

Regent Bidco Limited

Solvency and Financial Condition Report (SFCR) 2021



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Introduction

Regent Bidco Limited (“the Company”, “RBL” or “Regent Bidco Ltd”) is a limited company incorporated and domiciled in England and Wales and, through its subsidiaries (together referred to in this report as “the Group” or “RSA”), provides personal and commercial insurance products, operating in the UK, Ireland, Continental Europe and the Middle East.

The Solvency II regulatory framework (“SII”), which governs industry regulation and prudential capital requirements within the European Union (“EU”) and the UK, became effective from 1 January 2016. For the year ended 31 December 2021, the Group has prepared its reporting in line with the requirements of the SII regime enacted in the UK. The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide information required by the SII regulatory framework for the Group.

Regent Bidco Limited

Regent Bidco Limited is a wholly owned subsidiary of Intact Financial Corporation (“IFC”), a company based in Canada. On 1 June 2021 Regent Bidco Ltd purchased the entire ordinary share capital of RSA Insurance Group Limited (“RSAIG” or “RSAIG Ltd”), formerly RSA Insurance Group plc.

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

Figures in all sections of the report for the Group represent the consolidated position of the Group’s parent company, Regent Bidco Ltd, and all subsidiaries held at 31 December 2021. From an IFRS perspective, Regent Bidco Limited has taken advantage of section 401 of the Companies Act 2006, which exempts an intermediate parent company from preparing consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up.

Previously and until 31 December 2020, a Group SFCR was produced at the level of RSAIG which was the ultimate parent company of the Group. Following the acquisition of RSAIG by RBL, the Group SFCR is now produced at the level of RBL rather than RSAIG. As the SII group which is now headed by RBL was not in existence at 31 December 2020, no comparative figures are presented. Moreover, the scope of the Group SFCR includes only those subsidiaries held as at 31 December 2021, as regulation at RBL level did not commence until any other parts of the former RSA group were disposed of on 1 June 2021.

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

Subsidiaries

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

The three UK subsidiaries are:

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

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

As at 31 December 2021 the Group has two non-UK insurance subsidiaries that are subject to the SII regulatory framework within the European Union and these companies publish their own SFCRs:

- RSA Insurance Ireland DAC
- RSA Luxembourg SA

RSAIG disposed of its three other EU subsidiaries on 1 June 2021 (Codan Forsikring A/S, Forsikringselskabet Privatsikring A/S and Holmia Livförsäkring AB). These entities are responsible for preparing and submitting their own SFCRs to local regulators.

Transitional and long-term guarantee measures

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

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

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

Summary

The principal activity of the Group is the transaction of insurance and related financial services predominantly in the United Kingdom, Ireland, Europe and Middle East.

Business and performance

On 1 June 2021, Regent Bidco Ltd purchased the entire ordinary share capital of RSAIG, RSAIG disposed of its operations in Scandinavia and Canada, and regulation of RBL commenced.

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

System of governance

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

Risk profile

Our risk management and controls frameworks were created to ensure that we identify, measure and manage risks across the Group before they adversely impact on our customers or the business. See Section B.3.1 for further details of the Group's risk management system.

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

- Insurance risk, including underwriting, claims and reserving risks
- Market risk (including currency risk)
- Credit risk
- Liquidity risk
- Operational risk
- Pension risk

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

The Group has limited direct underwriting or investment exposure to the war between Ukraine and Russia and is vigilant in its adherence to sanctions. The situation will continue to be closely monitored for any indirect impacts that could emerge.

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

Valuation for solvency purposes

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

At 31 December 2021, the Group’s excess of assets over liabilities on an SII basis was £2,535m.

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

Regent Bidco Limited was incorporated solely for the purposes of the transaction to acquire RSAIG and is expected to be liquidated in the near future; consequentially, ownership of RSAIG will be transferred to another entity within IFC. For this reason, the Group SFCR is required to be prepared on a basis other than that of a going concern. Group supervision of RSA is then expected to revert to the RSAIG level. RSAIG and its subsidiaries are expected to continue to operate following liquidation of Regent Bidco Limited, with no impact on the ability of either RSAIG or its subsidiaries to continue as going concerns. There is no impact on the measurement of the Group’s SII balance sheet or capital positions as a result.

Capital management

Capital Position

| Solvency II position | Requirement (SCR) (unaudited) £m | Eligible Own Funds £m | Surplus £m | Coverage % |
|-----------------------------|---|------------------------------|-------------------|-------------------|
| 31 December 2021 | 1,432 | 2,369 | 937 | 165% |

The SII coverage ratio was 165% at 31 December 2021.

Capital activity

RSA operates a programme of continuous development in relation to the internal model and a Group-level regulatory approval was received in 2021 as part of the change in control process.

In March 2022 RSAIG redeemed the floating rate Restricted Tier 1 notes. The Tier 1 notes were redeemed in full at their principal amount together with accrued and unpaid interest up to (but excluding) the first call date on 27 March 2022. The redemption was fully funded by an equity capital injection from Intact Financial Corporation (IFC) and there is no impact to the total capital position of the RSA Group.

A. Business and Performance

In this section

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

A.1 Business

A.1.1 Company name & legal form

Regent Bidco Limited is a private limited company incorporated in England and Wales. RBL is owned by IFC, a company based in Canada. RBL together with its subsidiaries make up the 'Group' which is covered by this Solvency and Financial Condition Report.

A.1.2 Supervisory authority

The Prudential Regulation Authority ("PRA") is the authority responsible for prudential supervision of the Group. The contact details of the PRA are as follows:

20 Moorgate
London
EC2R 6DA

Telephone: +44 (0)20 3461 4444

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

A.1.3 External auditor

The external auditor of the Group (as defined in the Introduction) is:

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Telephone: 020 7311 1000

A.1.4 Holders of qualifying holdings

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

A.1.5 Position within the Group legal structure

Regent Bidco Limited is the parent company of the Group, and is ultimately owned by Intact Financial Corporation.

A.1.5.1 Group structure

Please see the following sections of this report:

- Section A.1.7 for the simplified Group Structure

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

Refer to Appendix C of the RSAIG's 2021 Annual Report and Accounts for a list of all subsidiaries and associates.

Refer to note 31.4 of Intact Financial Corporation's Annual Report for significant operating entities which share common ownership with the Group.

See Section B.1 for details of the Group's governance structure.

Organisational structure

The Group operates in the UK, Ireland, the Middle East and Continental Europe. Each region is managed by a member of the UK&I Executive Committee who is directly accountable to the UK&I Executive Officer and the Board of Regent Bidco Limited.

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

A.1.6 Material related undertakings

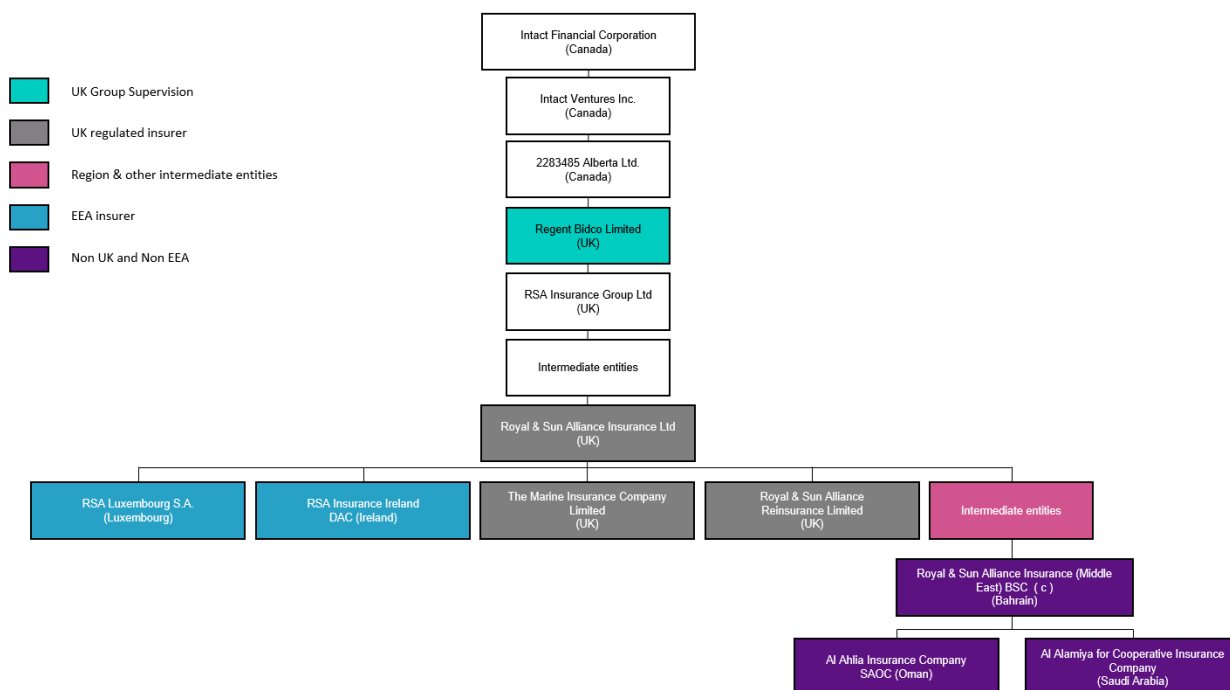
See Appendix C of the RSAIG's 2021 Annual Report and Accounts for a list of all subsidiaries and associates of the Group.

Refer to table 31.4 of Intact Financial Corporation's Annual Report for significant operating entities which share common ownership with the Group.

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

| Country | Name |
|----------------|--|
| Bahrain | Royal & Sun Alliance Insurance (Middle East) BSC (c) |
| Guernsey | Insurance Corporation of the Channel Islands Limited |
| Ireland | RSA Insurance Ireland DAC |
| Isle of Man | Tower Insurance Company Limited |
| Luxembourg | RSA Luxembourg S.A. |
| Oman | Al Ahlia Insurance Company SAOG |
| Saudi Arabia | Al Alamiya for Cooperative Insurance Company |
| United Kingdom | Royal & Sun Alliance Insurance Limited |
| United Kingdom | Royal & Sun Alliance Reinsurance Limited |
| United Kingdom | Royal Insurance Holdings Limited |
| United Kingdom | Royal International Insurance Holdings Limited |
| United Kingdom | RSA Accident Repairs Limited |
| United Kingdom | RSA Finance |
| United Kingdom | RSA Insurance Group Ltd |
| United Kingdom | RSA Overseas (Netherlands) B.V. |
| United Kingdom | RSA Overseas Holdings B.V. |
| United Kingdom | Sun Alliance and London Insurance Limited |
| United Kingdom | Sun Alliance Insurance Overseas Limited |
| United Kingdom | The Globe Insurance Company Limited |
| United Kingdom | The Marine Insurance Company Limited |

A.1.7 Simplified Group structure



A.1.8 Business lines and geographical areas

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

| Geographic regions |
|--|
| UK |
| Europe |
| Ireland |
| Middle East |
| Canada (proportional reinsurance accepted) |
| Line of businesses – non-life |
| Medical expense |
| Motor vehicle liability |
| Other Motor |
| Marine, aviation and transport |
| Fire and other damage to property |
| General liability |

A.1.9 Significant events

Takeover

On 1 June 2021, Intact in consortium with Tryg undertook a takeover of RSA, approved by RSA shareholders in January 2021. RSA Insurance Group Limited, formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May

2021 and 100% of the RSAIG's ordinary share was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation (IFC)) on 1 June 2021 (the 'acquisition'). The same day, RSAIG disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited).

Covid-19

Following on from the material impact of the Covid-19 Pandemic in 2020, there has continued to be a significant impact upon our customers, our staff and society as a whole for most of 2021.

RSA's operations remained resilient during the year. The majority of the workforce has been working from home during the pandemic, reflecting guidelines set by local governments. Significant resources have been deployed to ensure our people have received the appropriate support regarding physical and mental well-being during remote working. Operationally, we have continued to make improvements to our IT architecture and successfully migrated to a new cloud-based mainframe to support our UK systems and processes. During 2021, where and when guidelines permitted, there was some voluntary return to the office supported by hybrid arrangements to ensure effective working from the office and home.

On 15 January 2021, the Supreme Court handed down judgement relating to the Financial Conduct Authority's ("FCA") UK business interruption court proceedings. Subsequently, on the 5 February 2021, the Irish High Court handed down judgement relating to Irish business interruption court proceedings. The estimated impact of these judgements is included in the actuarial best estimate. For further detail on the recognition of BI claims within the Technical Provisions please refer to Section D.2.

Post-Brexit transition

RSA recognises that leaving the EU could bring unexpected challenges and extend economic uncertainties.

The creation of RSA Luxembourg has insulated RSA from the main regulatory impacts of Brexit. The transfer of risk underwritten through the European branch network to RSA Luxembourg has ensured a smooth transition for our customers and brokers following the UK's departure from the EU.

As RSA moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but RSA believes it is well placed to respond to and mitigate any impacts.

The Group continues to monitor the new relationship between the UK and the EU closely.

Adverse Development Cover

In July 2021, RSA entered into a reinsurance contract for adverse development cover ("ADC") (transaction closed in October 2021) resulting in a £34m total net IFRS P&L impact, including partial offset from reduced reserve margin in light of the increased reinsurance protection. The Cover will reduce the potential volatility in the Group's historical claims liabilities. See C.1.6 for further information.

Redemption of Tier 2 Loan Notes

In September 2021, the Group received a capital injection from Regent Bidco Limited of £275m to fund the repurchase of its Guaranteed subordinated notes (Tier 2 notes) with a par value of £240m for a total cost of £275m.

Ancillary Own Funds

During the year, an Ancillary Own Funds ("AOF") structure was approved for RSAI by the PRA permitting a maximum of £250m of nil-paid uncalled share capital in favour of its ultimate parent, IFC. For further detail, please refer to Section B.1.

A.1.10 Group operations & transactions within the Group

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

During the year ended 31 December 2021 a number of transactions occurred within the Group. These included the following transactions which took place between RSAIG and Regent Bidco Limited:

- Upon acquisition, RSAIG received a capital injection from Regent Bidco Limited of £1,021m
- RSAIG received a further capital injection from Regent Bidco Limited of £275m in September to fund the repurchase of its Guaranteed subordinated notes (Tier 2 notes) with a par value of £240m for a total cost of £275m.
- Ordinary dividends paid to Regent Bidco Limited of £6,914m

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

Dividends

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

Intercompany loans

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

Shares in Group Undertakings

During 2021, RSAI increased its holdings in Royal International Insurance Holding Limited by £706m.

Derivatives

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

Reinsurance excess of loss and quota share treaties

RSA Re provides a settlement function for the insurance activities carried out by the Group offices and Global Network Partners.

