	<u>53</u>

*Refer to note 4 for details of restatement.

13. Dividends on ordinary shares

	2023 £m	2022 £m
Interim dividend for 2023 at 52p per share (2022: 168p per share)	<u>200</u>	<u>650</u>

14. Intangible assets

	Acquired in-force business	
	2023 £m	2022 £m
Cost		
At 1 January	<u>571</u>	<u>571</u>
At 31 December	<u>571</u>	<u>571</u>
Amortisation		
At 1 January	(158)	(106)
Amortisation charge for the year	<u>(49)</u>	<u>(52)</u>
At 31 December	<u>(207)</u>	<u>(158)</u>
Carrying amount		
At 31 December	<u>364</u>	<u>413</u>
Amount recoverable after 12 months	<u>321</u>	<u>364</u>

Acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The total average period over which the acquired in-force business is

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amortised is between 17 and 45 years. Annually, each AVIF asset is reviewed for impairment in accordance with the criteria outlined within note 2(h) above. There has been no impairment charge recorded in 2023 (2022: £nil).

15. Investments: Land and buildings

	2023	2022
	£m	£m
Current value		
Freeholds	252	295
Leaseholds with a term of over 50 years	67	72
Leaseholds with a term of less than 50 years	14	13
	333	380

(a) Investment property

	2023	2022
	£m	£m
Balance at 1 January	376	436
Additions (resulting from expenditure capitalised)	5	15
Disposals	(32)	(4)
Net loss from fair value adjustments	(19)	(71)
Balance at 31 December	330	376

	2023	2022
	£m	£m
Investment property cost	320	350

The property portfolio consists of a mix of commercial sectors, spread geographically throughout the UK.

Fair value measurement

The fair value measurement of investment property has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Commercial investment property

The fair value of commercial investment property is based on valuations provided by external property valuation experts having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, having regard to the condition of the property and local market conditions. The valuations are carried out in accordance with RICS guidelines.

The valuations are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving properties with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving properties with similar characteristics to the property being valued. In both approaches, where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

The following table shows the valuation techniques used in measuring the fair value of each class of investment property and the significant non-observable inputs used:

Description	Valuation technique	Significant inputs	Unobservable input value	
			2023	2022
Commercial investment property	RICS valuation	Expected income per square foot	£27.99 weighted average	£30.06 weighted average

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The Company's policy is to let investment properties to tenants through operating leases. Minimum future rentals to be received on non-cancellable operating leases of the Company's freehold and leasehold investment properties are receivable in the following periods:

	2023 £m	2022 £m
Less than 1 year	23	19
1 to 5 years	57	48
Over 5 years	40	44
Total	120	111

(b) Land and buildings

	2023 £m	2022 £m
Valuation		
Balance at 1 January	4	4
Net loss from fair value adjustments	(1)	-
Balance at 31 December	3	4

If the revalued land and buildings were stated on the historical cost basis, the amounts would be:

	2023 £m	2022 £m
At cost	4	4
Aggregate depreciation	(3)	(3)
Net book value based on historical cost	1	1

The revaluation effective date is 30 November 2023. The methods and assumptions used to value land and buildings are the same as those for investment property.

16. Investments: Investments in group undertakings and participating interests

	Cost		Current Value	
	2023 £m	2022 £m	2023 £m	2022 £m
Subsidiaries held for strategic purposes	217	217	115	211
Subsidiaries held for investment purposes	1,155	1,004	1,341	1,142
Total	1,372	1,221	1,456	1,353

Refer to note 40 for further information on the related undertakings of the Company.

The fair value measurements of the investment in subsidiaries held for investment purposes are classified in accordance with the principles in note 21, and information on the valuation methodology and hierarchy is given in that note.

The fair value for the investment in subsidiaries held for strategic purposes is determined with reference to their Solvency II net asset value, which is considered to approximate to fair value. This is categorised as a Level 3 fair value.

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17. Investments: Other financial investments

	Note	Cost		Carrying value	
		2023 £m	2022 £m	2023 £m	2022 £m
<u>Fair value through profit and loss</u>					
Equities		1,914	2,055	2,239	2,317
Variable rate income securities		886	1,204	855	1,019
Fixed rate income securities		12,476	14,027	11,149	11,791
Derivative assets	19	66	102	147	574
Unit trusts and other pooled investments		4,638	4,882	3,785	4,140
Loans and deposits	18	500	718	518	718
<u>Amortised cost</u>					
Loans and deposits	18	10	9	3	3
Total		20,490	22,997	18,696	20,562

	Carrying value	
	2023 £m	2022 £m
<i>Amounts included in the above relating to listed investments:</i>		
Equities	2,141	2,317
Variable rate income securities	649	826
Fixed rate income securities	9,076	9,702
Derivative assets	30	39
Unit trusts and other pooled investments	3,700	4,022
	15,596	16,906

18. Loans and deposits

	2023 £m	2022 £m
Loans to PGHP at fair value through profit or loss	518	718
<i>Loans and deposits at amortised cost</i>		
Loans secured on policies	3	3
Total loans and deposits	521	721
Amount recoverable after 12 months	521	590

Movements in loans to Group entities

	Total group loans £m
At 1 January 2023	718
New loans	500
Repayments	(718)
Interest capitalised	18
At 31 December 2023	518

On 31 December 2022, the Company issued a £718m loan to its ultimate parent company, PGHP with a maturity date of 31 December 2027. The interest rate has been set at SONIA + 1.49%. Repayments of principal and interest are made quarterly. The loan was repaid in full on 31 December 2023.

On 5 May 2023, the Company issued a £250m loan to its ultimate parent company, PGHP with a maturity date of 5 May 2028. The interest rate has been set at SONIA + 1.62%. Interest payments are due on 30 June and 31 December. The loan is repayable in full on the maturity date.

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On 21 July 2023, the Company issued a £250m loan to its ultimate parent company, PGHP with a maturity date of 21 July 2028. The interest rate has been set at SONIA + 1.51%. Interest payments are due on 30 June and 31 December. The loan is repayable in full on the maturity date.

19. Derivatives

The Company purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The Company does not typically hold derivatives for the purpose of selling or repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The Company also holds derivatives to hedge financial liabilities denominated in foreign currency.

All derivative instruments have been classified as held for trading and are not part of a designated hedging relationship.

The Company pledges and receives collateral in respect of its derivative positions. Further information is provided in note 20.

The fair values of derivative financial instruments are:

	2023	2023	2022	2022
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Forward currency	9	4	-	42
Interest rate swaps	94	184	524	1,154
Inflation swaps	-	-	10	5
Cross currency swaps	14	97	-	230
Stock index futures	2	25	24	1
Fixed income futures	28	14	15	27
Other	-	-	1	-
	147	324	574	1,459

20. Financial assets and liabilities

Expected settlement dates

	Amounts due for settlement after 12 months		Amounts due for settlement after 12 months	
	Total	2023	Total	2022
	£m	£m	£m	£m
Financial assets				
<i>Financial assets at amortised cost</i>				
Loans and deposits	3	3	3	3
Assets held to cover linked liabilities	364	23	455	22
<i>Financial assets at fair value through profit or loss</i>				
Equities	2,238	-	2,317	-
Variable rate income securities	855	832	1,019	1,016
Fixed rate income securities	11,149	10,559	11,791	11,207
Derivative assets	147	103	574	535
Unit trusts and other pooled investments	3,785	-	4,140	-
Loans and deposits	518	518	718	587
Assets held to cover linked liabilities	30,861	2,771	30,839	2,615
Reinsurers' share of investment contracts without DPF	387	-	394	-
	50,307	14,809	52,250	15,985

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	Amounts due for settlement after 12		Amounts due for settlement after 12	
	Total	months	Total	months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Assets held to cover linked liabilities	78	-	40	-
Other Creditors	450	-	522	-
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative liabilities	324	272	1,459	1,388
Investment contracts without DPF	29,028	-	29,234	-
Deposits received from reinsurers	52	47	56	50
Assets held to cover linked liabilities	15	-	46	-
Borrowings	234	-	952	-
	<u>30,181</u>	<u>319</u>	<u>32,309</u>	<u>1,438</u>

Due to the nature of equities, collective investment schemes and reinsurers' share of investment contract liabilities, there is no fixed term associated with these items.

Offsetting financial assets and financial liabilities

The Company has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2023 (2022: none).

The Company's over the counter ("OTC") derivatives are all subject to an International Swaps and Derivative Association ("ISDA") master agreement, which is considered a master netting agreement. Such agreements do not meet the criteria for offsetting in the Statement of financial position as the Company has no current legally enforceable right to offset recognised financial instruments. Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the Statement of financial position as the Company does not have permission to sell or re-pledge, except in the case of default.

The exception to this is assets held to cover linked liabilities, as detailed in note 23. Unit linked funds which cover linked liabilities contain both assets and liabilities and hence the liabilities have been offset against the assets when reporting the total of assets held to cover linked liabilities.

Collateral

See accounting policies note (k) for a description of the circumstances in which assets are recognised or derecognised from the Statement of Financial Position.

At 31 December 2023

	OTC derivatives £m	Reinsurance £m
<i>Collateral accepted</i>		
Not recognised	2,841	685
Recognised assets	80	-
Recognised liabilities	(80)	-
Maximum exposure to credit risk	130	-
Risk mitigated by use of collateral	(76)	-
Remaining risk	<u>54</u>	-
<i>Collateral pledged</i>		
Pledged as collateral	250	61
In respect of liabilities of	<u>290</u>	<u>137</u>

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At 31 December 2022

	OTC derivatives £m	Reinsurance £m
<i>Collateral accepted</i>		
Not recognised	-	726
Recognised assets	61	56
Recognised liabilities	(61)	(56)
Maximum exposure to credit risk	540	-
Risk mitigated by use of collateral	(36)	-
Remaining risk	504	-
<i>Collateral pledged</i>		
Pledged as collateral	994	54
In respect of liabilities of	1,452	123

Credit risk on exchange traded derivative assets of £50m (2022: £54m) is mitigated through regular margining and the protection offered by the exchange.