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

RSAI has an 83% quota share agreement with RSA Luxembourg S.A for reserves existing up to end-2018 and for 2019 business onwards. This agreement covers all classes of business.

Expense reimbursement

RSAI reimbursed RSA Accident Repairs Limited £177m for motor claim expenses incurred during the year ended 31 December 2021.

Guarantees

RSAI has issued a guarantee in favour of RSAIG in respect of its Tier 2 debt instrument, with a value of £178m at 31 December 2021.

A.2 Underwriting performance

As RBL does not undertake any insurance activities and acts solely as a holding company, the underwriting result for the period by material SII lines of business is shown below and is calculated on the same basis as the RSAIG underwriting result as shown in the Alternative Performance Measures section of its Annual Report and Accounts. Refer to the Jargon Buster section of RSAIG's ARA for further details.

| | Net Written Premium 7 months to Dec 2021 £m | Underwriting Result 7 months to Dec 2021 £m |
|---|---|---|
| Non-life | | |
| Fire and other damage to property | 888 | (32) |
| Motor vehicle liability | 387 | 9 |
| Other Motor | 124 | 14 |
| Marine, aviation and transport | 126 | 22 |
| General liability | 264 | 51 |
| Medical expense | 146 | 15 |
| Total material lines of business | 1,935 | 79 |
| Non-material | 15 | 23 |
| Total Non-Life | 1,950 | 102 |
| Total life/annuities | - | (9) |
| Total | 1,950 | 93 |

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

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

Total life/annuities refers to Periodic Payment Orders (PPOs), shown separately under SII risk lines.

Household and Commercial Property are combined to form Fire and Other Damage to Property. Performance, therefore broadly mirrors that of those books in each geographical region. UK has been adversely impacted by a number of Large and Weather events, including July Floods.

Personal and Commercial Motor in all regions are combined and then split into Motor Vehicle Liability and Other Motor (Property damage). The deterioration in the result has been driven mainly by shortfalls in premium revenue in UK and Middle East following adverse market conditions.

UK and Europe Marine is the key contributor of the Marine, Aviation and Transport line, which has seen improved performance in UK, driven by benign current year Large claims performance. This was partly offset by adverse prior-year development in Europe.

General liability is largely from the Group's Commercial Liability portfolio and some elements of Commercial Property. The improvement of the result is predominantly driven by prior year development in UK and Europe.

Medical expense is largely the UK Pet book, which benefitted from changing market conditions post-COVID.

A.3 Investment performance

A.3.1 Income and expenses by class

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

| | Investment income | Net realised gains/(losses) | Net unrealised gains/(losses) | Impairments | Total investment return |
|---------------------------------------|-------------------|-----------------------------|-------------------------------|-------------|-------------------------|
| | 2021 | 2021 | 2021 | 2021 | 2021 |
| | £m | £m | £m | £m | £m |
| Investment property | 10 | (1) | 47 | - | 56 |
| Equity securities | | | | | |
| Available for sale | 5 | 3 | - | (5) | 3 |
| Debt securities | | | | | |
| Available for sale | 26 | (2) | - | - | 24 |
| At fair value through the P&L account | - | - | (2) | - | (2) |
| Other loans and receivables: | | | | | |
| Other loans | 6 | - | - | - | 6 |
| Derivatives | 1 | (7) | (1) | - | (7) |
| Total net investment return | 48 | (7) | 44 | (5) | 80 |

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

| | 2021 |
|---|------------|
| | £m |
| Investment property | (1) |
| Debt securities | (3) |
| Loans and receivables | (1) |
| Total investment management expenses | (5) |

A.3.2 Gains and losses recognised in equity

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

| | Net unrealised gains / (losses) | Net realised (gains) / losses transferred to income statement ¹ | Impairments transferred to income statement | Net movement recognised in other comprehensive income |
|-------------------|---------------------------------|--|---|---|
| | 2021 | 2021 | 2021 | 2021 |
| | £m | £m | £m | £m |
| Equity securities | (27) | (3) | 5 | (25) |
| Debt securities | 8 | 2 | - | 10 |
| Total | (19) | (1) | 5 | (15) |

A.3.3 Investments in securitisation

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

The Group's exposure to structured entities at 31 December 2021 is summarised in the table below:

| Class of investments | Nature of the underlying investments of the vehicle | Exposure |
|---|---|------------|
| | | 2021 £m |
| Collateralised Loan Obligations and Asset Backed Securities | Structured debt security backed by loans or receivables | 247 |

A.4 Performance of other activities

A.4.1 Other material income & expenses

Operating costs mainly related to the acquisition of RSA totalled £100m, with finance costs of £5m, offset by interest income from Intact of £20m.

A.4.2 Operating and finance leasing arrangements

The Group acts as lessee and lessor in a number of lease arrangements across each of its core regions. All leases have been entered in to by RSAIG or its subsidiaries. Regent Bidco Ltd has not entered into any lease arrangements.

For further details of the Group's leasing arrangements, see note 44 of RSAIG's Annual Report and Accounts.

A.5 Any other information

Nothing to report.

B. System of Governance

In this section

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

Purpose of RSA's System of Governance

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

B.1 General information on the system of governance

B.1.1 Board structure

RSA's business is overseen by a single Board of Directors. A minimum of fifty percent of the members have been determined by the Board to be independent Non-Executive Directors. The Chairman meets regularly with the other Non-Executive Directors both individually and collectively without the Executive Directors being present.

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

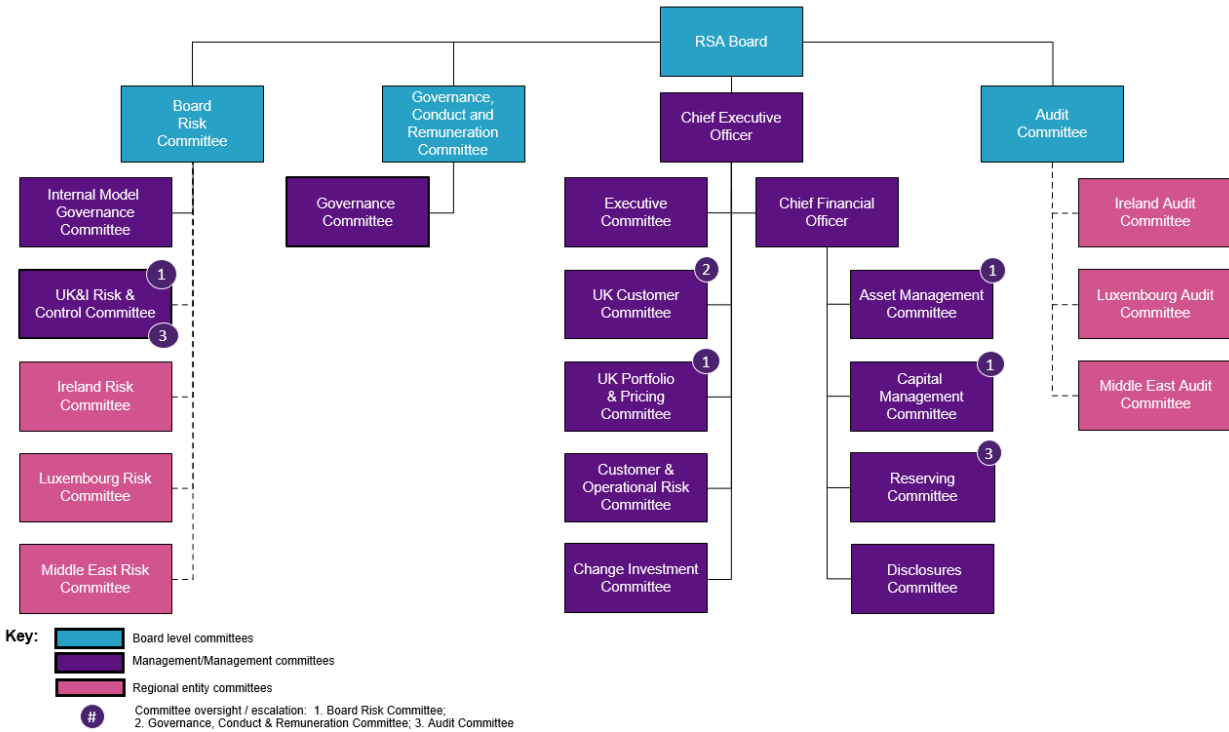
The Board promotes high standards of corporate governance and conduct throughout RSA. It also plays a key role in relation to culture, aligning culture with IFC's purpose, values and strategy and aligning policies and practices with IFC's values. RSA's senior leaders are responsible for embedding culture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

The Board is accountable to RSA's ultimate shareholder IFC, for the creation and delivery of sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board believes that open and collaborative dialogue and interaction with all of its stakeholders is in the best interests of the companies and helps RSA to make a positive contribution to society. The Board meets frequently and is responsible for organising and directing the affairs of RSA in a manner that will promote the success of RSA and is consistent with good corporate governance practice, ensuring that in carrying out their duties, the companies meet legal and regulatory requirements. Regent Bidco Limited's Articles of Association are publicly available at Companies House.

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

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

The RSA Board, executive committees and the relationships between them are shown below:

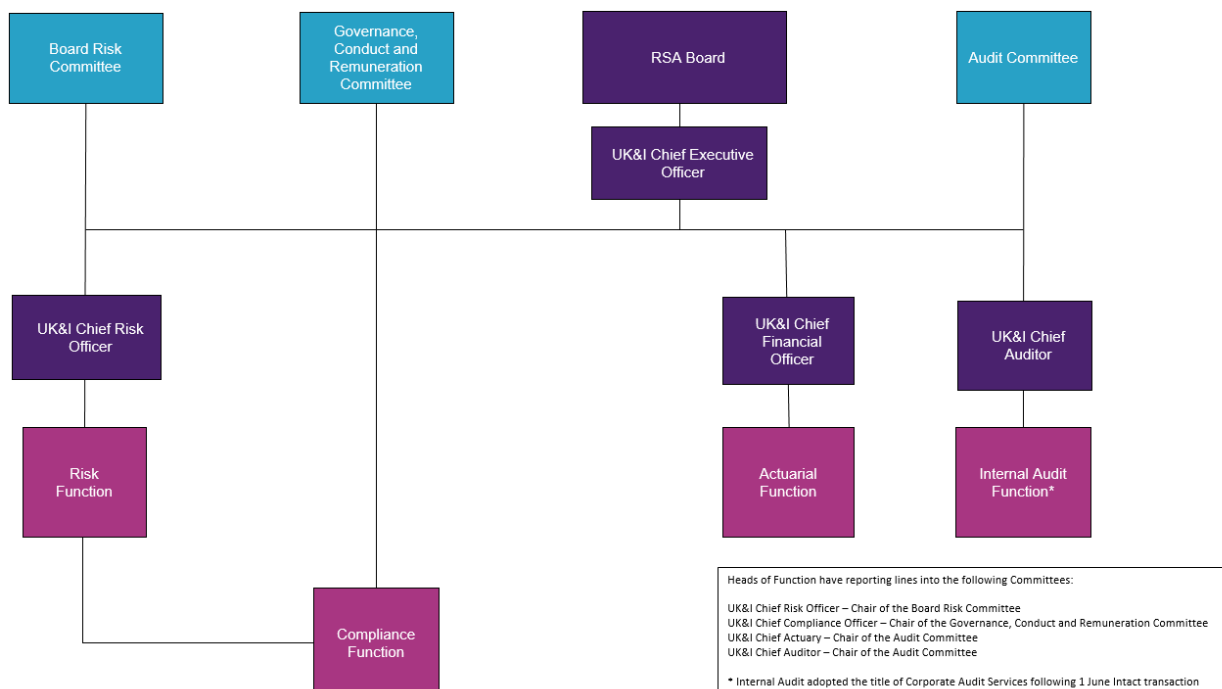


The role and responsibilities of each board level committee can be found in section B.1.2 of this SFCR.

B.1.2 Independent Key Functions

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

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



The Audit Committee is responsible for coordinating and overseeing the integrity of the financial reporting process while monitoring compliance with relevant regulations, industry codes and legal requirements; overseeing the actuarial function, and the internal and external audit functions; management of the effectiveness of the systems of internal controls (including financial crime); and for the provision of assurance to the Board on the effectiveness of the financial and regulatory risk management arrangements. The UK&I Chief Compliance Officer, the UK&I Chief Actuary and the UK&I Chief Auditor have a right to meet at least annually with the Audit Committee without the Executive Directors or Management being present.

The Board Risk Committee (“BRC”) advises the Board on risk management issues, recommends the framework of risk limits and risk appetite to the Board for approval, and oversees the risk management arrangements of RSA. The UK&I Chief Risk Officer (“CRO”) has a right to meet annually with the BRC. In addition, the UK&I Chief Risk Officer has access to the Committee Chair and, where necessary, the Chair of the Board.

The Governance, Conduct and Remuneration Committee (“GCR”) is responsible for the operation of the conduct framework in its delivery of good customer outcomes; overseeing the compliance function and ensuring the company’s governance includes an appropriate suite of policies and that these policies are implemented. The Committee is also responsible for advising and making recommendations on matters relating to the RBL, RSAIG and RSAI Board memberships, Committee membership and all related appointments taking into consideration succession planning over the longer term and the Board’s commitment to diversity; monitoring of Board activities and the evaluation of Board members’ performance; and ensuring that remuneration principles, policy and practices are suitable. The UK&I Chief Compliance Officer has access to the GCR Chair and, where necessary, the Chair of the Board.

Board committees operate on behalf of RBL, RSAIG Ltd and RSAI Ltd. The Audit Committee Terms of Reference has an express reference to make it clear that it is the Audit Committee for both RSAIG Ltd and RSAI Ltd (so confirming this point for RSAI Ltd for the purposes of Section 2 of the Audit Committee Part of the PRA Rulebook applicable to Solvency II firms).

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

B.1.3 Changes in system of governance

The changes to the Group’s system of governance over the reporting period were:

- The RSA companies and their operations in the UK, Europe (excluding Scandinavia) and Middle East were purchased by IFC
- RBL (an intermediate holding company introduced as an acquisition vehicle) became the Group's ultimate holding company in the UK and so subject to financial services supervision in terms of the sub-group's ownership of UK domiciled insurance companies
- The terms of reference of the Board's Risk Committee and Audit Committee were amended to reflect the Group's subsidiary status. The Board's Investment Committee remit has migrated to the Board Risk Committee. A Board Governance, Conduct and Remuneration Committee was formed, the remit of which includes remuneration. All three committees operate on behalf of RBL, RSAIG and RSAI. The previously existing dedicated Investment, Remuneration and Nomination committees were discontinued
- The RSA Group Corporate Centre functions were transferred and subsumed within the RSA UK&I business or the IFC Group
- A new policy reflecting the controls and oversight (and interconnected Policies) around business conflict of interest arrangements was introduced
- RSA's Commercial Lines business was split into Specialty and Commercial Lines UK Regions. The Specialty component is comprised of RSA's London Markets business and European business written through RSA Luxembourg S.A. RSA's Specialty businesses forms part of the IFC Group Global Specialty Lines (GSL) and incorporating RSA's Specialty businesses into GSL included creating reporting lines from the Managing Directors of those businesses to GSL leadership whilst maintaining reporting lines to the UK&I Chief Executive Officer
- Changes were made in the membership and responsibilities of the Board members

B.1.4 Principles of remuneration policy

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

The policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of the Group and its shareholders.