21. Fair value**Determination of fair value and fair value hierarchy of financial instruments***Level 1 financial instruments*

The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicates higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes, fair value is by reference to published bid prices.

Level 2 financial instruments

The fair values of financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified as Level 2, only where there is a sufficient range of available quotes. The fair value of over the counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investments schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

All the Company's Level 1 and Level 2 assets measured at fair value have been valued using standard market pricing sources.

Level 3 financial instruments

The Company's financial instruments determined by valuation techniques using non market observable inputs are based on a combination of independent third party evidence and internally developed models. In relation to investments in hedge funds and private equity investments, third party evidence in the form of net asset valuation statements are used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required. Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a number of investment vehicles and debt securities, standard valuation models are used, with inputs that may not be fully market observable. Where possible and appropriate, inputs into such models are based on market observable data. The fair value of loans and some borrowings with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

Transfers

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the middle and end of each reporting period. Transfers identified are deemed to have taken place at the start of the reporting period.

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Fair value hierarchy of financial instruments

Fair value hierarchy information for non-financial assets measured at fair value is included in note 15 for investment properties and land and buildings.

At 31 December 2023

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
<i>Financial assets measured at fair value</i>				
Subsidiaries held for investment purposes	1,079	-	262	1,341
Subsidiaries held for strategic purposes	-	-	115	115
Derivatives	30	117	-	147
Equities	2,069	73	96	2,238
Variable rate income securities	607	42	206	855
Fixed rate income securities	8,451	451	2,247	11,149
Unit trusts and other pooled investments	3,674	111	-	3,785
Loans and deposits	-	518	-	518
Assets held to cover linked liabilities	30,210	586	65	30,861
Reinsurers' share of investment contracts without DPF	387	-	-	387
Total financial assets measured at fair value	46,507	1,898	2,876	51,396

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
<i>Financial liabilities measured at fair value</i>				
Derivatives	39	285	-	324
Investment contracts without DPF	-	29,028	-	29,028
Deposits received from reinsurers	-	-	52	52
Assets held to cover linked liabilities	10	4	-	14
Borrowings	-	234	-	234
Total financial liabilities measured at fair value	49	29,551	52	29,652

At 31 December 2022

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
<i>Financial assets measured at fair value</i>				
Subsidiaries held for investment purposes	892	-	250	1,142
Subsidiaries held for strategic purposes	-	-	212	212
Derivatives	39	535	-	574
Equities	2,247	70	-	2,317
Variable rate income securities	783	43	193	1,019
Fixed rate income securities	8,663	834	2,294	11,791
Unit trusts and other pooled investments	4,022	118	-	4,140
Loans and deposits	-	718	-	718
Assets held to cover linked liabilities	30,206	575	58	30,839
Reinsurers' share of investment contracts without DPF	394	-	-	394
Total financial assets measured at fair value	47,246	2,893	2,795	53,146

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
<i>Financial liabilities measured at fair value</i>				
Derivatives	29	1,430	-	1,459
Investment contracts without DPF	-	29,234	-	29,234
Deposits received from reinsurers	-	-	56	56
Assets held to cover linked liabilities	24	21	-	45
Borrowings	-	952	-	952
Total financial liabilities measured at fair value	53	31,637	56	31,746

Financial instrument valuation methodology

Derivative financial assets and liabilities

OTC derivatives are measured at fair value using a range of valuation models including discounting future cash flows and option valuation techniques. The inputs are observable market data and OTC derivatives are therefore categorised as level 2 in the fair value hierarchy.

Exchange traded derivatives are valued using prices sourced from the relevant exchange. They are considered to be instruments quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

Equities, unit trusts and other pooled investments, subsidiaries held for investment at FVTPL, assets held to cover linked liabilities and reinsurers share of investment contracts without discretionary participation features.

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

The Company has limited exposure to unlisted equity securities via venture capital funds, where the Company receives valuations from the investment managers of the underlying funds. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are categorised as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

Unit trusts and other pooled investments, subsidiaries held for investment at FVTPL, and reinsurers' share of investment contract liabilities are valued in the same way as equities.

Debt securities

For debt securities, the Company has determined a hierarchy of pricing sources. The hierarchy consists of reputable external pricing providers who generally use observable market data. If prices are not available from these providers or are considered to be stale, the Company has established procedures to arrive at an internal assessment of the fair value. These procedures are based largely on inputs that are not based on observable market data. A further analysis by category of debt security is as follows:

Government, including provincial and municipal, and supranational institution bonds

These instruments are valued using prices received from external pricing providers who generally base the price on quotes received from a number of market participants. They are treated as level 1 or 2 instruments within the fair value hierarchy depending upon the nature of the underlying pricing information used for valuation purposes.

Corporate bonds (listed or quoted in an established over-the-counter market including asset backed securities)

These instruments are generally valued using prices received from external pricing providers who generally consolidate quotes received from a panel of banks into a composite price. As the market becomes less active the quotes provided by some banks may be based on modelled prices rather than on actual transactions. These sources are based largely on observable market data, and therefore these instruments are treated as level 2 instruments within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote the instruments are treated as level 3 instruments.

The Company has an immaterial amount of listed instruments for which prices are either not available from external pricing providers or the prices provided are considered to be stale. These instruments are treated as level 3 instruments within the fair value hierarchy.

Other corporate bonds including unquoted bonds, commercial paper and certificates of deposit

These instruments are valued using models. For unquoted bonds the model uses inputs from comparable bonds and includes credit spreads which are obtained from brokers or estimated internally. Commercial paper and certificates of deposit are valued using standard valuation formulas. The classification of these instruments within the fair value hierarchy will be either level 2 or 3 depending upon the nature of the underlying pricing information used for valuation purposes.

Infrastructure Loans

The fair value of the infrastructure loans are estimated by external fund managers using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement. Spread assumptions vary by manager but generally are based on a combination of publicly available spread information for comparable bonds, recent private transactions observed by the manager, and expert judgement. External valuations are verified internally using an in-house Independent Price Verification ("IPV") process. These instruments are classified as level 3 in the fair value hierarchy.

Commercial mortgages

The fair value of commercial mortgages are estimated by external fund managers using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement. Spread assumptions vary by manager but generally are based on a combination of publicly available spread information for comparable

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bonds, recent private transactions observed by the manager, and expert judgement. External valuations are verified internally using an in-house IPV process. The classification of these instruments within the fair value hierarchy will be level 3 in the fair value hierarchy.

Assets at amortised cost*Loans and deposits*

Loans and deposits at amortised cost are predominantly loans secured on policies. The fair value of the loans are equal to the original loan amount plus interest capitalised at a notional annual rate. As all outstanding balances are recouped in full when policy settlement takes place, or when the loan value exceeds the policy value, whichever is sooner, no impairment or discount in value is required. Due to the level of observable inputs, these assets are classified as level 2.

Investment contract without DPF

The fair value of the unit-linked contracts is calculated to be equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities in which these funds are invested. The underlying assets and liabilities are predominately classified as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are classified within level 2 of the fair value hierarchy. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

Technical provision

The Company has not disclosed fair values for investment contracts with a DPF (disclosed within insurance contract liabilities) as fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business. The assumptions and methods used in the calculation of these liabilities, and the carrying values at the year end, are set out in the accounting policies and note 29.

Significant inputs for Level 2 instruments and instruments measured at amortised cost

Financial instrument	Valuation technique	Significant inputs
<i>OTC Derivative assets and liabilities</i>	Pricing models	N/A
<i>Assets held to cover linked liabilities</i>	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table	
<i>Financial assets</i>		
Equity	Net asset value statements ¹	
Debt securities	Quoted market prices	N/A
Loans and deposits at FVTPL	DCF model ²	Discount rate
Unit trusts and other pooled investments	Quoted market prices	N/A
Loans and deposits at amortised cost	DCF model ²	Discount rate
<i>Financial liabilities</i>		
Investment contract liabilities without DPF	Unit prices x number of units	Unit prices from internal pricing system or third party ³
Borrowings at FVTPL	DCF model ²	Discount rate
Borrowings at amortised cost	DCF model ²	Discount rate

1. *Net asset value statements*: Net asset statements are provided by independent third parties, and therefore no significant non-observable input or sensitivity information has been prepared for those instruments valued on this basis.
2. *Discounted cash flow ("DCF") model*: Except where otherwise stated, the discount rate used is based on a risk-free curve and a credit spread. The spread is derived from a basket of comparable securities.
3. *Unit pricing system*: A system that calculates unit prices for internal funds from a fair value of assets and liabilities within each fund using market data.

Investment contract liabilities

The valuation of liabilities on unit-linked investment contracts is based on the fair value of the related assets and liabilities. The financial liability is measured based on the carrying value of the assets and liabilities that are held to back the contract.

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Significant inputs and input values for Level 3 instruments

Description	Valuation technique	Significant inputs	Key unobservable input value	
			2023	2022
<i>Debt securities</i>				
Commercial mortgages	DCF model ¹	Credit spread	251bps (weighted average)	257bps (weighted average)
Unquoted corporate bonds/ private placements	DCF model ¹	Credit spread	131bps (weighted average)	200bps (weighted average)
Local authority loans	DCF model ¹	Credit spread	128bps (weighted average)	142bps (weighted average)
Infrastructure loans	DCF model ¹	Credit spread	193bps (weighted average)	215bps (weighted average)
<i>Equity</i>				
	Net asset value statements ²	N/A	N/A	N/A
<i>Subsidiaries held for investment/ strategic purposes</i>				
	Net asset value statements ²	N/A	N/A	N/A
<i>Assets held to cover linked liabilities</i>	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table			
Deposits received from reinsurers	DCF model ¹	Discount rate	N/A	N/A

1. *DCF model*: See above in level 2 instruments and instruments measured at amortised cost

2. *Net asset value statements*: See above in level 2 instruments and instruments measured at amortised cost

22. Tax assets and liabilities

	2023	2022
	£m	£m
Current Tax		
Current tax recoverable	161	153
Deferred Tax		
Deferred tax assets	-	99
Deferred tax liabilities	(33)	-
Net deferred tax (liabilities)/assets	(33)	99

Year ended 31 December 2023

	At 1 January	Recognised in the Statement of comprehensive income	At 31 December
	£m	£m	£m
Capital losses	18	(18)	-
Expenses and deferred acquisition costs carried forward	175	(81)	94
Accelerated capital allowances	3	2	5
Transitional adjustment arising on movement to UK GAAP	2	(2)	-
Unrealised gains on investments	(98)	(33)	(131)
Other	(1)	-	(1)
	99	(132)	(33)

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Year ended 31 December 2022	At 1 January £m	Recognised in the Statement of comprehensive income £m	At 31 December £m
Capital losses	28	(10)	18
Expenses and deferred acquisition costs carried forward	9	166	175
Accelerated capital allowances	4	(1)	3
Transitional adjustment arising on movement to new tax regime	4	(4)	-
Transitional adjustment arising on movement to UK GAAP	8	(6)	2
Unrealised gains on investments	(222)	124	(98)
Other	(1)	-	(1)
	<u>(170)</u>	<u>269</u>	<u>99</u>

The standard rate of UK corporation tax for the accounting period is 23.5% (2022: 19%).

An increase in the UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Accordingly, shareholder deferred tax assets and liabilities, where provided, are reflected at 25%.

The Finance Act 2012 introduced new rules for the taxation of insurance companies, with effect from 1 January 2013. The deferred tax on the transitional adjustments was amortised over a 10 year period on a straight line basis commencing 2013 and was fully unwound in the 2022 current tax computations.

The Company transitioned to UK GAAP in the 2023 statutory accounts and any transitional adjustments arising from this have been fully unwound in the 2023 current tax computation.

The net deferred tax liability expected to reverse in 2024 is £29m (2022: £23m). This primarily relates to reversing timing differences in respect of excess expenses, deferred acquisition costs and unrealised chargeable gains.

Separately, companies in the UK life insurance industry have challenged HMRC's position on the corporation tax treatment of overseas portfolio dividends from companies resident in the EU ("EU dividends") using a Group Litigation Order ("GLO"). The issue relates to whether the UK tax rules, which taxes EU dividends prior to 1 July 2009, was contrary to EU law given that dividends received from UK companies were exempt from tax. In 2009 UK tax law was changed with both overseas and UK dividends being treated as exempt from corporation tax. As a result of the business transfer from L&G, a current tax asset for the benefit of the Company's with-profit and unit linked funds was recognised totalling £55m in 2020.

There is also a technical matter which is currently being discussed with HMRC in relation to the L&G insurance business transfer to the Company. These discussions are not sufficiently progressed at this stage for recognition of any tax benefit arising.

Deferred tax recognition

Deferred tax assets and liabilities are netted off to the extent that legal offset is available under local tax law.

Deferred tax assets are recognised on tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against anticipated taxable profits and gains based on business plans.

The Company has capital losses that have a potential value of £51m (2022: £52m) which are not recognised, because based on forecasts, they are not expected to be utilised.

The valuation of the capital losses is undertaken on the basis that no tax benefit arises in relation to the technical matter being discussed with HMRC in relation to the L&G insurance business transfer to the Company, mentioned above.

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23. Assets held to cover linked liabilities

	Cost		Carrying value	
	2023 £m	2022 £m	2023 £m	2022 £m
Assets held to cover linked liabilities	28,547	30,327	32,039	32,232
			2023 £m	2022 £m
Assets held to cover linked liabilities:				
Financial assets			31,226	31,293
Financial liabilities			(78)	(40)
Non-financial items			891	979
			2023 £m	2022 £m
Financial Assets				
<i>Financial assets at amortised cost</i>				
Other debtors			87	127
Cash at bank and in hand			223	277
Accrued income and prepayments			55	50
<i>Financial assets at fair value through profit or loss</i>				
Equities			16,108	16,154
Variable rate income securities			216	232
Fixed rate income securities			3,050	2,775
Derivative assets			33	21
Unit trusts and other pooled investments			10,756	10,946
Subsidiaries held for investment purposes			697	711
			<u>31,226</u>	<u>31,293</u>
Financial Liabilities				
Sundry creditors			(64)	5
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative liabilities			(14)	(45)
			<u>(78)</u>	<u>(40)</u>
Non-financial items				
Investment property			891	979
			<u>891</u>	<u>979</u>

The £32,039m of assets held to cover linked liabilities are held to cover net liabilities of £32,173m. As permitted under Solvency II, when unit matching in line with the guidance in Article 132 of the SII Directive (covering the Prudent Person principle), assets are not held to cover certain future liabilities to allow for projected surrender values resulting in net liabilities being greater than the related assets held.

24. Debtors: Other debtors

	Note	2023 £m	2022 £m
Initial margins		35	89
Collateral pledged		145	679
Group tax relief		76	-
Amounts due from related parties - other		38	3
Investment broker balances		2	4
Other receivables		17	17
Current tax receivable	22	161	153
		<u>474</u>	<u>945</u>

There are no amounts recoverable after 12 months (2022: nil).

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25. Other Assets: Contract assets

	2023 £m	2022 £m
At 1 January	133	166
Amortisation	(31)	(33)
At 31 December	102	133
Amount due for settlement after 12 months	<u>77</u>	<u>102</u>

On 31 December 2019, ReAssure Group plc acquired RLL (formerly known as Old Mutual Life Assurance Limited) from Quilter plc. Upon the acquisition of RLL, an IGR arrangement was put in place, which transfers the vast majority of the shareholder risk and rewards of the RLL business into the Company in return for an advanced claim amount and reinsurance premium.

The IGR covers the insurance component of the unit linked business, including both UK and the non-UK business, net of external reinsurance recoveries.

The contract asset represents the advanced claim paid by the Company to RLL as per the IGR contract. The contract asset was calculated based on a pricing model agreed between RLL and the Company. The contract asset is amortised as the cash flows emerge on the underlying contracts.

26. Accrued income

	2023 £m	2022 £m
Accrued income	13	13
	<u>13</u>	<u>13</u>
Amount recoverable after 12 months	<u>8</u>	<u>8</u>

27. Capital and Reserves: Called up share capital

	2023 £m	2023 Number	2022 £m	2022 Number
Issued and fully paid:				
Ordinary shares of £1 each	387	387,000,000	387	387,000,000

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

28. Capital and Reserves: Other reserves

	Capital contribution reserve £m	Revaluation reserve £m
At 1 January 2023	683	1
Revaluation	-	(1)
At 31 December 2023	<u>683</u>	<u>-</u>
At 1 January 2022	683	1
At 31 December 2022	<u>683</u>	<u>1</u>

Capital contribution reserve

The capital contributions reserve includes £33m of non-distributable reserves. The remaining £650m capital contributions received have been treated as capital as there is no agreement for repayment.

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Land and buildings revaluation reserve

The land and buildings revaluation reserve has arisen due to an increase in fair value subsequent to initial recognition.

29. Technical provisions**Gross technical provisions**

	Long -term business provisions £m	Linked Liabilities £m	Reinsurers' share: Long-term business provisions £m	Reinsurers' share: linked liabilities £m
At 31 December 2023				
Insurance contracts	13,236	2,776	98	-
Investment contracts with DPF	4,869	886	-	-
Investment contracts without DPF	130	28,898	-	387
	18,235	32,560	98	387

At 31 December 2022				
Insurance contracts	13,922	2,818	361	-
Investment contracts with DPF	4,956	884	-	-
Investment contracts without DPF	344	28,890	-	394
	19,222	32,592	361	394

Movement in liabilities

	Long-term business provisions £m	Linked Liabilities £m	Reinsurers' share: Long-term business provisions £m	Reinsurers' share: linked liabilities £m
At 1 January 2023	19,222	32,592	361	394
Premiums	200	548	(566)	-
Claims	(1,173)	(3,840)	594	-
Other changes in liabilities	(14)	3,260	(291)	(7)
At 31 December 2023	18,235	32,560	98	387

Change in long-term business provision

(987)

(263)

At 1 January 2022	25,932	37,815	842	477
Premiums	216	505	(273)	-
Claims	(1,952)	(2,895)	331	-
Other changes in liabilities	(4,974)	(2,833)	(539)	(83)
At 31 December 2022	19,222	32,592	361	394

Change in long-term business provision

(6,710)

(481)

Included in other changes in liabilities are changes in assumptions and economic and non-economic experience.

Assumptions*Valuation of participating insurance and investment contracts*

For participating business, which is with-profits business (insurance and investment contracts), the insurance contract liability is stated at the amount of the realistic value of the liabilities, adjusted to exclude the owners' share of future bonuses and the associated tax liability. This is a market consistent valuation, which involves placing a value on liabilities similar to the market value of assets with similar cash flow patterns.

For participating business, the liabilities are determined stochastically using an appropriate number of risk neutral scenarios produced by an economic scenario generator calibrated to market conditions and swap yields as at the valuation date.

Valuation of non-participating insurance contracts

The non-participating insurance contract liabilities are determined using a gross premium valuation method.