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

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

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

Governance measures aimed at avoiding conflicts of interest are incorporated.

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

B.1.5 Variable remuneration performance criteria

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

Incentive plan performance measures:

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

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

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

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

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

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

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

B.1.6 Supplementary pensions/early retirement

No supplementary pensions are operated for the members of the administrative, management or supervisory body and other Key Function Holders. The Group's UK defined benefit pension plans are closed to all new entrants, but some employees have historic benefits built up, which in accordance with the current policies, and the Scheme rules, can be paid early without reduction in certain circumstances. This does not apply to Executive Directors or other members of the Board who do not have historic defined benefit pension benefits.

B.1.7 Shareholder and Key management transactions

Shareholder transactions

In order to complete the transaction to purchase RSAIG, Regent Bidco Limited entered into equity transactions with its parent company, 2283485 Alberta Limited, including the issue of shares and payment of dividends. Subsequent to this transaction, a further issue of shares was completed during September 2021.

For further details of share capital issued by Regent Bidco Limited, refer to Section E.

During the year, an Ancillary Own Funds (AOF) structure was approved for RSAI by the PRA for a period of 2 years, permitting a maximum of £250m of nil-paid uncalled share capital in favour of its ultimate parent, IFC. The AOF counts as Tier 2 capital in RSAI's Solo solvency calculations, subject to eligibility rules, however, it does not count towards covering its MCR. The AOF item also counts as Tier 2 capital for Group solvency purposes.

Royal International Insurance Holdings Limited and Regent Subco Limited (both subsidiaries of RSAIG) entered into loans with 2283485 Alberta Limited as part of the transaction to purchase RSAIG, with these loans being settled prior to 31 December 2021.

There were no other transactions with Regent Bidco Limited's parent undertakings.

Key management transactions

Material transactions with key management during the year amounted to remuneration. The key management personnel for Regent Bidco Limited have been the same as for RSAIG, since 1 June 2021. For further information, refer to note 17 of the RSAIG Annual Report and Accounts for detail of transactions carried out with key management during the year ended 31 December 2021.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

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

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

The Fitness and Propriety Policy does not apply to non-UK/EEA entities as they are not subject to Solvency II. These entities are subject to their own fit and proper requirements as mandated by the relevant local regulatory authorities.

B.2.2 Assessment process

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

Fit requirements

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

This must include an assessment of the person's:

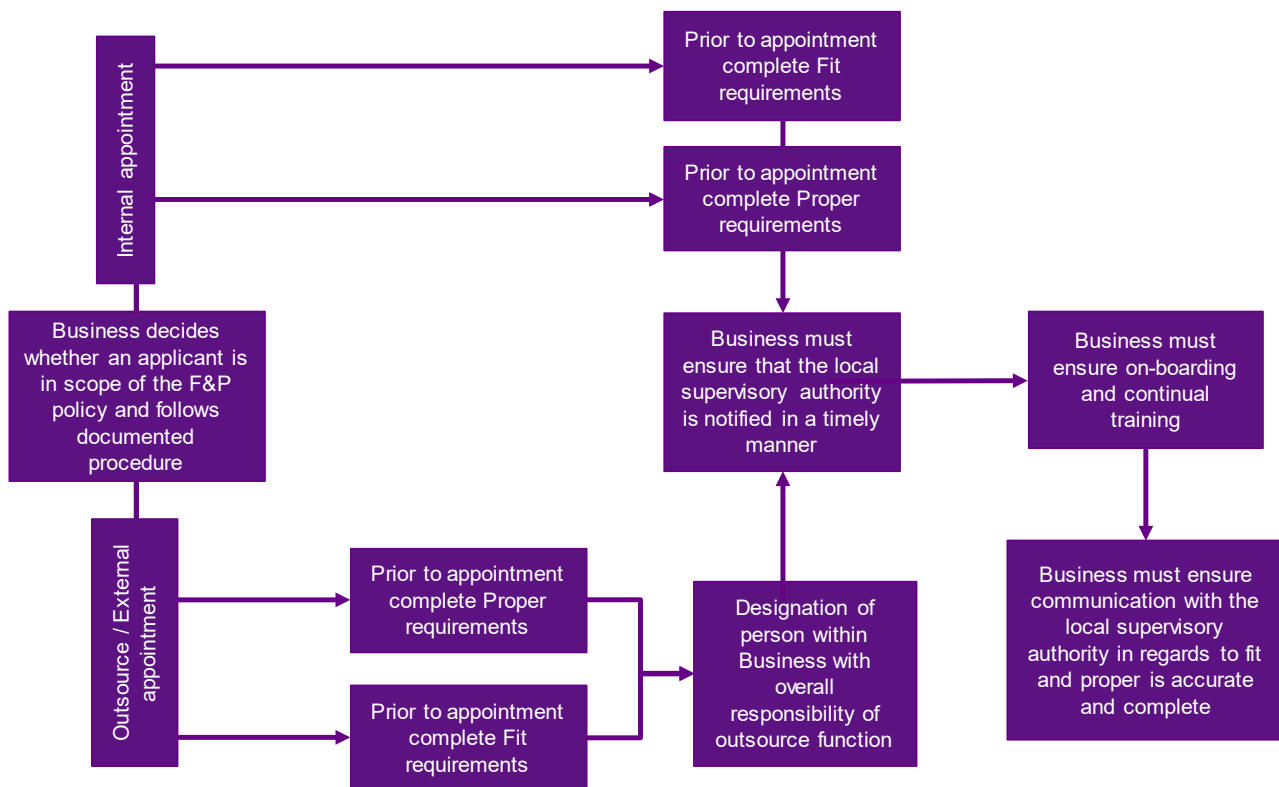
- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Proper requirements

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

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

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



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

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

B.3.1 Description of the risk management system

The three lines of defence

The Group has a comprehensive risk management system which includes a full range of risk policies, procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis to ensure that the risk exposures that arise from operating the Group's businesses are managed appropriately.

The risk management system is underpinned by the three lines of defence model (see Section B.3.2). The Board are responsible for ensuring the effectiveness of the Group's risk management system, for setting the Group's overall risk strategy and risk appetite (including Group level risk limits and tolerances), and for approving the main risk management strategies and policies.

Risk appetite and strategy

The Board is responsible for setting the business strategy which is used to inform the risk strategy statement. The risk strategy statement, which is prepared by the Group Risk function and approved by the Board, describes the Group's overall strategy and objectives for managing risks based on a set of key principles.

The risk appetite is set annually by the Board. It establishes the appetite for risk by risk category plus high level risk limits and tolerances, and drills down into more detailed risk statements. These are expressed through associated Key Risk Indicators with associated risk limits and risk tolerances.

Risk management cycle

The risk management cycle describes the process used to set, identify, measure, manage, monitor and report on risk impacting each business.

Risk identification (new and emerging risks)

Risk identification is the process of understanding and capturing any material threats or opportunities that could have a significant impact on the achievement of business objectives. Risk can be identified using a range of techniques and builds on the wide range of risk related management information gathered through the wider risk management system. This includes policy management and control assessment including control validation and assurance, stakeholder scenario workshops (attended by internal and external subject matter experts), incident reporting, and any analysis of risk incidents including a root cause analysis. Every member of the organisation should be continually evaluating the risks to their business area with formal governance required at a functional, regional and legal entity level.

Emerging risks are those risks that are starting to emerge or are where the understanding is not sufficiently developed to assess it. Emerging risks are identified through a discrete process operated by the second line with co-operation and support from the first line. They are reported separately to the BRC on an annual cycle, and once finalised shared with the Regional Risk and Control Committees for their consideration.

Risk measurement

Once risks have been identified the business assesses how material the risks are and whether the risk is inside appetite or outside appetite. At a functional, regional and legal entity level this is used to update the risk profile. The identified risks are documented in the business function's risk reports and risk profile 5*5 matrix. This records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite, and if not, whether there is an appropriate action plan. Assessments can be informed by the magnitude of historical incidents or with consideration of realistic scenarios and the potential impacts that would arise.

Managing, monitoring and reporting risk

All significant residual risks are assessed and monitored to determine if the risk is within risk appetite and, if not, whether there is a plan with an owner to bring within appetite within a reasonable timeframe.

Action owners must track all action plans to ensure risk is brought within appetite within a planned timeframe and report progress at least quarterly.

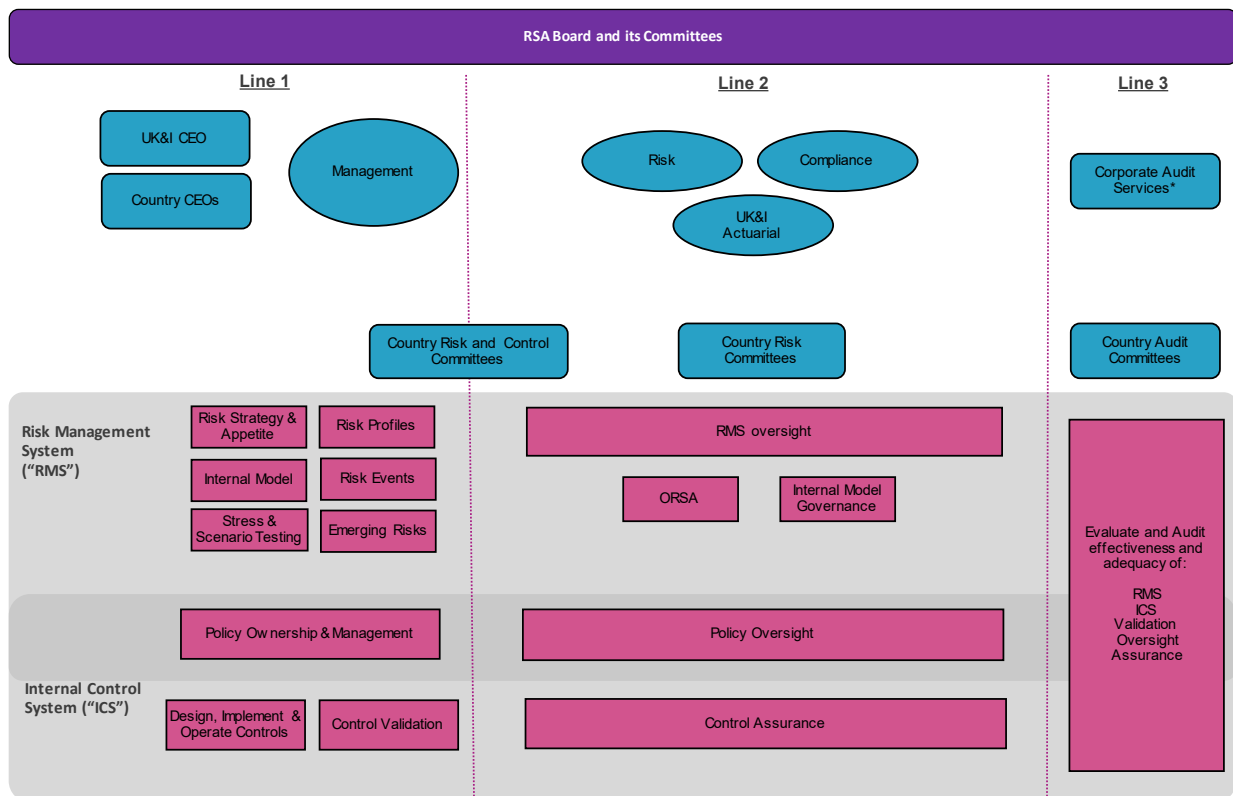
Risk reporting at the aggregate Group level is to the BRC and the Group executive level committees.

Outputs of the internal model are used by the BRC as an integral part of its decision making on matters from setting the risk appetite and adjusting investment exposure and hedges to reinsurance strategy, insurance portfolio risk assessment, or key strategic decisions such as disposals.

B.3.2 Implementation and integration

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

The application of the three lines of defence and its interaction with the internal control system is shown below.



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

B.3.2.1 RSA Internal model governance & assurance

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

As well as being used to calculate the SCR, the model is used for calculating RSA’s own internal views of capital requirements at a Group, regional and entity level. Outputs of the internal model are used as an integral part of its decision making on matters from setting the risk appetite and adjusting investment exposure and hedges to reinsurance strategy, insurance portfolio risk assessment, allocating capital to individual lines of business, to key strategic decisions such as disposals.

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

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

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

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

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

B.3.2.2 Internal model governance changes in the year

There were no material changes to the internal model governance during the reporting period, although the model governance and change policy have been aligned to the new Group structure. These changes have been approved through a change application with the PRA.

B.3.2.3 Internal model validation

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

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

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

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

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

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

B.3.3 ORSA

B.3.3.1 ORSA process

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

B.3.3.2 ORSA review and approval

Papers are presented to the Group and UK/EEA insurance entity Boards throughout the year dealing with individual elements of the ORSA. The ORSA report is presented annually to management, the BRC and the relevant Board.

The ORSA report for 2021 was based on the half year post-acquisition balance sheet, with appropriate forward-looking metrics and stress and scenario testing including the Bank of England Climate Stress Testing exercise. The ORSA report was presented and approved at the November 2021 Board.

B.3.3.3 Own Solvency needs

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

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

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

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

B.3.4 Group consistency

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

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

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

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

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk (including Customer Risk)
- Reputational Risk
- Pension Risk

These policies set out how the business should identify, measure, manage, monitor and report material risks. They all require localisation and implementation by all businesses and formal adoption by all of the Group's UK/EEA insurance entity Boards.

B.3.5 Use of single Group ORSA

Approval was received from the PRA in July 2021 to deliver a single ORSA report for the Group and its UK regulated entities.

B.4 Internal control system

B.4.1 Description of the internal control system

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

The internal control system comprises three key elements:

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

Internal control framework

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

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

Policies also establish control validation activities (1st line checks) which ensure controls are designed and operating effectively and assurance activities (2nd line) which examine and oversee business control validation activities to provide additional independent comfort that objectives are being achieved and adequate controls are in place and working effectively.