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Process used to determine assumptions

The approach to the valuation of insurance contracts in the financial statements is as follows:

- In determining the discount rate to be applied when calculating participating and non-participating insurance contract liabilities, the Company uses a risk-free rate plus a spread.
- For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit margin for demographic risks.

Changes to assumptions

Due to changes in economic and non-economic factors, certain assumptions used in estimating insurance and investment contract liabilities have been revised. Therefore, the change in liabilities reflects actual performance over the year, changes in assumptions and, to a limited extent, improvements in modelling techniques. The impact of material changes during the year were as follows:

	Increase/(decrease) in insurance liabilities 2023 £m	Increase/(decrease) in insurance liabilities 2022 £m
Change in longevity assumptions	(54)	(43)
Change in expenses assumptions	(3)	1
Change in mortality assumptions	2	-
Change in other assumptions	(4)	24

The impact of COVID-19 continues to be monitored on a regular basis, however given the uncertainty no adjustments have been deemed appropriate to date, as it remains too early to determine what the medium-long term impacts are likely to be and impacts may either reduce or increase future life expectancy.

Longevity and mortality assumptions

Longevity and mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, demographic differences between annuitants and the general population, company experience and forecast changes in future mortality. For both longevity and mortality base assumptions 2020 and 2021 data was excluded as it was distorted by the one-off effect of COVID-19 and is not deemed representative.

Expense assumptions

Expenses are assumed to increase at the rate of increase in the Retail Price Index ("RPI") or Retail Price Index excluding mortgage payments plus typical fixed margins in accordance with the various Management Service Agreements ("MSAs") the Company has in place with outsourced service providers. For with-profits business the rate of RPI inflation is determined within each stochastic scenario. For other business it is based on the Bank of England inflation spot curve. For MSAs with contractual increases set by reference to national average earnings inflation, this is approximated as RPI inflation or RPI inflation plus 1%.

Following a period of sustained growth for the Group, the projected cost base has been reviewed for future years, and an increase in MSA rates has been assumed from 2025, with current rates applying until 31 December 2024, in line with current contractual agreements. In addition, provision has been made within the assumptions for additional short-term maintenance costs, direct costs and project costs, to reflect the investment required in the enlarged business.

Persistency assumptions

The assumed rates for surrender and voluntary premium discontinuance in the participating business depend primarily on the length of time a policy has been in force. Withdrawal rates used in the valuation of with-profits policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unithised with-profits contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

Other assumptions

Other assumption changes include changes to assumptions that do not fall into the above three categories. Simplifications and expert judgements have been used to assign items into the other assumptions category.

Sensitivities

Financial and insurance risk sensitivities are set out in note 31.

Policyholder options and guarantees

Some of the Company's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders' discretion. These products are described below.

The Company's unit linked policies in general have no guarantees of significance, although a small number of policies benefit from a guaranteed minimum annuity rate at retirement. The cost of this is calculated using a similar

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approach as for the with profit policies. Non-profit policies have fixed guaranteed benefits, in the form either of a payment at or from a specified date in the future or a series of regular payments throughout life.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pension contracts, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, it is the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with-profits contracts usually increase the guaranteed amount.

There are guaranteed surrender values on a small number of older contracts.

Some pension contracts include guaranteed annuity options (see deferred annuities below for details). The total amount provided in the with-profits funds in respect of the future costs of guaranteed annuity options are £129m (2022: £146m).

Discretionary participating bonus rate

The regular bonus rates assumed in each scenario are determined in accordance with the Company's PPFM. Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM.

With-profits deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

Managing product risk

The following sections give an assessment of the risks associated with the Company's main life assurance products and the ways in which the Company manages those risks. The following tables provide a product analysis of the liabilities under insurance contracts, apportioned between 'technical liabilities' and 'linked liabilities' and reinsurers' share of insurance contract liabilities within the Statement of financial position.

	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
2023						
With-profits funds						
<i>Pensions</i>						
Deferred annuities	1,511	550	36	-	-	-
Immediate annuities	487	-	-	-	-	-
Unitised with-profits	18	3,948	1	-	-	-
Total pensions	2,016	4,498	37	-	-	-
<i>Life</i>						
Immediate annuities	139	-	-	-	-	-
Unitised with-profits	2,356	346	-	-	-	-
Life with-profits	205	25	-	-	-	-
Total life	2,700	371	-	-	-	-
Other – Unit Linked	-	-	36	94	638	6,448
Other	65	-	-	-	-	-
Non-profit funds						
Deferred annuities	369	-	1	-	-	-
Immediate annuities	7,589	-	-	-	-	-
Protection	437	-	-	-	-	-
Unit-linked	60	-	56	2,682	248	22,450
	13,236	4,869	130	2,776	886	28,898

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2022	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds						
<i>Pensions</i>						
Deferred annuities	1,542	546	35	-	-	-
Immediate annuities	490	-	-	-	-	-
Unitised with-profits	18	4,014	1	-	-	-
Total pensions	2,051	4,560	36	-	-	-
<i>Life</i>						
Immediate annuities	143	-	-	-	-	-
Unitised with-profits	2,507	368	-	-	-	-
Life with-profits	207	28	-	-	-	-
Total life	2,857	396	-	-	-	-
Other – Unit Linked	1	-	32	97	639	6,438
Other	65	-	-	-	-	-
Non-profit funds						
Deferred annuities	43	-	(5)	-	-	-
Immediate annuities	8,169	-	-	-	-	-
Protection	122	-	-	-	-	-
Unit-linked	614	-	281	2,721	245	22,452
Other	-	-	-	-	-	-
	13,922	4,956	344	2,818	884	28,890

2023	Reinsurers' share: Technical Liabilities	Reinsurers' share: Linked Liabilities
	Insurance contracts £m	Investment contracts without DPF £m
With-profits funds		
<i>Life</i>		
Life with-profits	4	-
Total life	4	-
Other – Unit Linked	-	95
Non-profit funds		
Immediate annuities	94	-
Unit-linked	-	292
	98	387

2022	Reinsurers' share: Technical Liabilities	Reinsurers' share: Linked Liabilities
	Insurance contracts £m	Investment contracts without DPF £m
With-profits funds		
<i>Life</i>		
Life with-profits	4	-
Total life	4	-
Other – Unit Linked	-	99
Non-profit funds		
Immediate annuities	357	-
Other	-	295
	361	394

With-profits fund (Unitised and Traditional)

The Company operates a number of with-profits funds in which the with-profits policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. Non-profit business is also written in some of the with-profits funds and some of the funds may include investment contracts, immediate annuities and deferred annuities with Guaranteed Annuity Rates ("GAR").

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The investment strategy of each fund differs, but is broadly to invest in a mixture of debt securities, equities, property and other asset classes in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources.

The Company has significant discretion regarding investment policy, bonus policy and early termination values. The process for exercising discretion in the management of the with-profits funds is set out in the PPFM for each with-profits fund and is overseen by With-Profits Committees. Advice is also taken from the with-profits actuary of each with-profits fund. Compliance with the PPFM is reviewed annually and reported to the PRA and policyholders.

The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profits funds together with other elements of the experience of the fund. The owners of the Company are entitled to receive approximately one-ninth of the cost of bonuses declared for some funds and £nil for others.

Unitised and traditional with-profits policies are exposed to equivalent risks, the main difference being that unitised with-profits policies purchase notional units in a with-profits fund whereas traditional with-profits policies do not. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profits fund price is typically guaranteed not to fall and increases in line with any discretionary bonus payments over the course of one year.

Deferred annuities

Deferred annuity policies are written to provide either a cash benefit at retirement, which the policyholder can use to buy an annuity on the terms then applicable, or an annuity payable from retirement. The policies contain an element of guarantee expressed in the form that the contract is written in i.e. to provide cash or an annuity. Deferred annuity policies written to provide a cash benefit may also contain an option to convert the cash benefit to an annuity benefit on guaranteed terms; these are known as GAR policies. Deferred annuity policies written to provide an annuity benefit may also contain an option to convert the annuity benefit into cash benefits on guaranteed terms; these are known as Guaranteed Cash Option ("GCO") policies.

The option provisions on GAR policies are particularly sensitive to downward movements in interest rates, increasing life expectancy and the proportion of customers exercising their option. Adverse movements in these factors could lead to a requirement to increase reserves which could adversely impact profit and potentially require additional capital. In order to address the interest rate risk (but not the risk of increasing life expectancy or changing customer behaviour with regard to exercise of the option), the Company has purchased derivatives that provide protection against an increase in liabilities and have thus reduced the sensitivity of profit to movements in interest rates.

The Company seeks to manage this risk in accordance with both the terms of the issued policies and the interests of customers, and has obtained external advice supporting the manner in which it operates the long-term funds in this respect.

Immediate annuities

This type of annuity is purchased with a single premium at the outset, and is paid to the policyholder for the remainder of their lifetime. Payments may also continue for the benefit of a surviving spouse or partner after the annuitant's death. Annuities may be level, or escalate at a fixed rate, or may escalate in line with a price index and may be payable for a minimum period irrespective of whether the policyholder remains alive.

The main risks associated with this product are longevity and investment risks. Longevity risk arises where the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa) although the extent to which this occurs will depend on the similarity of the demographic profile of each book of business.

The pricing assumption for mortality risk is based on both historic internal information and externally generated information on mortality experience, including allowances for future mortality improvements. Pricing will also include a contingency margin for adverse deviations in assumptions.

Investment risk, which is made up of market and credit risk, depends on the extent to which the annuity payments under the contracts have been matched by suitable assets which is managed under the ALM framework. Asset/liability modelling is used to monitor this position on a regular basis.

Protection

These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance and a clear process for administering claims.

30. Capital management

Capital Management Framework

The Company's Capital Management Framework is designed to achieve the following objectives:

- provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary excess capital;
- ensure sufficient liquidity to meet obligations to policyholders and other creditors; and
- meet the dividend expectations of owners.

The Company has met all of these objectives throughout the financial year. The framework comprises a suite of capital management policies that govern the allocation of capital throughout the Company to achieve the framework objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, owner dividend policy and regulatory capital requirements.

The capital requirements of the Company are forecast on a periodic basis, and the requirements are assessed against the forecast available capital resources. In addition, internal rates of return achieved on capital invested are assessed against hurdle rates, which are intended to represent the minimum acceptable return given the risks associated with each investment. Capital plans are ultimately subject to approval by the Board.

Extractions of capital are required to be in line with the dividend policy approved by the Board. The dividend policy covers quantity of capital, quality of capital, and the amount of distributable reserves.

Solvency II ("SII") external capital requirement

Following the implementation of the SII directive effective from 1 January 2016, the Company's capital is managed on a SII basis.

A SII capital assessment involves valuation in line with SII principles of the Company's Own Funds and a risk-based assessment of the Company's Solvency Capital Requirement ("SCR"). The Company calculates its SCR on the standard formulae basis in accordance with the SII regulations. The Company is required to meet the SCR at each quarterly valuation date. SII surplus is the excess of Eligible Own Funds over the SCR.

Basic Own Funds represent the excess of assets over liabilities from the SII balance sheet adjusted to add back any relevant subordinated liabilities that meet the criteria to be treated as capital items. The Basic Own Funds are classified into three Tiers based on permanency and loss absorbency (Tier 1 being the highest quality and Tier 3 the lowest). Limits are imposed on the amount of each tier that can be held to cover the SCR.

Surplus funds in the with-profit funds are restricted and can only be included in Eligible Own Funds up to the value of the SCR they are used to support.

The estimated SII surplus position at 31 December 2023 is presented in the Strategic report on page 4.

The Company did not breach the SCR at any time during the year.

Capital Policy

The capital policy is set by the Board and ensures there is sufficient capital to cover the SCR under stress conditions. It is monitored weekly by management and is reported each month at an executive and Board level.

The policy also ensures sufficient liquidity to meet creditor and dividend obligations. Volatility in the latter is monitored at the executive and Board level through stress and scenario testing. Where cash flow volatility is judged to be in excess of the Board's risk appetite, de-risking activities are undertaken.

The Company did not breach its capital policy at any time during the year.

31. Risk management

a) Overview

Risk Management Framework

The Group's RMF embeds proactive and effective risk management across the Phoenix Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group's RMF is aligned to the principles and guidance in ISO 31000 Risk Management standards. A diagram showing the nine elements of the Group's RMF is presented within the Company's strategic report, with further detail included in the Group's 2023 Annual Report and Accounts.

Risk Universe

The Group's Risk Universe (applicable to the Company) summarises the comprehensive set of risks to which the Company is exposed. The risk profile of each is an assessment of the impact and likelihood of those risks crystallising and the Company failing to achieve its strategic objectives. Changes in the risk profile are influenced

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by the commercial, economic and non-economic environment and are identified, assessed, managed, monitored and reported through the Group's RMF and Own Risk and Solvency Assessment ("ORSA") processes.

There are three levels of Risk Universe categories; the highest is Level 1 and includes:

Level 1 category	Definition
Strategic risk	A possible source of loss that might arise from the pursuit of an unsuccessful business plan; this source of loss can be to the shareholders and / or to the policyholders, and may drive reputational damage which could further impact the Company's ability to meet its strategic objectives.
Financial soundness	The risk of financial failure, reputational loss, loss of earnings and/or value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial, taxation and regulatory information.
Market risk	The risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of interest rates, inflation rates and currency exchange rates.
Credit risk	The risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.
Insurance risk	The risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.
Customer risk	The risk of financial failure, reputational loss, loss of earnings and/or value arising from inappropriate or poor customer treatment (including poor advice).
Operational risk	The risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.
Sustainability risk	The risk of financial failure, poor customer outcomes, reputational loss, loss of earnings and/or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group strategy (and vice versa).

The Company has also defined a more granular categorisation for Level 2 and Level 3 risks. This helps to further explain our attitude to these risks.

Climate risk

The Company is exposed to market and credit risk related to the transition to a low carbon economy, and the physical impacts resulting from climate change which could result in long-term market, credit, insurance, reputation, proposition and operational implications. As such, this risk is treated as a component of the cross-cutting Sustainability risk in the Group's Risk Universe.

Identification of climate related risks has been embedded into the Group's RMF, which applies to the Company. Significant progress has been made in recent years in developing risk metrics, and establishing appropriate governance and risk management processes. The Group has adopted a proactive approach towards combatting climate change, with key net-zero targets. Further details on these targets and on managing the related climate change risks are provided in the Climate Report and TCFD.

Intra-Group Retrocession

The Company has reinsurance agreement with a fellow Group company, RLL which transfers all the risks and rewards of RLL's insurance business to the Company.

The business reinsured consists primarily of unit linked pension business but also covers a portfolio of non-linked protection business. The reinsured business is within the Company's risk appetite and the ongoing risks are managed in accordance with the Group's RMF.

b) Strategic risk

Strategic risks threaten the achievement of the Company and Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, the Company seeks to proactively review, manage and control these exposures.

The Company's strategy and business plan are exposed to external events that could prevent or impact the achievement of the strategy; events relating to how the strategy and business plan are executed; and events that arise as a consequence of following the specific strategy chosen. The identification and assessment of strategic risks is an integrated part of the RMF. Strategic Risk should be considered in parallel with the Risk Universe as each of the risks within the Risk Universe can impact the Group and Company's strategy.

A Strategic Risk Policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Company and Group's strategic ambitions.

c) Financial risks

The use of financial instruments naturally exposes the Company to the risks associated with them which comprise mainly financial soundness risk, market risk, and credit risk. Financial soundness is a broad risk category encompassing liquidity and funding risk, capital management risk and tax risk.

Responsibility for agreeing the financial risk profile rests with the Board, as advised by investment managers, internal committees and the actuarial function. In setting the risk profile, the Board will receive advice from the Chief Investment Officer, the With-Profit Actuaries and the Chief Actuary as to the potential implications of that risk profile on the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement. The Chief Actuary will also advise the extent to which the investment risk assumed is consistent with the Company's commitment to help customers secure a life of possibilities, including meeting the FCA's expectations under the New Consumer Duty.

The Company's overall exposure to investment risk is monitored by appropriate committees, which agree policies for managing each type of risk on an ongoing basis, in line with the investment strategy developed to achieve investment returns in excess of amounts due in respect of insurance contracts. The effectiveness of the Company's ALM framework relies on the matching of assets and liabilities arising from insurance and investment contracts, taking into account the types of benefits payable to policyholders under each type of contract. Separate portfolios of assets are maintained for with-profits business, which includes all of the Company's participating business, non-linked non-participating business and unit-linked business.

d) Financial Soundness: Liquidity and funding risk

Liquidity risk in its broadest sense can be defined as failure to maintain adequate levels of financial resources to meet obligations as they fall due. Funding risk relates to the potential inability to raise additional capital or liquidity when required in order to maintain the resilience of the balance sheet. The Company has exposure to liquidity risk as a result of any failure to meet its short-term cash flow requirements, to meet its obligations to policy liabilities, the operating requirements of its subsidiaries and to meet margin calls under its hedging strategies.

The Board has defined a number of governance objectives and principles and the liquidity risk framework is designed to ensure that:

- Liquidity risk is managed in a manner consistent with the Board's strategic objectives, risk appetite and Principles and Practices of Financial Management ("PPFM");
- Cash flows are appropriately managed and the reputation of the Company and the Group are safeguarded; and
- Appropriate information on liquidity risk is available to those making decisions.

The Company's liquidity risk management strategy is based on a risk appetite less than 1 in 200 chance of having insufficient liquid or tangible assets to meet financial obligations as they fall due and is supported by:

- Holding appropriate assets to meet liquidity buffers;
- Holding high quality liquid assets to support day to day operations;
- An effective stress testing framework to ensure survival horizons are met under different severe, but plausible scenarios;
- Effective liquidity portfolio management including Early Warning Indicators; and
- Liquidity risk contingency planning

Liquidity forecasts that show headroom against liquidity buffers across a range of time horizons is monitored across all funds and segregated liquidity pools on a monthly basis. In the event of a liquidity shortfall, either current or projected, this would be managed in line with the Contingency Liquidity Plan where the latest available contingent management actions would be considered. In addition, the Company performs regular reviews of its liquidity risks, monitors risk indicators, and performs stress testing on these risks to define minimum liquid asset requirements and assess resilience of available actions. This mitigates the risk that the Company does not have appropriate liquidity under severe stress conditions.

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Other measures to manage liquidity risk include asset liability matching for annuity contracts and active monitoring of policyholder behaviour and trading position of unit-linked funds, surrenders on unit-linked policies are matched by the sale of underlying assets and mass lapses are considered within liquidity requirements. If considered necessary, deferral terms within the policy conditions can be invoked where the fund affected consists of less liquid assets such as property.

For annuity contracts, assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. The Company actively manages and monitors the performance of these assets against liability benchmarks and liquidity risk is minimised through the process of planned asset and liability matching.

For non-participating unit-linked contracts, a core portfolio of assets is maintained and invested in accordance with the mandates of the relevant unit-linked funds. Policyholder behaviour and the trading position of asset classes are actively monitored. The unit price and value of any associated contracts would reflect the proceeds of any sales of assets.

Investment contract policyholders have the option to terminate or transfer their contracts in part or in full at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due within one year, the Company does not expect all these amounts to be paid out within one year of the reporting date. Such surrenders would be matched in practice, if necessary, by sales of underlying assets and mass lapses are considered within liquidity requirements. The Company can delay settling liabilities to unit-linked policyholders to ensure fairness between those remaining in the fund and those leaving the fund. The length of any such delay is dependent on the underlying financial assets.