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

Delegated authority framework

The delegated authority framework specifies how executive authority is delegated from the Board to the UK&I Chief Executive Officer, and onwards to senior management within RSA. The UK&I Chief Executive Officer and senior executives across RSA receive an executive licence setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within their area of responsibility.

Effective management of delegated authority enables the business to:

- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience and technical capability so as to mitigate the risk of the Group being exposed/committed to material financial, operational, legal, reputational and/or regulatory risk and/or loss
- Ensure consistency is applied across operational and technical matters, covered by separate policies
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within risk appetite
- Ensure compliance with relevant regulatory and statutory requirements

The delegated authority framework is applied across the Group's businesses where individuals must operate and/or authorise within limits delegated by the UK&I Chief Executive Officer, their direct reports and/or governing bodies, and ensures consistency between each of the operating subsidiaries within the Group. The powers of the Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the Matters Reserved for the Board or Terms of Reference for the Board Committees.

Compliance framework

The compliance framework is owned by the Compliance function. Its purpose is to safeguard RSA, its customers, reputation and assets by promoting identification, understanding and compliance with all applicable conduct and regulatory risks and requirements. It does this through relevant policies, frameworks, effective communications, guidance and horizon scanning, so supporting the business to promote a compliant culture throughout the organisation.

The compliance framework has been developed to deliver assurance over RSA's compliance with regulatory requirements to both internal and external stakeholders. It consists of a Compliance Mandate, Compliance Policy and related processes and tools. The policy documents the requirements that a Compliance function must have in place in order to provide advice, guidance and assurance to the business, and operate as an effective 2nd line function within RSA's governance model. The framework establishes the minimum standards and controls to be applied in order to identify and mitigate the risk of regulatory breaches and censure relating to areas covered by the Compliance function.

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

B.4.2. Compliance function

The Compliance Policy requires each region of RSA to have either a Compliance department or a person responsible for compliance. The Compliance Function, led by the UK&I Chief Compliance Officer, is composed of the UK&I legal entity Compliance teams.

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

In respect of RSA-wide activities, the UK Compliance Function provides leadership, oversight, challenge and support to the UK&I country Compliance teams. The UK Compliance team undertakes assurance reviews to ensure that appropriate resources and processes in place to comply with the Compliance Policy and so support the business need to meet regulatory requirements effectively. The Compliance Function reports quarterly to the Governance, Conduct and Remuneration Committee with an assessment of how the RSA businesses and functions are meeting those requirements.

The Compliance Function establishes, implements and maintains an Annual Compliance Plan for RSA setting out the compliance work to be undertaken in the upcoming year. The UK&I Plans are presented annually to the Governance, Conduct

and Remuneration Committee for approval. The Plans for the regional and country Compliance teams are presented annually to the Governance, Conduct and Remuneration Committee for review and approved locally by their Boards. Updates on progress and material changes are provided to the Governance, Conduct and Remuneration Committee.

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

B.5 Internal audit function

B.5.1 Implementation

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

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

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

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

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

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

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

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

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

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

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

B.5.2 Independence and objectivity

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

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

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

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

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

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

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

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

B.6 Actuarial function

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

Independence of the Actuarial Function is achieved by regional Actuarial Functions and business unit actuarial teams retaining 1st line responsibility for the calculation of technical provisions. The regional business units and Actuarial Functions must confirm to the Actuarial Function that appropriate data, assumptions and methodologies have been used in preparing their estimates, and that all controls and governance have been successfully completed, in line with Group reserving policy. The Actuarial Function consolidates the business unit results into the total Group position and carries out an independent review of the regional provision calculations in a 2nd line capacity in order to fulfil its oversight responsibilities.

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

B.7 Outsourcing

B.7.1 Policy and key activities

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

The Third Party Contracts and Outsourcing Policy provides a Group wide definition of critical and important activities and functions to ensure consistency of approach. The policy sets out the provisions to be followed in relation to all outsourcing, with additional controls being imposed on critical and important outsourcing. It additionally specifies the operational responsibility and establishes the provisions to be taken into consideration in supplier agreements.

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

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

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

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

B.7.2 Intra-Group outsourcing arrangements

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

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

Specific material intra-group arrangements include the provision of certain investment services (such as valuation) to other subsidiaries.

B.8 Any other information

B.8.1 Adequacy of system of governance

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

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

In this section

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

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

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

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

As Pension risk is not a separate category in the prescribed SFCR structure, it is addressed under the “C.6 Other material risks” heading.

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

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

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

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

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

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

The line of business portfolio leaders set out the underwriting strategy and risk appetite for defined line of business portfolios, implemented through portfolio strategy statements. Individual risks are written within the parameters of the portfolio strategy and risk appetite.

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

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

Reserve risk

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

C.1.2 Measures used to assess risk

Underwriting and claims risk

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

Key risk indicators assess risk against the Board risk appetite and these are reported at the quarterly Regional Control and Risk Committees. Underwriting risk indicators include measures for exposure control, pricing, the control environment and licences. Claims risk indicators include assessment of financial controls, technical claims handling quality, case reserving, counter fraud performance and external delegated authority.

Portfolio strategy is reviewed quarterly under the Portfolio Review Risk Management process. This enables ongoing, proactive management of the implementation of portfolio strategies together with facilitation of forward looking portfolio risk assessments against measured key risk indicators. Risks and issues are escalated to Regional Risk & Control Committees and the BRC.

Scenario and stress testing and risk profiling are undertaken within each region and are reported through the Regional Risk & Control Committees and to the Board.

Accumulations for static exposures are modelled using the GAIA Exposure Data Management system to identify 'Per Risk' and Catastrophe risk concentrations and to inform scenario modelling and reinsurance purchase. The Exposure Management Working Group has formal oversight and reporting of the standards for data quality and the minimum requirements for identifying and controlling 'Per Risk' and Catastrophe risk concentrations.

The effectiveness of pricing tools and process is measured through the Pricing Capability Assessment Questionnaire to benchmark the capability against defined measures. The Pricing Capability Assessment Questionnaire defined measures include an assessment of the pricing components i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls in the risk management frameworks. Gaps in compliance with the controls require either a Remediation Plan, Risk Acceptance or Exception against the respective control(s) under the Risk Policy Management process. Underwriting and Claims monitor the progress of Remediation Plans and is the approver for Risk Acceptances and Exceptions. These are reported to the Audit Committee, with overdue items escalated to the Senior Claims Underwriting and Reinsurance Management forum.

Breaches of controls are escalated and reported, with material Risk Events escalated to UK&I Risk and BRC.

Reserve risk

The Group has a Reserving Committee covering all claims liabilities within the Group's perimeter. This committee is chaired by the UK&I Chief Financial Officer and consists of the UK&I Chief Executive Officer, Chief Underwriting Officer, UK&I Chief Actuary, UK&I Chief Risk Officer and UK&I Chief Claims Officer. The Intact Group Chief Risk & Actuarial Officer is also invited to attend the meetings of the committee. A similar committee has been established in each of the Group's major business units. The Reserving Committee monitors the decisions and judgements made by the business units as to the level of technical provisions. The Reserving Committee recommends the level of technical provisions to be held to the Audit Committee.

The Covid-19 pandemic continues to heighten uncertainty due to the impact of restrictions and behavioural changes which distort our experience, data and trends. The impacts will take time to settle down, stabilise and become clear. The distortions noted make robust projection of the ultimate cost of claims more difficult than normal. While the Covid-19 uncertainty affects all business units and legal entities, the impact varies and will evolve over time as restrictions and behaviours change and experience matures.

In forming its collective judgement, the Committee considers the following information:

- Emerging trends where Covid-19 has caused changes in experience along with analysis to demonstrate the impact on reserving estimates. Some areas have observed direct claims, whereas many other lines have seen material indirect changes in policyholder behaviour such as reduced frequency during lockdown. Changes in experience such as reduced claims frequency can result in a different mix or magnitude of claims and, therefore, exhibit different claims and runoff characteristics compared to historic experience
- Material changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development have also been considered. The distortions in data caused by the various issues means identification of trends is more difficult than normal and results in increased uncertainty relating to actuarial indications of ultimate losses

- An actuarial indication of ultimate unpaid losses and the change in assessed ultimate claims cost over time, together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. At the end of 2021 these risks and developments include: the possibility of future legislative change having retrospective effect on open claims, changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience, the possibility of new types of claim, such as disease claims, emerging from business written several years ago, uncertainty arising from changes in the business and the external environment, general uncertainty in the claims environment, the emergence of latent exposures such as asbestos, the outcome of litigation on claims received, failure to recover reinsurance as expected, and unanticipated changes in claims inflation.
- The estimated impact of the Supreme Court judgement on 15 January 2021 relating to BI policy wording for Covid-19 is included in the actuarial indication of ultimate losses. Throughout 2021 as case estimates have matured, these have been given increased weight in the estimates for direct Covid-19 claims costs. The Corbin & King judgement on Covid-19 claims that was announced on 25th February 2022 is a recent example of the kind of change that could impact our assessment. Our assumptions and provision estimates are appropriate as at 31 December 2021 following detailed review and advice from legal counsel after the outcome of this judgement. There are various high profile legal cases on Covid-19 claims in the industry where the outcome could impact our assumptions and estimates; the Group will continue to closely monitor these and react accordingly.
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers
- How previous actuarial indications have developed

C.1.3 Material risks

Material risks identified during the reporting period include:

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

During 2018, RSA operations commenced writing a small amount of affirmative cyber risks coverages with appropriate Reinsurance coverage purchased. RSA took action during 2020 to identify policy language that is 'silent' on cyber risks and where appropriate the policy language has been updated. An accumulation methodology has been developed incorporating an expert view, that formed the basis of the RSA's cyber specific returns to the PRA & EIOPA in 2018 and the cyber RDS included in the PRA's 2019 SAST.

Climate Change risks (litigation, physical risks and transition): RSA introduced a new Special High Risk category to exit specific high carbon emission risks for the energy sector as set out in RSA's Low Carbon position paper and in line with the Group's Climate Change action plan. In 2021 RSA completed the CBES Stress and scenario test for Climate change physical risk, litigation risk and transition risk impact assessments for material UK Portfolios and reviewed the Climate Change Action Plan. Climate change risks have oversight from the RSA ESG Committee and the BRC.

RSA continues to focus on managing the risks and mitigation activity in response to the Covid-19 global pandemic but the key actions are completed:

- The judgement from the FCA Test Case was received on 15th September 2020 and a review of the Disease Strategy released in July was undertaken considering the findings, engaging with internal and external Legal Counsel to ensure that the learnings from the case have been incorporated into the Group's wordings. Parts of the judgement of the FCA Test Case were taken to appeal and this was heard in the Supreme Court with the final judgement delivered on 15th January 2021. The judgement was reviewed and no further additional actions have been identified as required on wordings, the focus is now on settling claims and communicating with customers. Cases are now well progressed with the majority either declined or settled and closed.
- Policy wording amendments to reflect new Reinsurance Treaty and market wordings approaches have been implemented, and, where affirmative cover is provided, the Disease Extension wording has been strengthened so that cover only responds to a specified disease that has manifested on the premises
- The Technical Provision uncertainties relating to Covid-19 (see section D.2.3 for further details) are relevant to reserve risk and, in some cases but to a far lower extent, also relevant to underwriting risk (see section C.1.2).

Inflation risks and supply chain disruption are monitored portfolio underwriting risks, but are given additional focus due to Brexit and the pandemic in the underwriting portfolio strategy, pricing and operational planning process with oversight from the quarterly business reviews. Risks are reviewed, and material remediation actions are escalated to the Regional Risk and Control Committees.

During 2021, a combination of effects is leading to the emergence of increased claims inflation. We monitor inflation and the Group responds appropriately. Brexit risks to inflation and supply chain delays continue to be monitored as a component of this.

There have been no other material changes to the material risks during 2021

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

The Group's peak Natural Catastrophe zone is Northern European windstorm, where the Group purchases reinsurance to protect against losses of up to £1.35bn (2021: £1.35bn).

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

C.1.6 Risk mitigation

The Group operates a comprehensive risk management system and policy management framework. This system includes policies which govern key activities such as Underwriting, Claims, Reinsurance and the assessment of insurance risks. The policies introduce a system of mandatory controls frameworks which stipulate a system of minimum requirements and standard controls, and key risk indicators which are used to measure the effectiveness of these controls in mitigating risk. Each quarter,

management are required to report on the operation and effectiveness of these controls to governance committees. Key risks are escalated to functional Risk Committees and to the BRC. Controls which are not considered effective are subject to remedial action and risk oversight.

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

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

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

In the ordinary course of business, we reinsure certain risks with other reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses. Our objectives related to ceded reinsurance are capital protection, reduction in the volatility of results, increase in underwriting capacity and access to the expertise of reinsurers. The effect of our reinsurance arrangements is that the Group should not suffer total net insurance losses beyond the Group's risk appetite in any one year.

The placement of ceded reinsurance is mainly on an excess of loss basis (per event or per risk), but some proportional cessions are made for specific portfolios. Annually, we review and adjust our reinsurance coverage to reflect our current exposures and our capital base. The most material component of our reinsurance program is the catastrophe treaty, for which we provide more detail below.

With effect from 1 January 2022, the catastrophe reinsurance programme for RSA's UK&I business is provided on a combined basis with IFC's operations in Canada and the US. RSA's approach for setting limits is consistent with prior years. The following table summarises the net retention and coverage limits for multi-risk events and catastrophes. Please note from a UK&I perspective the retention / limit from an event in the US or Canada would be shared with the IFC Group domestic operations in the respective territory.

| As of 1 January | 2022 IFC | 2021 RSA |
|---|-------------|-------------|
| UK & Europe located events (in million of GBP) | | |
| Retention ¹ | 75 | 75 |
| Coverage limits ² | 1,350 | 1,350 |
| US located events (in million of CAD) | | |
| Retention ¹ | 125 | 75 |
| Coverage limits ² | 1,225 | 610 |
| Canadian located events (in million of CAD) | | |
| Retention ¹ | 200 | 75 |
| Coverage limits ² | 7,200 | 3,200 |

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

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

On 27 July 2021, the Group entered into a reinsurance contract pursuant to which a third-party reinsurer assumed 50% of negative reserve development in excess of an agreed retention with respect to certain of RSA's UK&I and other claims liabilities

for accident years 2020 and prior. The maximum amount recoverable from the third-party reinsurer under the reinsurance contract is 50% of £400 million and is subject to certain exclusions and limitations including in relation to first party COVID-19 related claims. The transaction closed on 6 October 2021, following regulatory approval and satisfaction of various closing conditions. The purchase of this ADC has reduced the potential volatility in our claims liabilities and resulted in a release of risk margin in Q4 2021. The net impact of the adverse development coverage, amounting to £34m reported in Acquisition, integration and restructuring costs in Q4 2021.

C.1.7 Risk sensitivity

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

C.2 Market risk

C.2.1 Introduction

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

C.2.2 Measures used to assess risk

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

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

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

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

The Group has made an allocation to private credit (the majority of these are investment grade credits). Aggregate allocation to private credit is reviewed by the BRC and all new investments are approved and monitored by UKAMC.

The Group has its own credit review methodology that takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The Credit Rating Review Committee ("CRRC") is

responsible for reviewing and assigning credit ratings to material exposures as well as those that do not have any credit rating under the Group's standard methodology.

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

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

Structural currency risk is largely managed at a Group level through currency forward, swap and foreign exchange option contracts. In managing structural currency risk, the needs of the Group's subsidiaries to maintain net assets in local currencies to satisfy local regulatory solvency and internal risk based capital requirements are taken into account. These assets should prove adequate to support local insurance activities irrespective of exchange rate movements. Consequently, this may affect the value of the consolidated shareholders' equity expressed in Sterling.

There have been no material changes to the measures used to assess risks during 2021.

C.2.3 Material risks

The Group is exposed to the following material market risks:

Interest rate risk

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

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

Equity price risk

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

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

The Group made an allocation to equities during 2021, which results in greater exposure to equity price risk.

Property price risk

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

Currency risk

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

The Group is exposed to currency risk in two ways:

- **Operational currency risk** – by holding investments and other assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies)
- **Structural currency risk** – by investing in overseas subsidiaries and operating an international insurance group, noting that this risk is much reduced after the takeover and subsequent disposal of the Canadian and Scandinavian subsidiaries

Following the change in control, RSAIG's exposure to foreign currencies has materially reduced, however the Group continues to operate in a number of countries.

C.2.4 Application of the prudent person principle

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

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

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

The Group's portfolio focus is on high quality bonds and cash, with measured holdings in equities and property. At 31 December 2021, the Group held over 40% of the fixed income portfolio in government bonds and "AAA" rated non-government bonds, minimising any liquidity risk and enabling funds to be transferred when required. The credit rating of the fixed income portfolio of the Group is predominantly investment grade with circa 99% of bonds held rated BBB or higher as at 31 December 2021.

C.2.5 Material risk concentrations

The Group's investment portfolio consists predominantly of high quality, investment grade, fixed income assets broadly reflecting the duration of its underlying insurance liabilities. The fixed income assets are well diversified by sector and geography with circa 27% of the investments in the SII balance sheet comprising government securities (see section D. Group SII Balance Sheet for a breakdown of investment assets).

C.2.6 Risk mitigation

The Group supports the liabilities for its general insurance business with a low risk, high quality portfolio with exposure concentrated in bonds and cash. Surplus assets are invested in bonds, cash, private credit, equity and property. Credit risk exposure is mitigated by the high quality nature of the portfolio with circa 99% investment grade and circa 49% rated AA or above. Counterparty concentration risk is limited through limits placed on single counterparties. The Group ensures that it maintains sufficient liquidity for its needs by having a minimum exposure to highly liquid assets such as cash, bonds rated AAA and government and government guaranteed bonds.

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

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

The Group may use derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates, equity prices and long term inflation. The Group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the BRC.

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

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

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

- Investments in projects relating to energy exploration, extraction or production in the Arctic or Antarctic regions;
- Investment in projects relating to exploration, construction or operation of coal mines commissioned in 2015 or later;
- New investment in thermal coal, oil sands and shale projects and pipelines;
- New investments in power utilities that generate more than 30% of revenue/capacity from thermal coal power generation, except where a transition plan indicates the company will be below the 30% threshold within 3 years.

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

C.2.7 Risk sensitivity

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

C.3 Credit risk

C.3.1 Introduction

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

C.3.2 Measures used to assess risk

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

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

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

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

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

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

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets. It is noted that Covid-19 related developments have led to increased pressures on certain sectors and holdings including property related assets. We do not, however, consider overall credit risks to be materially changed.

There have been no material changes to the measures used to assess risks during 2021.

C.3.3 Material risks

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

- **Counterparty risk** - defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers and other third parties
- **Credit concentration risk** - defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions
- **Credit downgrade risk** - defined to be the loss or gain from a change in an investment's credit rating agency rating and/or an analyst buy, sell, hold opinion
- **Credit spread risk** - defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury security's counterparty

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

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

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

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

- Reinsurance
- Investments
- Insurance Operations

The Group has continued to maintain a high quality investment portfolio and regularly monitors developments in the performance of its assets. It is noted that Covid-19 related developments have led to increased pressures on certain sectors and holdings including property related assets. We do not, however, consider overall credit risks to be materially changed.

C.3.3.1 Reinsurance credit risk management

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

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

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

C.3.3.3 Credit risk arising from insurance operations

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

As a result of the Covid-19 pandemic, there has continued to be increased credit risk arising from insurance operations during 2021. See section C.3.6.3 for mitigating actions.

C.3.4 Application of the prudent person principle

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

C.3.5 Material risk concentrations

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

- Reinsurance Counterparties
- Investment Counterparties
- Off Balance Sheet Guarantees

C.3.5.1 Reinsurance counterparties

The Reinsurance Credit Committee oversees the management of credit risk arising from a reinsurer failing to settle its liability to the Group. The Group maintains a list of approved reinsurance counterparties. Other than in exceptional circumstances, the

minimum Standard & Poor's (or comparable) credit rating to get onto the list is A-. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

The Group's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Group monitors its aggregate exposures by reinsurer group, being total exposure (as defined in the Reinsurance Risk Management Policy) as a percentage of Intact Financial Corporation's shareholders' equity, the maximum percentages allowed depending on the Reinsurer's financial credit rating. The Group regularly monitors its aggregate exposures by reinsurer group against predetermined reinsurer group limits, in accordance with the methodology agreed by the BRC. The Group's largest reinsurance exposures to active reinsurance groups are Berkshire Hathaway, Lloyd's of London and Talanx. At 31 December 2021 the reinsurance asset recoverable from these groups does not exceed 7.8% of the Group's total financial assets. Stress tests are performed by reinsurer counterparty such that in a catastrophic event, the exposure to a single reinsurer is estimated currently to not exceed £168m. See note 6 of the RSAIG Annual Report & Accounts for more details.

C.3.5.2. Investment credit risk

For material investment risks, see section C.2.5.

C.3.5.3 Off balance sheet guarantees

The Group has exposure to certain off balance sheet guarantees issued under secured Letter of Credit facilities. The Group does not consider there to be any material risk concentration. As at 31 December 2021, no individual Letters of Credit had a value greater than £150m.

C.3.6 Risk mitigation

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

C.3.6.1 Reinsurance credit risk management

Mitigation techniques

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

Business unit requirements

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

Monitoring process

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

C.3.6.2 Investment credit risk

Mitigation techniques

See section C.2.6.

Monitoring process

All operations review their investment exposure against limits delegated by the UKAMC and report these to UK&I Investments on at least a monthly basis. Separately, external fund managers, used by the operations, monitor their investment exposures against limits stipulated within their Investment Management Agreements. These limits are set by the operations such that they are consistent with limits delegated to them by the UKAMC. In addition, the UK Risk, Investments & Treasury Committee reviews exposures against the UKAMC limits for the major operations, as well as the BRC limits for the aggregate global position, on a monthly basis and reports to the UKAMC.

In addition, the Group has its own credit assessment methodology that takes into account ratings from the major credit rating agencies as well as other risk analysis including that undertaken by external fund managers. The CRRC is responsible for reviewing and assigning credit ratings to material exposure as well as those that do not have any credit rating under the Group's standard methodology.

C.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Credit Risk Committee** - All businesses must have a Credit Risk committee, responsible for identifying, assessing, maintaining, monitoring and reporting on insurance operations credit risk exposures
- **Debt reconciliations** - Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased

- **Completion of due diligence activities** – Each business must confirm material facts about the counterparty by reviewing several elements such as annual and quarterly financial information for the past three years, financial projections, Capital structure, list of top ten suppliers and history of the past two fiscal years (including current year to date)
- **Credit terms are set for each counterparty** - Each business must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented on the Insurance Operation Credit Risk policy
- **Procedures for loans and insurance of mortgages** – Each business must put in place procedures that govern the credit assessment of granting of loans to counterparties and the insurance of mortgages
- **Global Network Partners** – The Group performs due diligence and credit risk assessments on Global Network Partners for all businesses

Monitoring process

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

- Aged debtors and balances
- Breakdown of debtors
- Top 20 debtors, how much they owe, their credit rating (Standard and Poor ratings to be used, with justification required if an alternative is used), length of extended credit, whether they have exceeded their limit, if so action to recover or cancel relationship/business until 100% of the amount is received or at least amounts beyond 60 days
- Aged debtors variance analysis (budget vs actuals)
- Major credit concentrations by counterparty, counterparty groups or connected counterparties
- Key Performance Indicators – debtor days (movement against prior quarter and prior year). Targets set by local regions
- Bad debt report providing exposure and estimated recovery by counterparty classified into appropriate buckets, e.g. days past due

C.3.7 Risk sensitivity

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

C.4 Liquidity risk

C.4.1 Introduction

Liquidity risk refers to the risk of loss to the Group as a result of assets not being available in a form that can immediately be converted into cash or that conversion can only be achieved at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures used to assess risk

The Group breaks down liquidity risk into three subcategories:

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

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

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

There have been no material changes to the measures used to assess risks during 2021.

C.4.3 Material risks

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

There have been no other material changes to the material risks during 2021.

C.4.4 Application of the prudent person principle

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

C.4.5 Material risk concentrations

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

For more information see the liquidity risk table in Note 6 of the RSAIG Annual Report and Accounts.

C.4.6 Risk mitigation

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

Each operation adheres to a liquidity policy (for entities outside the UK, at least 20% of investment assets are to be held in cash, cash instruments, unencumbered AAA rated bonds and appropriate domestic government bonds) that ensures that adequate liquid resources are maintained at all times such that liabilities can be met as they fall due.

In addition, each operation produces a range of cash flow forecasts from short-term operational plans to 3 year forecasts in conjunction with the Group's core planning processes.

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

C.4.7 Expected profit in future premiums

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

At 31 December 2021 the Group EPIFP gross of reinsurance was £33m.

C.4.8 Risk sensitivity

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

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

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

C.5 Operational risk

C.5.1 Introduction

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are inherent in the Group's operations, and are typical of all enterprises.

C.5.2 Measures used to assess risk

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

The Risk Management and Internal Control Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The risk management system sets out RSA's approach to minimising and/or preventing the risk of customer detriment, material loss, reputational damage or liability arising from the failure to comply with risk requirements.

In order to facilitate identification and control, the business breaks down operational risk into four sub-categories:

- **Process risk** - the risk of direct or indirect loss resulting from inadequate or failed internal processes
- **Systems risk** - the risk of direct or indirect loss resulting from inadequate or failed infrastructure of the organisation including network, hardware, software, communications and their interfaces
- **People risk** - the risk of direct or indirect loss resulting from the deliberate or unintentional actions of employees and/or management of the business or from their inaction
- **External risk** - the risk of direct or indirect loss resulting from events outside the business control or from events that impact on an external relationship

The 1st line business functions, supported by the Regional and Group Risk functions, ensure that new risks are identified, which can include risks created by changes to the business strategy, and are appropriately reflected in their risk profiles and risk appetite scorecards.

A number of information sources should be used to support identification processes. These include:

- control assessments supported by testing such as validation and assurance activities
- key risk indicators supporting the risk appetite framework
- material business changes, including transformational activity
- emerging risk assessments
- external incidents and internal incidents, which are supported by root cause analyses where appropriate

Once material risks have been identified the business function must update its risk profile by including the risk net of mitigation, i.e. the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective), and recorded on a standard 5x5 Probability and Impact Matrix. The assessment of impact that could be incurred should the risk arise is made using both quantitative financial measures and qualitative reputational scales with consideration to potential impacts on the customer or reputation that could be incurred should the risk arise. Probability assessments run from Very High (more likely than not to happen) to Very Low (less than once in 200 years) and are made with reference to the probability of a scenario arising that would result in these impacts being incurred. Assessments are made by the 1st line risk owner supported (and challenged) by the risk function.

The business function assesses all residual risks to determine if the risk is within risk appetite, and if not whether there is a plan with an owner to bring the risk within appetite within a reasonable timeframe.

Risk profiles, risk appetite scorecards and where applicable action plans are reviewed and challenged by the risk functions and at appropriate Risk Committees.

An annual sense check compares the operational risk capital scenario assessments to the operational risks included on the risk profiles to ensure consistency and completeness of the risks assessed and the assessments themselves.

There have been no material changes to the measures used to assess risks during 2021.

C.5.3 Material risks

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

| Risk | Description |
|---|---|
| Programme Transformation Change | <p>A major project critical to strategic business objectives run behind schedule and/or incur additional unbudgeted costs.</p> <p>Additional strain placed on business by key Business as Usual staff being enrolled on projects, resulting in work backlogs, customer detriment, untimely turnaround/response times, staff stress, and pressure from increased workloads.</p> |
| Legal/ Legislative Non-Compliance | <p>The firm incorrectly interprets law or legislation and/or erroneously excludes crucial terms and conditions (from non-insurance policy contracts) leading to minor sanctions, negative reputational consequences, customer detriment, and/or changes in business practices/decisions.</p> <p>Firm fails to comply with changes in legislation, laws, supervisory directives, market directives, accounting practices, taxation requirements, or other requirements issued by relevant authorities within prescribed time.</p> <p>Receipt of bribes or inducements to secure business/opportunities, acting in a way considered anti-competitive.</p> |
| Inappropriate Underwriting | <p>Failure (of the firm or management) to exercise appropriate levels of oversight on sales practices being adopted by individuals or related entities authorised to represent the firm or distribute its products and services directly to the market.</p> |
| Loss of a Material Reinsurance Recovery | <p>Staff fail to correctly execute reinsurance (treaty) contracts (not executed at all or disputed by reinsurer) resulting in lack of cover for large exposures and failure to recover funds from a large loss.</p> |
| Theft or Corruption of Data | <p>An external party attacks the firm's IT systems with the purpose of defrauding the firm, theft or corruption of data, destroying systems, etc.</p> <p>A firm loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.</p> |
| Financial reporting and accounting errors | <p>Inadequate financial processes that result in financial accounting and/or reporting errors and misstatement of financial accounts.</p> |

| Risk | Description |
|------------------------|--|
| Regulatory Breach | <p>Regulatory breaches or failures that cause detriment to customers, clients or significant trading partners, including incorrect licensing or permissions.</p> <p>Failure to comply with changes in regulations issued by relevant authorities in the prescribed time.</p> <p>Inadequate sanctions systems, processes or failed sanction controls.</p> |
| Business Interruption | <p>A disaster recovery event causing damage or disruption to business operations, assets, utilities and third parties, including natural disaster, war, riots, terrorism, pandemic, explosion, vandalism, social unrest, fire, etc.</p> <p>Systems (software or hardware) failure resulting in staff being unable to use critical systems to work.</p> |
| Third Party Management | <p>A failure to manage, monitor and assess third parties, included outsourcing arrangements, can result in poor performance or service issues impacting the customer and resulting in error/breaches. In the worst cases this can lead to business interruption, regulatory or legislative fines, financial loss or reputational damage.</p> |

The risk profile of the RSA Group has not fundamentally changed as a result of Covid-19, although some operational risks have been heightened. Operational resilience mechanisms have been particularly important in 2020 and 2021 as the operating environment created by Covid-19 led lockdowns has increased some aspects of the operational risk.