In extreme circumstances, insufficient liquidity could result in hedging strategies being unwound exposing the Company to higher capital risk. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit-linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of less liquid assets such as property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, the Company considers its risk to be low since there are steps that can be taken first within the funds themselves both to ensure the fair treatment of all investors in those funds and to protect the Company's own risk exposure. If considered necessary, deferral terms within the policy conditions are invoked.

A significant proportion of the Company's financial assets are held in gilts, cash, supranationals and investment grade securities which the Company considers sufficient to meet the liabilities as they fall due.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis, and throughout periods of market volatility such as the conditions seen recently.

e) Contractual maturities

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's financial liabilities and associated interest. The contractual maturities of recognised insurance liabilities are included based on the estimated timing of the discounted amounts recognised in the Statement of financial position, with the remaining liabilities included on an undiscounted basis in accordance with the requirements of UK GAAP:

2023

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Insurance contracts	2,055	5,879	8,078	-	16,012
Investment contracts with DPF	634	2,271	2,850	-	5,755
Investment contracts without DPF	29,028	-	-	-	29,028
Deposits received from reinsurers	7	31	37	-	75
Derivative Liabilities	52	13	578	-	643
Creditors arising out of reinsurance operations	43	-	-	-	43
Creditors arising out of direct insurance operations	96	-	-	-	96
Borrowings	243	-	-	-	243
Other Creditors	766	-	-	-	766

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2022

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Insurance contracts	1,714	4,344	10,682	-	16,740
Investment contracts with DPF	602	2,070	3,168	-	5,840
Investment contracts without DPF	29,234	-	-	-	29,234
Deposits received from reinsurers	7	24	44	-	75
Derivative Liabilities	72	173	2,663	-	2,908
Creditors arising out of reinsurance operations	40	-	-	-	40
Creditors arising out of direct insurance operations	75	-	-	-	75
Borrowings	243	-	-	718	961
Other Creditors	1,941	-	-	-	1,941

f) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. Note 30 gives more detail on how capital and capital management risk are managed.

g) Financial Soundness: Tax risk

Tax risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to an unforeseen tax cost, or by the inappropriate reporting and disclosure of information in relation to taxation.

Potential causes of Tax risk are: the Company making a material error in its tax reporting; incorrect calculation of tax provisions; failure to implement the optimum financial arrangements to underpin a commercial transaction; and incorrect operation of policyholder tax requirements.

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. In addition, the Company has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Company has in place to manage those risks.

h) Market risk

Market risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of changes in interest rates, inflation rates and currency exchange rates.

The Company is mainly exposed to market risk as a result of:

- the mismatch between liability profiles and the related asset investment portfolios;
- the investment of surplus assets including owners' reserves yet to be distributed, surplus assets within the long-term funds and assets held to meet regulatory capital and solvency requirements; and
- the income flow of management charges from the invested assets of the business.

The Company manages the levels of market risk that it accepts through the operation of a Market Risk Policy, using a number of controls and techniques including:

- Defined lists of permitted securities and/or application of investment constraints and portfolio limits;
- Clearly defined investment benchmarks for policyholder and shareholder funds;
- Stochastic and deterministic asset/liability modelling;
- Active use of derivatives to improve the matching characteristics of assets and liabilities and to reduce the risk exposure of a portfolio; and
- Setting risk limits for main market risks and managing exposures against these appetites.

All operations comply with regulatory requirements relating to the taking of market risk.

Assets in the shareholder funds are managed against benchmarks that ensure they are diversified across a range of asset classes, instruments and geographies that are appropriate to the liabilities of the funds or are held to match the cash flows anticipated to arise in the business. A combination of limits by name of issuer, sector, geographical region and credit rating are used where relevant to reduce concentration risk among the assets held.

The assets of the participating business are principally managed to support the liabilities of the participating business and are appropriately diversified by both asset class and geography, considering:

- The economic liability and how this varies with market conditions;

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- The need to invest assets supporting participating business in a manner consistent with the participating policyholders' reasonable expectations and PPFM; and
- The need to ensure that regulatory and capital requirements are met.

In practice, an element of market risk arises as a consequence of the need to balance these considerations, for example, in certain instances participating policyholders may expect that equity market risk will be taken on their behalf, and derivative instruments may be used to manage these risks.

Markets remain volatile particularly given geopolitical tensions, heightened inflation and action by central banks to reduce these pressures on economies whilst balancing the need to aid post pandemic recovery. This is noted in the Strategic Report principal risk section.

i) Market Risk: Interest rate and inflation risk

Interest rate (and inflation) risk is the risk that changes in long term interest rates or inflation rates (or the volatilities of these rates) could lead to reduction in asset values relative to liabilities which may result in losses for policyholders and shareholders.

The main financial assets held by the Company which give rise to interest rate risk are debt securities, loans and deposits, cash and cash equivalents. Insurance and investment contract liabilities exposed to interest rate risk principally comprise non-unit-linked liabilities. Other financial liabilities subject to interest rate risk include derivative financial instruments and borrowings.

The Company is required to manage its interest rate exposures in line with the Company's qualitative risk appetite statements, quantitative risk metrics and any additional hedging benchmarks. Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the non-profit funds. For with-profit business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. The with-profits funds of the Company provide capital to allow such mismatching to be effected. In practice, the Company maintains an appropriate mix of debt securities according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

With-profits business and non-participating business within the with-profits funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include debt securities and derivatives. For with-profits business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits.

The matching of movements in liabilities and hedging assets under several stresses is used to minimise the interest rate risk that arises from mismatches between participating contract liabilities and the assets backing those liabilities. Cash flow matching is used to minimise the interest rate risk that arises in the participating business from mismatches between non-participating insurance contract liabilities and the assets backing those liabilities. A combination of debt securities and derivative financial instruments are held to assist in the management of interest rate sensitivity arising in respect of the cost of guarantees.

A sensitivity analysis for interest rate risk is presented in section (q) below.

j) Market Risk: Currency risk

Currency Risk is the risk of changes in the value of currencies could lead to reductions in asset values which may result in losses for policyholders and shareholders.

The Company's financial assets are generally denominated in the same currencies as its insurance and investment liabilities. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad. This exposure is managed through the use of derivatives.

The Company is exposed to currency risk fluctuations impacting the income flow of management charges from the invested assets of unit-linked funds; this is primarily managed against risk appetites through the use of derivatives.

Certain with-profits funds have an exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed through investment mandates which are subject to the oversight of the Enterprise Asset Management Committee and Board Investment Committees.

k) Market Risk: Equity and property price risk

The Company is exposed to the risk reductions in the valuation of equities (or changes in the volatility) or property investments which could result in reductions in asset values and losses for policyholders or shareholders. In this context, equity assets should be taken to include shares, equity derivatives, equity collectives and unlisted equities. Property assets include direct property investment, shares in property companies, property collectives and structured property assets.

Equity and property price risk is primarily borne in respect of assets held in with-profits funds, unit-linked funds. For unit-linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with-profits funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk. In addition some equity investments are held in respect of owners' funds.

The Company's objective in holding these assets is to earn higher long-term returns by investing in a diverse portfolio of high quality equities and properties.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for maintaining adequate regulatory capital and treating customers fairly. Exposures to equity securities are primarily controlled through the use of investment mandates including constraints based on appropriate equity indices. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited. For the participating business, exposures are also partially hedged through the use of derivatives. Exposures to property holdings are primarily controlled through the use of portfolio limits which specify the proportion of the value of the total property portfolio represented by any one property or group of property, geographic area, or property type.

The Company as a whole is exposed to price risk fluctuations impacting the income flow of management charges from the invested assets of all funds; this is primarily managed through the use of derivatives.

A sensitivity analysis for equity and property price risk is presented in section (q) below.

l) Credit risk

Credit risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.

There are two principal sources of credit risk for the Company:

- Credit risk which results from direct investment activities, including investments in debt securities, derivative counterparties, collective investment schemes, hedge funds and the placing of cash deposits; and
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance agreements and the lending of securities.

The amount disclosed in the Statement of financial position in respect of all financial assets, together with rights secured under unrecognised collateral arrangements, but excluding those that back unit-linked liabilities, represents the Company's maximum exposure to credit risk.

Credit risk management

Credit risk is managed by the monitoring of aggregate Company exposures to individual counterparties and by appropriate credit risk diversification (including by sector, credit rating and geographic area). The Company manages the level of credit risk it accepts through the use of credit risk tolerances and limits. Additional controls for illiquid asset concentration risk are set out via specific risk limits within the risk appetite framework. Credit risk on derivatives and securities lending is mitigated through the use of collateral with appropriate haircuts.

The Company operates an Asset Management Risk Committee, Ratings Committee and Portfolio Credit Committee to monitor and control oversight of externally rated and internally rated assets. A variety of methods are used to validate the appropriateness of credit assessment from external institutions and fund managers. Internally rated assets are those that do not have a public rating from an external credit assessment institution or from external asset managers. The Committees reviews the policies, processes and practices to ensure the appropriateness of the internal ratings assigned to asset classes, in line with the regulatory requirements.

The Company maintains accurate and consistent risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories of assets and are assessed and updated regularly. Significant exposures and breaches are reported to the Board and to the Investment Committee.

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The Company has increased exposure to an array of illiquid credit assets such as local authority loans, social housing, infrastructure and commercial real estate, with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation approved by the Board.

The impact of non-government debt securities and, inter alia, the change in market credit spreads during the year are fully reflected in the values shown in these financial statements. Credit spreads are the excess of corporate bond yields over the risk-free rate to reflect the higher level of risk and return. Similarly, the value of derivatives that the Company holds takes into account the full changes in swap spreads.