IT and Cyber is a key risk for the group that is factored into multiple risks raised above, especially theft or corruption of data and business interruption. Climate Change risks have been considered, although the operational risk implications are minimal in the short term and factored into existing assessments. These include regulatory risks associated with the Group's response and planning for climate change and operational resilience considerations from worsening weather events.

Customer related risks are a key factor in the assessment and management of the risks above. Customer impacts can arise from a number of risks across the different risk types, however customer risk is treated predominately under the operational risk category with a focus on specific controls as outlined in the Customer Policy. Whilst each risk listed above has customer implications the most significant relate to change, inappropriate underwriting, data, business interruption and third party management. Since the early phases of the pandemic, customer focus and governance has continued to be strong.

People risk has been identified as a key risk as a result of the takeover bid. The Group has undertaken mitigation actions such as regular HR and Audit meetings to consider emerging people risk hotspots, sustained focus on retaining key resources and increased attention to handover from leavers.

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

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

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

- the Risk Management and Internal Control Policy and supporting Business Control Policies
- the Operational Risk Process and Procedures
- the risk appetite and/or risk limits and tolerance levels

The Risk Management Policy is supported by 47 policies that detail a standard set of controls. The effective operation of the controls, control validation and assurance outlined in this and other policies is important to mitigate the risk of override at all levels, including that of management. Policies are developed to provide a consistent set of controls so that risks remain within risk appetite.

The operation of the policy framework is detailed in the risk management system detailed in the system of governance. Worthy of note are the following:

- Assurance that the business is complying with both Risk Policies and Business Control Policies is managed through control validation and assurance procedures which assess the effectiveness of the standard controls
- Policies are subject to a regular review, led by the 1st line owner and supported by the risk function. Any change is subject to review, challenge and agreement from the Control Governance Advisory Committee, which is a group-wide committee with authority for policy management delegated down from the BRC
- Policy owners must ensure that the minimum requirements and controls defined in the policies are in place across business functions to meet the requirements of the policy
- Requests for variation, risk acceptance and/or remediation plans agreed must follow the Policy Management Lifecycle

The business manages risks on an ongoing basis in line with risk appetite. The business clearly documents the management and/or mitigation of the risk exposure through risk avoidance, risk reduction, risk transfer or risk acceptance. Where the risk exposure is judged to be unacceptable relative to risk appetite, actions must be taken to mitigate and/or manage the risk.

In managing and/or mitigating risk, the following four areas are considered:

- **Risk avoidance** - defined as not engaging in the activity that gives rise to the risk exposure. This may include a change in the scope of activities that present the risk exposure
- **Risk reduction** - defined as a reduction in the probability and/or impact of the risk exposure. This would be achieved by either implementing new or enhancing existing controls, or transforming processes and procedures
- **Risk transfer** - defined as the movement of the risk exposure to another party who is more willing to bear the impact, for example through an insurance arrangement. Risk transfer must be assessed and referenced to the risk appetite, the type of risk, the scale of the potential impact and/or costs and exclusions
- **Risk acceptance** - defined as an agreement by the business to retain and manage the risk exposure, for example where no mitigation is available to mitigate the risk or the cost of mitigation is deemed to be excessive in relation to the risk mitigation benefit

Action plans are developed by the functional business teams where needed to bring risks back within appetite, with action plans being reviewed and challenged at Risk Committees. Action plans include assigned owners, actions to be followed and delivery dates.

The business functions, supported by the regional risk teams, will:

- review the reports presented to the regional risk and control committees and consider if any of the control weaknesses reported need to be reflected as residual risks out of appetite on the risk profiles
- review the risk incident reports to assess trends and highlight any potential breaches of operational risk appetite
- consider the impact of any major strategic or structural change within the organisation or the business environment on the risk profiles

- consider the impact of any emerging risk reviews, scenario tests or other deep dives on the risk profiles

The business maintains and reports operational risks assessments in the Risk Profile to evidence regular monitoring and reporting against risk appetite. As a minimum, risk reporting provides sufficient data to:

- inform risk exposure by key risks and control indicators
- describe the impacts, including regulatory breaches, non-compliance with policies and overdue audit actions
- monitor action plans that include improvements to the control environment
- identify systemic operational risks
- identify emerging risks
- monitor and report material operational risk losses and near misses

C.5.7 Risk sensitivity

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

C.6 Other material risks

C.6.1 Other material risks faced

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

C.6.2 Pension risk

C.6.2.1 Introduction

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

The Group operates a number of defined benefit pension schemes with total assets and liabilities each of around £8bn-£9bn. The majority of the assets and liabilities (around 99%) relate to two major defined benefit schemes located in the UK.

The UK defined benefit schemes were effectively closed to new entrants in 2002, and thus the majority of liabilities in the UK schemes relate to past employees of the Group. From 31 March 2017, the two largest defined benefit schemes in the UK were closed to future accrual meaning there is no further build-up of defined benefit pensions by the Group's employees in the UK.

C.6.2.2 Measures used to assess risk

The Group analyses the financial position of its defined benefit pension schemes on a number of different liability measures including:

- **International Accounting Standard (IAS) 19 Accounting Measure** – benefit payments are projected using best estimate assumptions and then discounted using UK AA corporate bond yields
- **Funding Measure** – liabilities are valued using prudent assumptions in line with local regulatory requirements for determining cash contribution requirements and paying regard to actual agreed investment strategy
- **Wind-up/‘Buy-out’ Measure** – The position of the schemes if the schemes were wound up and all liabilities were bought out with an independent third party insurer

The Group uses a range of deterministic and stochastic approaches to understand the key risks associated with each measure as described below.

The Group agreed to ultimately fund the schemes to a lower-risk secondary funding measure over time as part of the 2018 triennial funding valuations for the two large UK pension schemes.

There have been no material changes to the measures used to assess risks during 2021.

C.6.2.3 Material risks

Risks to the financial position of the schemes can largely be categorised as market risks (for example, assets not performing as well as expected) or demographic risks (for example, members living longer than expected).

Exposures to market risks depend significantly on the measure being used to assess the value of liabilities but broadly break down as follows:

- **Equity/property risk** - all measures are exposed to falls in the value of equity, property and other risk assets held by the schemes
- **Interest rate and inflation risk** - all schemes have significant exposure to interest rates and inflation in both assets and liabilities. The net exposure of each scheme will depend significantly on which liability measure is being analysed. For example, the UK schemes are broadly matched against movements in interest rates and inflation on an IAS 19 measure of liabilities but significant exposure remains on the wind-up measure
- **Credit spreads** - the IAS 19 measure has a particular exposure to credit spreads given the use of AA bond yields to discount the value of liabilities

The IFRS value of scheme assets and the scheme obligations are shown in the tables in section D.3.2 (Liabilities for employee benefits including defined benefit plan assets).

The potential impacts of Covid-19 on the pension schemes are well understood and do not fundamentally change the key risk exposures.

There have been no material changes to the material risks during 2021.

C.6.2.4 Application of the prudent person principle

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

At a Group level, there is no material pension risk in Ireland and the Middle East.

C.6.2.5 Material risk concentrations

The schemes hold a well diversified portfolio of assets with extensive controls in place over the size of any single counterparty exposure.

As detailed below, the schemes' largest counterparty exposures are to the UK government who are counterparty to or guarantee the schemes' holding of gilts and Network Rail bonds:

| Name of external counterparty | Country of the exposure | External rating | Value of the exposure (£m) | Currency |
|-------------------------------|-------------------------|---------------------|----------------------------|------------|
| UK Government | UK | AA (S&P) | 6,557 | GBP |

In addition, the schemes closely monitor the counterparty exposure within their portfolios of swaps and repo arrangements, although these are collateralised on a daily basis and hence the value of exposure is limited to the impact of any daily movement. All other counterparty exposures are well diversified and not considered to be material in the context of the schemes' overall level of assets.

C.6.2.6 Risk mitigation

The Group and the Trustees of the schemes work together to reduce the risks identified above through agreement of investment policy.

The schemes have taken significant steps over recent years to substantially de-risk from return seeking assets such as equities into bonds and other asset classes that produce a stable stream of cash flows that match liabilities. Market conditions and funding levels are also monitored dynamically on an ongoing basis to identify opportunities for further de-risking.

In addition, the schemes have significant hedging programmes in place including the use of interest rate, inflation rate and longevity swaps to mitigate the risk of market movements adversely impacting the financial position of the schemes. For example, the UK schemes entered into arrangements in 2009 that effectively removed all market and demographic risk associated with around 55% of the liabilities relating to pensions in payment at that time (c30% coverage based on current pensioner population).

Both the Group and the Trustees, with the support of their investment advisers, regularly review the performance of the schemes' assets against pre agreed benchmarks to ensure that the schemes' assets are performing in line with expectations. In addition, stress and scenario testing is regularly carried out to understand current exposures.

The Trustees of the schemes manage the risks associated with climate change through an integrated risk management framework which informs the schemes' investment policies. Investments are evaluated for sustainability, with a focus on factors arising from ESG considerations. When reviewing or considering the appointment of managers, account is taken of their approach with respect to sustainable investing, including voting policies and engagement. The Trustees also encourage their investment managers to comply with the UK Stewardship Code as best practice or explain if there are areas where they do not adhere to its policies.

C.6.2.7 Risk sensitivity

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

C.7 Any other information

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

The Group conducts a stress and scenario process annually, assessing material risks to the business as part of the ORSA process. The exercise is run by the Risk Function, with support from other functions. During 2021 consideration of combined market, underwriting and catastrophe shocks were used to stress the capital position in mild and extreme scenarios, confirming the appropriateness of the firm's capital buffers.

The Group also participated in the Climate Biennial Exploratory Scenario ("CBES") in 2021, considering the long-term implications of Climate Change on catastrophe losses, insurance liabilities and the value of assets. The exercise did not focus on capital stresses but rather developing management actions, and there was no material change to our existing objectives and Climate Change Action Plan ("CCAP").

D. Valuation for Solvency Purposes

In this section

Group SII Balance sheet

D.1 Assets

D.2 Technical provisions

D.3 Other liabilities

D.4 Alternative methods for valuation

D.5 Any other information

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

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

Group SII balance sheet

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

The valuation of assets and liabilities for SII begins with local GAAP for the solo entities and then adjusts to IFRS (which has an equivalent definition of fair value) values where there are material differences between the two. Thereafter, adjustments are made for specific differences between SII and IFRS. The solo entity SII positions are then consolidated to arrive at the Group SII balance sheet.

From an IFRS perspective, Regent Bidco Limited has taken advantage of section 401 of the Companies Act 2006, which exempts an intermediate parent company from preparing consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn up in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up, therefore an IFRS consolidated balance sheet is not presented below.

Where there are differences between the SII and IFRS bases of valuation, these are described in Sections D.1 – D.4. For assets and liabilities where valuation is carried out on the same basis under IFRS and SII, a description of the basis of preparation can be found in the accounting policies section and notes to RSAIG's annual report and accounts, as these bases of valuation would be used if Regent Bidco Limited were to prepare consolidated IFRS financial statements.

Adjustments made between IFRS and SII are classified into two categories, as can be seen in the SII balance sheets for RSAI, RSA Re and MIC shown in Section D of Appendices 2, 3 and 4:

- Reclassifications of the IFRS balance sheet into SII categories. These are principally of three types: reclassification of financial instruments, items classified as held for sale and movement from line-by-line consolidation to adjusted equity method for certain subsidiaries (see "Method of Consolidation" below for further details). These adjustments are required for SII presentation purposes only and do not result in valuation differences
- Revaluation adjustments, where IFRS valuation techniques are not considered to be consistent with SII requirements

| | Solvency II value £m | SFCR section |
|---|----------------------------|-----------------|
| Deferred tax assets | 148 | D.1.1.4 |
| Pension benefit surplus | 490 | D.1.1.5 |
| Property, plant & equipment held for own use | 81 | D.1.1.6 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 6,013 | |
| <i>Property (other than for own use)</i> | 371 | D.1.1.7 |
| <i>Holdings in related undertakings, including participations</i> | 72 | D.1.1.8 |
| <i>Equities</i> | 248 | D.1.1.9 |
| <i>Bonds</i> | 4,553 | D.1.1.9 |
| <i>Collective Investments Undertakings</i> | 407 | D.1.1.9 |
| <i>Derivatives</i> | 47 | D.1.1.9 |
| <i>Deposits other than cash equivalents</i> | 315 | D.1.1.9 |
| Loans and mortgages | 362 | D.1.1.9 |
| Reinsurance recoverables | 1,432 | D.2 |
| Insurance and intermediaries receivables | 203 | D.1.1.9 |
| Reinsurance receivables | 84 | D.1.1.9 |
| Receivables (trade, not insurance) | 90 | D.1.1.9 |
| Cash and cash equivalents | 144 | D.1.1.9 |
| Any other assets, not elsewhere shown | 19 | D.1.1.9 |
| Total assets | 9,066 | |
| Technical provisions | 5,593 | D.2 |
| Contingent liabilities | 16 | D.3.1.2 |
| Provisions other than technical provisions | 37 | D.3.1.3 |
| Pension benefit obligations | 13 | D.1.1.5 |
| Derivatives | 58 | D.3.1.1 |
| Insurance & intermediaries payables | 90 | D.3.1.1 |
| Reinsurance payables | 50 | D.3.1.1 |
| Payables (trade, not insurance) | 194 | D.3.1.1 |
| Subordinated liabilities | 187 | D.3.1.1 |
| Any other liabilities, not elsewhere shown | 293 | D.3.1.1 |
| Total liabilities | 6,531 | |
| Excess of assets over liabilities | 2,535 | |

Method of consolidation

Method

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

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

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

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

Scope

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

D.1 Assets

D.1.1 Valuation of assets

The assets of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of assets:

- the bases, methods and main assumptions used in valuing those assets for SII purposes
- where relevant, details of estimation techniques, risks and uncertainties relating to these valuations
- an explanation of any material differences in SII valuations compared to IFRS

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

D.1.1.1 Goodwill

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

D.1.1.2 Intangible assets

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

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

D.1.1.3 Deferred acquisition costs

Deferred acquisition costs ("DAC") recognised on the IFRS balance sheet comprise the direct and indirect costs of obtaining and processing new insurance business. In the IFRS balance sheets for RSAI, RSA Re and MIC, DAC is included in Prepayments and Accrued Income.

DAC is valued at £nil under SII, and acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.

D.1.1.4 Deferred tax assets and liabilities

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

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

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

The table below shows the split of the Group's deferred tax assets and liabilities between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2.

| | Deferred Tax Asset SII Value £m |
|--------------------------------------|---------------------------------------|
| RSAI | 146 |
| Contribution from other subsidiaries | 2 |
| Group Consolidated | 148 |

D.1.1.5 Pension benefit surplus and deficits

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

Defined contribution pension schemes

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

Defined benefit pension schemes

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

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

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

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

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

For those individual schemes in surplus, an asset is recognised in the balance sheet to the extent that the Group can realise an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the scheme or when the scheme liabilities are settled.

Remeasurements of the net defined benefit asset or liability comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit asset or liability). Actuarial gains and losses arise from changes to actuarial assumptions when revaluing future benefits and from actual experience in respect of scheme liabilities.

The amounts charged (or credited where relevant) relating to post retirement benefits in respect of defined benefit schemes are as follows:

- The current service cost

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

Estimation techniques, risks and uncertainties

Independent actuaries calculate the value of the defined benefit obligations for the larger schemes by applying the projected unit credit method. The future expected cash outflows (calculated based on assumptions that include inflation and mortality) are discounted to present value, using a discount rate determined at the end of each reporting period by reference to current market yields on high quality corporate bonds (AA rated) identified to match the currency and estimated term of the obligations.

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

If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years. Due to the complexity of the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in the assumptions. Assumptions are reviewed at each reporting date. As such, the valuation of the liability is highly sensitive to changes in bond rates.

D.1.1.6 Property, plant and equipment

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

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

For the Group SII balance sheet, all property and equipment, including lease assets recognised under IFRS 16, IFRS values (depreciated or amortised cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

On solo entity balance sheets under local GAAP reporting, Group occupied land and buildings are stated at fair value (based on the comparative method of valuation; see Section D.1.1.7 for further details), and therefore no adjustment is made on the SII balance sheet. For all other property and equipment, including lease assets recognised under IFRS 16, IFRS values (depreciated or amortised cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

The table below shows the split of the Group's property, plant and equipment between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2.

| | SII Value £m |
|--------------------------------------|-----------------|
| RSAI | 58 |
| Contribution from other subsidiaries | 23 |
| Group Consolidated | 81 |

D.1.1.7 Property other than for own use

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

Estimation techniques, risks and uncertainties

Investment properties are valued, at least annually, at their highest and best use.

The fair value of property has been determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuations of investment properties are based on the comparative method of valuation with reference to sales of other comparable buildings. Fair value is then determined based on the locational qualities and physical building characteristics (principally condition, size, specification and layout) together with factoring in the occupational lease terms and tenant covenant strength as appropriate.

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

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

Group balance sheet

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

The “Holdings in related undertakings, including participations” balance held on the Group’s balance sheet represents the Group’s investments in associates (in respect of which there are no valuation differences between IFRS and SII) as well as participations that are not insurance companies. Goodwill and intangible assets of participations that are not insurance companies are valued at £nil under SII.

The table below shows the composition of Holdings in related undertakings, including participations in the Group’s balance sheet. As Regent Bidco Limited’s only immediate subsidiary is RSAIG, the table bridges from the balance shown in RSAIG’s Annual Report and Accounts which is equal to the Regent Bidco Limited consolidated position.

| | SII Value £m |
|---|-----------------|
| Investment in subsidiaries of RSAIG (per consolidated Annual Report and Accounts) | - |
| Reclassification of IFRS balances relating to participations that are not insurance companies | 96 |
| Revaluation of participations that are not insurance companies under SII | (24) |
| Group Consolidated | 72 |

Solo entity balance sheets

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

Investments in directly owned subsidiaries and associates are accounted for as available for sale financial assets under IFRS reporting, and consequently valued at fair value.

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

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

D.1.1.9 Financial assets

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

- Equity securities: fair values are based upon quoted market prices where available, or according to the three-level fair value hierarchy (see note 28 of RSAIG's Annual Report and Accounts for further details)
- Bonds: fair values are based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from quoted market prices of comparable securities or estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Under SII, accrued interest is reclassified from other debtors to the relevant instruments
- Collective investment schemes: quoted market prices are used where available. Where this is not possible, funds are valued using data from third-party administrators or, in the case of loan funds, fund manager data. All funds are reviewed regularly for signs of underlying impairment. As such, it is considered that all IFRS values approximate to fair values, and no valuation adjustments are made under SII
- Derivatives: fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices
- Cash and deposits, and loans and mortgages: IFRS carrying amounts approximate to fair values. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances, reclassified from other assets
- Receivables and other assets: IFRS carrying amounts approximate to fair values. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details

The table below shows the split of the Group's insurance & intermediaries receivables and reinsurance receivables, between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2

| | Insurance and intermediaries receivables SII Value £m | Reinsurance receivables SII Value £m |
|--------------------------------------|--|--|
| RSAI | 160 | 67 |
| Contribution from other subsidiaries | 43 | 17 |
| Group Consolidated | 203 | 84 |

- Prepayments: prepaid expenses that are considered to have no future economic value are valued at £nil under SII
The table below shows the split of the Group's other assets (including prepayments) between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2

| | SII Value £m |
|--------------------------------------|-----------------|
| RSAI | 19 |
| Contribution from other subsidiaries | - |
| Group Consolidated | 19 |

Reinsurance recoverables

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

D.1.2 Analysis of deferred tax

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

| | Asset £m | Liability £m |
|--------------------------------------|-------------|-----------------|
| Deferred tax position at 31 December | 148 | - |

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

| | £m |
|---|------------|
| Net unrealised gains on investments | (25) |
| Intangibles valuation | - |
| Tax losses and unused tax credits | 13 |
| Other deferred tax reliefs | 75 |
| Net insurance contract liabilities | (1) |
| Retirement benefit obligations | (1) |
| Capital allowances | 81 |
| Provisions and other temporary differences | 6 |
| Net deferred tax position at 31 December | 148 |

Tax rates

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

| | Current tax | Deferred tax |
|---------|-------------|--------------|
| | 2021 | 2021 |
| UK | 19.0 | 24.0 % |
| Ireland | 12.5 | 12.5 % |

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

In May 2021, the change in the UK tax rate from 19% to 25% from 1 April 2023 was substantively enacted. This change impacts the UK deferred tax rate. A 24% deferred tax rate results from the expected unwind pattern of the UK temporary differences.

Unrecognised tax assets

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

| | Gross amount | Tax effect |
|---|--------------|------------|
| | £m | £m |
| Trading tax losses | 2,019 | 455 |
| Capital tax losses | 1,285 | 308 |
| Deductible temporary differences | 842 | 199 |
| Unrecognised tax assets as at 31 December | 4,146 | 962 |

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

In addition, to the IFRS position, no deferred tax has been recognised in respect of £485m of Solvency II adjustments (predominantly to technical provisions) as there is insufficient certainty that adequate future profits will be available.

Deferred tax asset recognition

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

The majority of the deferred tax asset recognised based on future profits is that in respect of the UK. The evidence for the future taxable profits is a seven-year forecast based on the three-year operational plans prepared by the relevant businesses and a

further four years of extrapolation, which are subject to internal review and challenge, including by the Board. The four years of extrapolation assumes UK premium growth of 1.9% per annum and no overseas premium growth where relevant to UK profit projections. The forecasts incorporate a contingency of £35m per annum and consider the impact of changing weather patterns using up-to-date catastrophe models.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below. The relationship between the UK deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

| | £m |
|---|-------------|
| 1% increase in combined operating ratio ¹ across all 7 years | (40) |
| 1 year reduction in the forecast modelling period | (47) |
| 50 basis points decrease in bond yields | (18) |
| 1% decrease in annual premium growth ² | (3) |

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

² In respect of the extrapolated years four to seven only.

There is increased sensitivity to changes in the operational plan compared to previous years due to the increase in the substantively enacted tax rate to 25% in the year and due to recognising a proportionally greater amount of deferred tax assets which are not subject to the 50% tax loss offset restriction rules.

Procedure

The procedure for calculating SII deferred tax figures for the Group utilises a walkthrough bridge from the figures reported on an IFRS basis in the RSAIG Annual Report & Accounts, to the Regent Bidco Limited SII position. A tax analysis is performed of valuation adjustments made to the RSAIG financial statements balances to arrive at the Regent Bidco Limited SII balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and SII guidance.

D.1.3 Group and subsidiary valuation differences

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

D.2 Technical provisions

D.2.1 Valuation and comparison of IFRS to SII

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

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

- SII technical provisions include a risk margin calculated on a different basis to the margin held above best estimate in IFRS
- Differences in discounting. In SII all technical provision cash flows are discounted using the PRA yield curve. In IFRS only some lines of business are discounted as per the Group accounting policy and these are discounted using a different discount rate
- Inclusion of an allowance for Events Not In Data (“ENIDs”) in SII, covering estimates of low frequency but potentially high severity binary events that are not captured in historical data sets
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions
- For future exposures, SII considers the best estimate of liability cash flows and not an unearned premium reserve (as is used in IFRS). As a result, profit or loss relating to future exposures (after allowance for ENIDs) will come through as a difference in the liability valuation
- Within SII, an allowance for reinsurer default is calculated, this is relatively small for most RSA entities. However, some entities are fully reinsured within the Group and as such this allowance for default contributes materially to the net technical provisions

The following table analyses the SII net technical provisions between material SII lines of business.

| | | SII Net Technical Provisions | |
|--|-----------------------------------|------------------------------|-------------|
| | | Best Estimate | Risk Margin |
| | | £m | £m |
| | Medical Expense | 47 | 2 |
| Direct Business and Accepted Proportional Reinsurance | Motor Vehicle Liability | 1,234 | 95 |
| | Other Motor | 39 | 2 |
| | Marine, Aviation and Transport | 229 | 10 |
| | Fire and Other Damage to Property | 1,068 | 38 |
| | General Liability | 1,060 | 71 |
| Other Non-Life Direct and Accepted Reinsurance Lines | | 55 | 5 |
| Life & Health Insurance Lines (including Annuities Stemming from Non-Life) | | 141 | 65 |
| TOTAL | | 3,873 | 288 |

The table below shows the split of the Group's SII net technical provisions between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2.

| | Reinsurance recoverables £m | Gross Technical Provisions £m |
|--------------------------------------|--------------------------------|----------------------------------|
| RSAI | 1,241 | 5,082 |
| Contribution from other subsidiaries | 191 | 511 |
| Group Consolidated | 1,432 | 5,593 |

Notes

- (1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These are Motor Vehicle Liability, Other Motor, General Liability, Marine Aviation & Transport, and Fire & Other Damage to Property.
- (2) Expected profit or loss within the UPR is deferred under IFRS until it is earned. However, on a Solvency II basis, this expected profit or loss is recognised up front when the contract is bound.
- (3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS. This is because Risk Margin is defined differently to margin under IFRS which is a simpler buffer for risks around the Actuarial Indication. The Risk Margin, on the other hand, covers cost of holding capital until runoff.
- (4) Discounting is used throughout SII reducing for most classes the SII Technical Provisions compared to the statutory accounts value. For annuities arising from non-life business, the discount rate used in SII is lower than that used in IFRS in calculating the best estimate.

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

$$\text{Claims provision} + \text{Premium provision} + \text{Risk margin}$$

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

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

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

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

D.2.2.1 Bases, methods and assumptions used for valuation

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

The premium provision comprises estimated cost of future claims and associated expenses for unearned business on a best estimate basis, offset by future premiums due. The cash flows also include profit commissions and the costs of policy administration.

Future claims cash flows include an allowance for ENIDs.

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

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

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

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

D.2.2.2 Significant simplified methods

Under the legal obligation basis of Solvency II, all existing bound contracts are to be valued, whether the contracts have inception or not. This includes future premium and claims cash flows for policies not yet inception by the valuation date, but already forming part of contractual obligations (Bound But Not Inception ("BBNI") business). Aside from some specific multi-year contracts and tacit renewals, due to the low materiality the Group generally does not value bound but unincurred contracts.

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

D.2.3 Uncertainties and contingencies

There is an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. In particular, the estimation of the provisions for the ultimate costs of claims for bodily injury is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slow emergence and longer settlement period for these claims.

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

The emergence of Covid-19 during 2020 gave rise to a material new uncertainty with regard to estimating technical provisions. Covid-19 has increased the level of estimation uncertainty with key assumptions impacted, such as frequency, severity and claims development patterns. Uncertainties relating to the valuation of Covid-19 business interruption ("BI") claims continued in 2021 as well, as interpretation and information continues to become available and interpretations mature. The ultimate liability could be materially different from the current estimate as legal interpretations and regulatory expectations develop and clarify the criteria for eligible claims, further information becomes available with regard to the number of eligible claimants who meet the required claim criteria, and the extent to which losses are recoverable under reinsurance contracts which depends upon the

extent to which reinsurance responds in the manner the company expects. If the outcome of litigation differs to our expectation this could give rise to a change in the assessed cost.

There is also increased uncertainty in premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs are partially mitigated by reinsurance.

D.2.4 Use of adjustments and transitionals

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

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

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

D.2.5 Recoverables from reinsurance contracts and SPVs

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

D.2.6 Changes in assumptions

The Group routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging risks or trends in the data and any other relevant information. Many of these assumptions only have minor impacts on the level of technical provisions reported.

Aside from reacting to evolving economic uncertainty and inflationary trends, as well as the combination of these effects alongside potential Covid-related external distortions on development speed, there were no material changes to assumptions in 2021.

D.2.7 Group and subsidiary valuation differences

The Group technical provisions are based on discounting using PRA yield curves whereas the subsidiary valuations for reporting in the EU require discounting using EIOPA yield curves. The discount curves have not been identical between the PRA and EIOPA since March 2021 leading to small differences in valuation.