The shareholders' exposure to credit risk arising from investments held in the with-profits funds is similar in purpose to that disclosed for market risk exposures in section (h).

Concentration of credit risk

Concentration of credit risk might exist where the Company has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Company's counterparty risk is monitored by the counterparty limit framework contained within the Group credit risk policy and further provided in the investment guidelines and investment management agreements, overlaid by regulatory requirements. Counterparty risk in respect of OTC derivative counterparties is monitored using a Potential Future Value ("PFE") exposure metric.

The Company is also exposed to concentration of credit risk with outsourced service providers. The Company operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees as well as through stress and scenario testing.

Reinsurance

The Company is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. The Company's policy is to place reinsurance only with highly rated counterparties. The Company is restricted from assuming concentrations of risk with individual external reinsurers by specifying limits on ceding and the minimum conditions for acceptance and retention of reinsurers, however due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings, some concentration risk does arise. The Company manages its exposure to reinsurance credit risk through collateralisation where appropriate and regular monitoring of exposures at the Reinsurance Management Committee and other credit focused committees.

Collateral

The credit risk exposure of the Company is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. The use of collateral is governed by formal contractual agreements between the parties.

Collateral is mainly obtained in respect of reinsurance and OTC derivatives. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist.

Information on the values of collateral held and pledged is given in note 19.

m) Quality of credit assets

An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The table below sets out the Company's exposure to different credit assets for those counterparties that are rated by an External Credit Assessment Institution (ECAI). Credit assets and their issuers are rated by ECAI's based on their credit worthiness. The Company aims to invest in Investment Grade assets which are those assets in the range of AAA to BBB-. Any asset with a rating lower than BBB- is considered sub-investment grade:

2023

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-Rated £m	Total £m
Loans and deposits	-	-	-	-	-	521	521
Derivative assets	-	-	-	-	-	147	147
Debt securities	851	3,586	3,873	3,478	183	33	12,004
Reinsurers' share of technical provisions	-	377	(279)	-	-	-	98
Cash at bank and in hand	-	-	38	-	-	-	38
	<u>851</u>	<u>3,963</u>	<u>3,632</u>	<u>3,478</u>	<u>183</u>	<u>701</u>	<u>12,808</u>

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2022

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Non-Rated £m	Total £m
Loans and deposits	-	-	-	-	-	721	721
Derivative assets	-	-	-	-	-	574	574
Debt securities	892	3,685	4,060	3,917	228	28	12,810
Reinsurers' share of technical provisions	-	(412)	773	-	-	-	361
Cash at bank and in hand	-	-	36	(1)	-	-	35
	892	3,273	4,869	3,916	228	1,323	14,501

The Company had no material assets which were impaired (2022: £nil).

To achieve better diversification of credit risk and enhance returns, the Company invests in private debt assets which are more illiquid than standard corporate bonds and generally not rated by an ECAI. The monitoring and control oversight of internally rated assets is discussed in more detail in section (I).

The following table provides information regarding the aggregate credit exposure of internally rated assets:

2023

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Total £m
Debt securities	-	394	576	1,350	130	2,450
	-	394	576	1,350	130	2,450

2022

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Total £m
Debt securities	-	464	600	1,295	131	2,490
	-	464	600	1,295	131	2,490

Credit ratings have not been disclosed in the above tables for holdings in collective investment schemes. The credit quality of the underlying debt securities within these vehicles is managed by the safeguards built into the investment mandates for these vehicles.

Credit ratings have not been disclosed in the above tables for the assets of the unit-linked funds since the shareholder is not directly exposed to credit risks from these assets. Included in unit-linked funds are assets which are held as reinsured external fund links. Under certain circumstances, the shareholder may be exposed to losses relating to the default of the reinsured external fund link. These exposures are actively monitored and managed by the Company and the Company considers the circumstances under which losses may arise to be very remote.

For reinsurance assets, where the counterparty is part of a group and a rating only exists for the parent of the group, then the rating of the parent company has been used where appropriate.

n) Insurance risk

Insurance risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.

Insurance risk is made up of:

- Longevity risk – lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality
- Mortality risk – higher than expected death claims on assurance products or lower than expected improvements in mortality
- Morbidity/ Disability risk – higher than expected number of inceptions on critical illness or income protection policies and lower than expected termination rates on income protection policies
- Persistency risk – adverse movement in surrender rates, premiums paying rates, cash withdrawal rates, GAO surrender rates, GAO take-up rates, policyholder retirement dates, prosperity to commute benefits, transfer out rates or the occurrence of a mass lapse event leading to losses
- Expense risk – unexpected timing or value of expenses incurred

Objectives and policies for mitigating insurance risk

Insurance risks are managed by monitoring the Company's exposure against pre-defined appetite limits. If a risk is moving out of appetite, the Company can choose to mitigate it via reinsurance in the case of longevity, mortality and morbidity risks, or by taking other risk reducing actions.

This is supported by additional methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. Assumptions that are deemed to be financially significant are reviewed at least annually for pricing and reporting purposes.

For expense risk, RUKSL, a Service company within the Group, incurs the costs required to run the business and charges RAL a fixed cost per policy, reducing some of the expense risk exposure borne by RAL.

The profitability of the run-off of the Company's Heritage business depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

The Company's liabilities under insurance contracts are detailed in note 29, which also covers the risks arising on specific contracts and how these are mitigated.

A sensitivity analysis for insurance risk is presented in section (q) below.

o) Customer risk

Customer risk is defined as the risk of financial failure, reputational loss, loss of earnings, and/or value arising from inappropriate or poor customer treatment (including poor advice). It can arise as a result of:

- **Customer Outcomes:** The risk that our decisions, actions or behaviours individually or collectively result in a failure to act to deliver good outcomes for our customers, including in the following areas: Product Design & Development, Communication & Guidance, Customer Support & Understanding, Monitoring & Oversight, Customer Feedback, and Culture & standards.
- **Customer Transformation:** The design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.

The Group has both a Conduct Risk appetite, to focus on behaviours within the business, and a Customer Risk appetite to focus on achieving good customer outcomes (both of which apply to the Company). The behaviours and standards all colleagues are expected to achieve are detailed in our Group Code of Conduct. For our customers, what represents a good outcome is articulated in our Customer Standards and supporting Business Unit processes. In addition, The Group Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.

The Company also has a suite of customer policies which set out the key customer risks and Control Objectives in place to mitigate them. The customer risks for the Group, and of the Company, are regularly reported to management oversight committees.

p) Operational risk

Operational risk is defined as the risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.

Operational risk arises due to failures in one or more of the following aspects of our business:

- indirect exposures through our outsourcing service providers (OSPs) and suppliers;
- direct exposures through internal practices, actions or omissions;
- external threats from individuals or groups focused on malicious or criminal activities, or on external events occurring which are not within the Company's control; and
- negligence, mal-practice or failure of colleagues, or suppliers to follow good practice in delivering operational processes and practices.

It is accepted that it is neither possible, appropriate nor cost effective to eliminate all operational risks from the Company as operational risk is inherent in any operating environment particularly given the regulatory framework

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under which the Company operates. As such the Company will tolerate a degree of operational risk subject to appropriate and proportionate levels of control around the identification, management and reporting of such risks.

The Company also has a set of operational risk policies that set out the nature of the risk exposure and key controls in place to control the risk.

q) Financial and insurance risk sensitivities

The tables that follow illustrate the sensitivity of profit after tax and equity to variations in the key assumptions made in relation to the Company's most significant financial and insurance risk exposures. The sensitivities are based on Solvency II, in line with the way the Company is managed. The values have, in all cases, been determined by varying the relevant assumption as at the reporting date and considering the consequential impacts assuming other assumptions remain unchanged. The values are for a full financial year.

Insurance liabilities are sensitive to changes in risk variables, such as prevailing market interest rates, credit spreads and equity prices, since these variations alter the value of the financial assets held to meet obligations arising from insurance contracts and changes in investment conditions also have an impact on the value of insurance liabilities themselves. Additionally, insurance liabilities are sensitive to the assumptions which have been applied in their calculation. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. The most significant non-economic sensitivities arise from mortality, longevity and lapse risk. The level of stress in the sensitivities presented below are consistent with the SII standard formula univariate stress definitions.

Sensitivities

	2023 Effect on profit after tax and equity £m	2022 Effect on profit after tax and equity £m
Financial sensitivities		
Variable widening of credit spreads	(394)	(435)
Variable increase in interest rates	(42)	(131)
Variable decrease in interest rates	53	173
39% decrease in Type 1 equity	(41)	96
49% decrease in Type 2 equity	(115)	(170)
25% decrease in property prices	(14)	(21)
Insurance sensitivities		
15% increase in assurance mortality	(62)	(66)
20% increase in annuitant longevity	(202)	(434)
50% increase in lapse rates	(255)	(275)
50% decrease in lapse rates	(48)	(52)

Limitations

The financial impact of certain risks is non-linear and consequently the sensitivity of other events may differ from expectations based on those presented below. Correlations between the different risks and/or other factors may mean that experience would differ from that expected if more than one risk event occurred simultaneously. The analysis has been assessed as at the reporting date. The results of the mortality sensitivity analysis have been based on instantaneous change in the mortality assumption at all ages, rather than considering gradual changes in mortality rates.

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32. Provisions for other risks: Other provisions

	Redress provision £m	Pricing error £m	HMRC provision £m	Other £m	Total £m
At 1 January 2023	2	-	7	4	13
<i>Charged/(credited) to income statement</i>					
Additional provisions	2	5	-	1	8
Unused amounts released	(1)	-	(7)	(3)	(11)
Used during the year	-	(4)	-	-	(4)
Total at 31 December 2023	<u>3</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>6</u>
Amount due for settlement after 12 months	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>3</u>

Redress provision

The redress provisions are for monies owed to customers due to various system and human errors which occurred on numerous dates during the period 2013 to 2020. These redress provisions were transferred to the Company on 7 September 2020 under the terms of the L&G Part VII transfer. An additional £1m provision was added in 2023 as a result of an incorrect fund split being posted at the point of the L&G migration which was subsequently released in the year.

Pricing error

The pricing error provision is due to pricing errors on numerous funds which caused no rebate to be applied. During the period, £4m of this provision was utilised as most of the remediation was paid in 2023.

HMRC provision

The £7m HMRC provision relates to a pre Guardian Assurance Limited acquisition breach of HMRC regulations. In 2018, the Company self-reported a breach of HMRC regulations in a limited number of annuities after the lack of provision of standard lifetime allowance details from an acquired block of business. In 2023, this issue was resolved with HMRC with the full amount of this provision being released.

Other provision

The £2m Other provision relates to a HMRC Tax provision and a Law Society provision.

33. Creditors: Other creditors including taxation and social security

	Note	2023 £m	2022 £m Restated*
Borrowings	34	243	961
Obligations for repayment of collateral received		68	82
Derivative liabilities	19	324	1,459
Investment broker balances		17	14
Amounts due to related parties - other		28	23
Investment sundry creditors		300	308
Other payables		29	55
		<u>1,009</u>	<u>2,902</u>

*Refer to note 4 for details of restatement.

There are no amounts recoverable after 12 months (2022: nil).

ReAssure Limited

34. Borrowings

	2023 £m	2022 £m
<i>Borrowings at amortised cost:</i>		
Loan from ReAssure LL Limited	5	5
Loan from ReAssure PM Limited	4	4
<i>Borrowings at FVTPL:</i>		
Loan from ERIP LP	234	234
Loan from Phoenix Group Holdings Plc	-	718
	<u>243</u>	<u>961</u>

On 31 December 2022 the Company's ultimate parent company, PGHP, issued a contingent loan of £718m to the Company with an interest rate of SONIA + 2.95%. Interest is capped at the level of unit linked surplus emerging in the quarter. The loan repayments were equal to the unit linked surplus emerging in the quarter, less the interest paid. The loan repayments and interest payments were made quarterly in arrears. This loan was repaid in full in 2023.

The unsecured loan of £234m with ERIP LP was transferred to the Company as part of the GE Life Part VII transfer and attracts a commercial rate of interest. Interest rate is based on SONIA Solvency II curve. The Lender is at any time entitled, by written notice to the Borrower, to demand immediate repayment of all or part of the loan outstanding. The Company has the right but not the obligation to repay the principal amount subject to a maximum annual limit determined by the value of the property sales made by ERIP LP during the year.

The unsecured loans from ReAssure LL Limited and ReAssure PM limited accrue no interest and are repayable on demand.

35. Accruals

	2023 £m	2022 £m
Accruals	41	31
	<u>41</u>	<u>31</u>
Amount due for settlement after 12 months	<u>3</u>	<u>4</u>

36. Commitments

	2023 £m	2022 £m
To subscribe to private equity funds and other unlisted assets	325	44
To purchase, construct or develop investment property	6	2
For repairs, maintenance or enhancements of investment property	4	6
	<u>335</u>	<u>52</u>

37. Related party transactions

The Company has taken advantage of the exemption under FRS 102 *Related Party Disclosures* from disclosing transactions with other wholly owned subsidiary undertakings of the Phoenix plc group. The Company has no related parties that are not wholly owned subsidiary undertakings of the Phoenix plc group.

38. Ultimate parent and ultimate controlling party

The Company's immediate parent is Reassure MidCo Limited and its ultimate parent and ultimate controlling party is Phoenix Group Holdings plc, a company incorporated in England and Wales. Copies of the Phoenix Group Holdings plc consolidated financial statements can be obtained from their company website, www.thephoenixgroup.com.

39. Events after the reporting period

The Directors are not aware of any significant post balance sheet events that require disclosure within these financial statements.

ReAssure Limited

40. Listing of subsidiaries

The subsidiaries of the Company held for strategic purposes are as follows:

Company name	Country of incorporation and principal place of operation	Type and % of holding	Address
Direct subsidiaries			
Namulas Pension Trustees Limited	England and Wales	Ordinary Shares, 100%	1
Gresham Life Assurance Society Limited	England and Wales	Ordinary Shares, 100%	1
ReAssure Trustees Limited	England and Wales	Ordinary Shares, 100%	1
ReAssure LL Limited	England and Wales	Ordinary Shares, 100%	1
ReAssure PM Limited	England and Wales	Ordinary Shares, 100%	1
103 Wardour Street Retail Company Limited	England and Wales	Ordinary Shares, 100%	1
Phoenix Life Assurance Europe	Republic of Ireland	Designated Activity Company, 100%	2

The commercial property entity listed above (103 Wardour Street Retail Investment Company Limited) transferred to the Company on the date of the L&G Part VII transfer. The net asset value of the commercial property entity is reported as a collective investment scheme in the Company's Statement of financial position. This is because the objective of this entity is solely to oversee the management of specific policyholder assets (which support related policyholder liabilities). Whilst the Company receives some income arising from the holding, management and disposal of the policyholder assets within this entity, it does not have responsibility for the day to day control of these assets.

The subsidiaries of the Company held for investment purposes and measured at fair value are as follows:

Fund name	Country of incorporation and principal place of operation	Type and % of holding	Address
Legal & General European Equity Income Fund	England and Wales	Unit Trust 90.8%	3
Legal and General Growth Trust	England and Wales	Unit Trust 84.8%	3
iShares 350 UK Equity Index Fund	England and Wales	OEIC 98.2%	4
HSBC Investment Funds – Balanced Fund	England and Wales	OEIC 81.1%	5
PUTM ACS US Dollar Credit	England and Wales	Unit Trust 100.0%	6
PUTM ACS Sustainable Index Asia Pacific ex Japan Equity Fund	England and Wales	Unit Trust 100.0%	6
PUTM ACS Sustainable Index European Equity Fund	England and Wales	Unit Trust 100.0%	6
PUTM ACS Sustainable Index Japan Equity Fund	England and Wales	Unit Trust 100.0%	6
PUTM ACS Sustainable Index US Equity Fund	England and Wales	Unit Trust 100.0%	6
PUTM ACS Sust Index Emerg Mark Eq Fund C GBP ACC	England and Wales	Unit Trust 100.0%	6
Phoenix Highvista Venture Capital Partners LP Life Fund	Scotland	Limited Partnership 80.0%	7
Phoenix Highvista Venture Capital Partners LP Pension Fund	Scotland	Limited Partnership 80.0%	7

All investments in unit trusts are held in Authorised unit trusts.

Registered office addresses

1. Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB, United Kingdom
2. 90 St. Stephen's Green, Dublin, D02 F653, Ireland
3. One Coleman Street, London, EC2R 5AA, United Kingdom
4. 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom
5. 8 Canada Square, London, E14 5HQ, United Kingdom
6. 1 Wythall Green Way, Wythall, Birmingham, B47 6WG, United Kingdom
7. 1 George Street, Edinburgh, EH2 2LL, United Kingdom

ReAssure Limited

Limited partnership which the Company controls

The Company has invested £1,000 of permanent capital into a special purpose entity, ERIP LP, a property management partnership registered in the United Kingdom, which represents 50% of the permanent capital of the partnership. At inception the Company also transferred property assets of £350m into ERIP LP. Under the partnership agreement it is entitled to 99.5% of the partnership's profits and losses.

The carrying value of the Company's investment in ERIP LP is shown in the table below:

	2023	2022
	£m	£m
ERIP Limited Partnership	262	257

41. Impacts of transition to UK GAAP**Reconciliation of equity**

	Notes	31 December 2022 £m	31 December 2021 £m
Equity as reported under IFRS		1,411	1,739
Valuation of technical provisions	(a)	(12)	(66)
Tax impact of adjustments	(b)	2	6
Prior year adjustment	4	32	-
Equity as restated under FRS 102		1,433	1,679

Reconciliation of profit

	Notes	31 December 2022 £m
Profit as reported under IFRS		322
Valuation of technical provisions	(a)	56
Tax impact of adjustments	(b)	(6)
Prior year adjustment	4	32
Profit as restated under FRS 102		404

(a) Valuation of technical provisions

Under UK GAAP, technical provisions are measured under FRS 103 and IFRS 9. There are no material required changes in the measurement from that previously reported under IFRS 4 & IAS 39. However, as permitted on transition, the Company has elected to update some assumptions, including discount rates applied, to better reflect the way in which the Company manages its assets and liabilities and to align more closely with regulatory measures. This has resulted in differences to values previously reported, as noted above. There is no impact to the recognition or de-recognition, classification or measurement category of technical provisions or financial instruments as a result of the transition to UK GAAP.

(b) Adjustment to investment in subsidiaries

Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 does not allow for investments in subsidiaries to be measured at cost less impairment. As a result, the valuation of subsidiaries held for strategic purposes moved to fair value through profit or loss on transition. There was no impact to the recognition or classification of investment in subsidiaries as a result of the transition to UK GAAP. Further detail on valuation is given in note 16.

(c) Tax impact of adjustments

The only impact to tax charges or balances are as a result of change in valuation to technical provisions.

(d) Presentational changes

As a result of applying Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, there have been presentational changes to the Statement of comprehensive income and the Statement of financial position. These include impacts to deposit accounting arising from contract reclassifications and the requirement to show unit-linked fund balances under assets held to cover linked liabilities, resulting in differences on items such as cash at bank and in hand and gross premiums written, from those presented under UK adopted IAS. There has been no change in the measurement of such items except as described above.