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

D.3 Other liabilities

D.3.1. Valuation of other liabilities

The liabilities of the Group are valued in accordance with the Valuation Part of the PRA Rulebook applicable to SII firms, related articles of the Delegated Acts and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

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

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

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

D.3.1.1 Financial liabilities

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

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

- Debts owed to credit institutions and subordinated debt: fair values are determined by reference to recent market transactions or other observable market inputs
There is no difference in the fair value of debts owed to credit institutions in the Group's balance sheet between IFRS and SII
All subordinated debt included in the Group's balance sheet at 31 December 2021 is issued by RSA Insurance Group Limited. A reconciliation from the IFRS to SII balance sheets in relation to this debt is shown below

| | SII Value £m |
|--|-----------------|
| Subordinated debt issued by RSAIG (per Annual Report and Accounts) | 165 |
| Adjustment to fair value under SII | 22 |
| Group Consolidated SII position | 187 |

- For borrowings that carry a variable rate of interest (other than senior and subordinated debt), carrying values approximate to fair values and therefore there is no difference between the valuation under IFRS and SII
- Other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities and therefore there is no difference between the valuation under IFRS and SII
- Payables: IFRS carrying amounts approximate to fair values. Premium payables falling due for payment after the balance sheet date are reclassified from payables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details
- Reinsurance payables: As per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which case it must be recognised in full

The table below shows the split of the Group's insurance & intermediaries payables and reinsurance payables, between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2.

| | Insurance and intermediaries payables SII Value £m | Reinsurance payables SII Value £m |
|--------------------------------------|---|---|
| RSAI | 74 | 35 |
| Contribution from other subsidiaries | 16 | 15 |
| Group Consolidated | 90 | 50 |

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

Estimation techniques, risks and uncertainties

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

D.3.1.2 Contingent liabilities

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

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

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

For further information relation to contingent liabilities, see note 48 of RSAIG's Annual Report and Accounts.

The table below shows the split of the Group's contingent liabilities, between RSAI and RSAIG.

| | SII Value £m |
|---------------------------|-----------------|
| RSAIG | 10 |
| RSAI | 6 |
| Group Consolidated | 16 |

D.3.1.3 Provisions other than technical provisions

There are no differences between the IFRS and SII balance sheets as provisions are valued in the same way under both IFRS and SII.

A provision is recognised when there is a present legal or constructive obligation as a result of past events that are more likely than not to result in an outflow of economic resources in order to settle the obligation, and the amount of that outflow can be reliably estimated.

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

Defined benefit pension schemes and other post-retirement benefits

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

The Group also operates defined benefit schemes in other countries. The most significant of these schemes are in Ireland.

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

| | UK £m | Other £m | Total £m |
|---|------------|-------------|-------------|
| Present value of funded obligations | (8,583) | (83) | (8,666) |
| Present value of unfunded obligations | (5) | (8) | (13) |
| Present value of obligations | (8,588) | (91) | (8,679) |
| Equities | 579 | 17 | 596 |
| Government debt | 6,567 | 49 | 6,616 |
| Non government debt | 3,651 | 5 | 3,656 |
| Derivatives | 1,041 | 12 | 1,053 |
| Property | 659 | - | 659 |
| Cash | 86 | - | 86 |
| Other (including annuity contracts, infrastructure and growth alternatives) | 363 | 17 | 380 |
| Investments | 12,946 | 100 | 13,046 |
| Value of asset and longevity swaps | (3,636) | - | (3,636) |
| Total assets in the schemes | 9,310 | 100 | 9,410 |
| Other net surplus remeasurements | (254) | - | (254) |
| Total surplus/(deficit) | 468 | 9 | 477 |
| Defined benefit pension schemes | 468 | 17 | 485 |
| Other post retirement benefits | - | (8) | (8) |
| Schemes in surplus | 473 | 17 | 490 |
| Schemes in deficit | (5) | (8) | (13) |

Exposure shown in the previous table is of the UK and Other pension schemes and not the geographical disposition of the underlying investments.

The UK pension schemes do not hold any of the Group's own transferable financial instruments as plan assets, and no property held by the schemes is occupied by the Group.

D.3.3 Lease liabilities

See Section A.4.2 for information on leases.

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

The table below shows the split of the Group's Any other liabilities, not elsewhere shown (including lease liabilities) between RSAI and other component entities. These balances are materially comprised of those held in RSAI. A bridge from IFRS to SII valuation for RSAI can be seen in Appendix 2.

| | SII Value £m |
|--------------------------------------|-----------------|
| RSAI | 242 |
| Contribution from other subsidiaries | 51 |
| Group Consolidated | 293 |

D.3.4 Group and subsidiary valuation differences

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

D.4 Alternative methods for valuation

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

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

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

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

See Note 28 of the RSAIG Annual Report and Accounts for further details of the valuation methods, uncertainties and assumptions used when valuing such instruments.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

E.1 Own funds

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

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

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

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

E.6 Any other information

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

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

RSA Capital Management - Policies and processes for managing own funds

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

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

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

Business planning

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

Material changes over the reporting period

Regent Bidco Limited (a wholly owned subsidiary of IFC) purchased 100% of RSAIG's ordinary share capital on 1 June 2021. At the same time, Regent Bidco Limited disposed of its operations in Scandinavia and Canada.

Following the change in control, Group-level supervision of RSA transferred to Regent Bidco Limited from RSAIG.

In July 2021 the PRA approved an AOF item for RSAI Limited for a period of 2 years. The item comprises £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in the Group's solvency calculations, subject to eligibility rules, however, it does not count towards covering the Group MSCR.

In September 2021, the Group refinanced c60% of its Tier 2 subordinated debt instrument, replacing £275m of Tier 2 capital with an Unrestricted Tier 1 equity injection (from IFC) of the same amount.

The following change in availability of own funds at a Group level was also made during the year:

- The residual Tier 2 subordinated debt (c£160m nominal value at the 2021 year-end) is not available to cover SCR or MSCR at Regent Bidco level

Regent Bidco Limited was incorporated solely for the purposes of the transaction to acquire RSAIG and is expected to be liquidated in the near future; consequentially, ownership of RSAIG will be transferred to another entity within IFC. RSAIG and its subsidiaries are expected to continue to operate following liquidation of Regent Bidco Limited, with no impact on the ability of either RSAIG or its subsidiaries to continue as going concerns. There is no impact on the measurement of the Group's SII balance sheet or capital positions as a result.

Redemption of Tier 1 notes

In March 2022 RSAIG redeemed the floating rate Restricted Tier 1 notes. The Tier 1 notes were redeemed in full at their principal amount together with accrued and unpaid interest up to (but excluding) the first call date on 27 March 2022. The redemption was fully funded by an equity capital injection from IFC and there is no impact on the total capital position of the Group.

E.1.1.1 Method used for calculating Group Solvency

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

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

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

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

| Solvency II Tier | Capital Item |
|-------------------|---|
| Tier 1 | Paid in ordinary share capital, and the related share premium Reconciliation reserve |
| Tier 1 Restricted | Paid in preference shares, and the related share premium account Paid in subordinated liabilities that exhibit characteristics listed in Article 71 of the Delegated Act, approved for classification as Tier 1 own funds in accordance with Article 79 of the Delegated Act |
| Tier 2 | Subordinated liabilities that exhibit characteristics listed in Article 73 of the Delegated Act. Unpaid and uncalled ordinary share capital callable on demand (ancillary own fund items) as defined in Article 74 of the Delegated Act |
| Tier 3 | Net deferred tax assets |

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

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

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

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

Capital composition

The Group's capital structure by tier as at 31 December 2021 is as per the table below.

| | | 2021 £m |
|----------------------------------|--|--------------|
| Tier 1 Unrestricted | Equity capital (including Share Premium) | 1,247 |
| | Reconciliation reserve | 302 |
| | | 1,549 |
| Tier 1 Restricted | Preference shares | 125 |
| | Restricted Tier 1 notes | 297 |
| | | 422 |
| Tier 2 | Ancillary own funds item | 250 |
| | | - |
| Tier 3 | Net deferred tax assets | 148 |
| Total Available Own Funds | | 2,369 |

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

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

| | Basic Own Funds £m | Ancillary Own Funds £m | Availability restrictions £m | Available Own Funds £m | Eligibility restrictions £m | Eligible Own Funds £m | Eligibility Capacity £m | Eligibility rule |
|--------------|-----------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------|----------------------------|-----------------------|
| Tier 1 | 1,684 | - | (135) | 1,549 | - | 1,549 | | |
| Tier 1 (R) | 422 | - | - | 422 | (35) | 387 | 387 | 20% of total Tier 1 |
| Tier 2 | 178 | 250 | (178) | 250 | 35 | 285 | 716 | Tier 2 + Tier 3 up to |
| Tier 3 | 148 | - | - | 148 | - | 148 | | 50% of SCR |
| Total | 2,432 | 250 | (313) | 2,369 | - | 2,369 | | |

| | |
|---------|-------|
| SCR | 1,432 |
| Surplus | 937 |
| SCR | 165% |

Total available own funds to meet the SCR

Under SII availability provisions, capital in one entity which is deemed not wholly available to the wider Group can be included up to that entity's share of the Group SCR, where the entity in question is a related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking, insurance holding company or mixed financial holding company. The effect of this requirement is that it is necessary to restrict funds representing:

- **Minority interests** - except to the extent that those funds back the minority interest's share of the Group SCR, the excluded amount being £135m
- **Tier 2 subordinated debt** – £178m, being the SII value of the subordinated debt at 2021 year-end is excluded from group own funds

Total eligible own funds to meet the SCR

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

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

E.1.4 Eligible own funds to cover the MSCR

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

| | Basic Own Funds £m | Ancillary Own Funds £m | Availability restrictions £m | Available Own Funds £m | Eligibility restrictions £m | Eligible Own Funds £m | Eligibility Capacity £m | Eligibility rule |
|--------------|-----------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------|----------------------------|--------------------------|
| Tier 1 | 1,684 | - | (135) | 1,549 | - | 1,549 | | |
| Tier 1 (R) | 422 | - | - | 422 | (35) | 387 | 387 | 20% of total Tier 1 |
| Tier 2 | 178 | 250 | (428) | - | 35 | 35 | 144 | Tier 2 up to 20% of MSCR |
| Tier 3 | 148 | - | (148) | - | - | - | | |
| Total | 2,432 | 250 | (711) | 1,971 | - | 1,971 | | |
| | | | | | MSCR | 722 | | |
| | | | | | Surplus | 1,249 | | |
| | | | | | MSCR Coverage | 273% | | |

Refer to E.2.11 for further information.

Total available own funds to meet the MSCR

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

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

Total eligible own funds to meet the MSCR

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

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

E.1.5 Differences between equity and net assets

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

| | £m |
|---|--------------|
| Excess of assets over liabilities (see Section D) | 2,535 |
| Own shares (held directly and indirectly) | - |
| Foreseeable dividends, distributions and charges | - |
| Other non-available own funds items | (281) |
| | 2,254 |
| Subordinated debt | 178 |
| | 2,432 |
| SII Basic Own Funds | 2,432 |
| Ancillary Own Funds item | 250 |
| | 2,682 |
| SII Own Funds (including AOF) | 2,682 |

Foreseeable dividends, distributions and charges

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

Other non-available own funds items

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve and included in "Other non-available own funds" in the S.23.01, the excluded amount being £281m.

E.1.6 Transitional arrangements

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

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

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

E.1.7 Ancillary own funds

In July 2021 the PRA approved an ancillary own funds ("AOF") item for RSAI Limited for a period of 2 years. The item comprises £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in the Group's solvency calculations, subject to eligibility rules, however, it does not count towards covering the Group MSCR.

Two other ancillary own funds (AOF) items exist within the Group.

During 2016, an AOF structure was approved for RSAI Ireland by the Central Bank of Ireland ("CBI") permitting a maximum of €90m of nil-paid uncalled share capital. The structure was reapproved by the CBI in March 2022. The AOF counts as Tier 2 capital in RSAI Ireland's Solo solvency calculations only, subject to eligibility rules, however, it does not count towards covering the latter entity's MCR. The AOF item is not considered for Group solvency purposes.

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

E.1.8 Deductions and restrictions

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

E.1.9 Group fungibility and transferability

Availability of Group capital to meet SII Group SCR

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

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

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

E.1.10 Deferred tax

For details on the availability and eligibility of deferred tax assets, see sections E.1.3 and E.1.5.

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

E.2.1 SCR and MSCR

At 31 December 2021 the Group's SCR was £1,432m and the MSCR was £722m.

E.2.2 SCR split by risk

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

E.2.3 Standard formula simplifications

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

E.2.4 Standard formula undertaking specific parameters

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

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

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

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

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

E.2.7 MSCR calculation inputs

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

E.2.8 Consolidated Group SCR constituents

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

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

| | SCR (Including Op Risk) £m |
|--|----------------------------------|
| Fully consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings) | 1,432 |
| Fully consolidated special purpose vehicles | - |
| Proportionally consolidated insurance or reinsurance undertakings (incl. third country insurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings) | - |
| Other subsidiaries (not listed above) consolidated on an adjusted equity basis | - |
| Credit institutions, investment firms and financial institutions, alternative investment fund managers, UCITS management companies, institutions for occupational retirement provision, non-regulated entities carrying out financial activities | - |
| All other related undertakings (not listed above) | - |
| Total | 1,432 |

E.2.9 Group diversification effects

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

Quantitative information on diversification benefit at the 2021 year end as calculated by the internal model is available in QRT S.25.03 in Appendix 8. It is important to note that the quantification of diversification within the model depends critically upon the choice of risk category and the level of granularity required.

E.2.10 Minimum consolidated Group SCR

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

| | Linear MCR pre-corridor £m | Corridor - 25% £m | Corridor - 45% £m | MCR (per MSCR) £m |
|---|----------------------------------|----------------------|----------------------|-------------------------|
| Royal & Sun Alliance Insurance Ltd (United Kingdom) | 598 | 358 | 644 | 598 |
| RSA Insurance Ireland DAC (Republic of Ireland) | 17 | 25 | 46 | 25 |
| The Marine Insurance Company Limited (United Kingdom) | - | 1 | 2 | 3 |
| Royal & Sun Alliance Reinsurance Limited (United Kingdom) | - | 6 | 11 | 6 |
| RSA Luxembourg SA (Grand Duchy of Luxembourg) | 10 | 12 | 22 | 12 |
| Insurance Corporation of the Channel Islands Limited | 4 | n/a | n/a | 4 |
| Tower Insurance Company Limited | 3 | n/a | n/a | 3 |
| Other non-EEA | 71 | n/a | n/a | 71 |
| MSCR | | | | 722 |

E.2.11 Undertakings in scope of the internal model

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

E.2.12 Loss absorbing capacity of deferred tax

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

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

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

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

E.4.1 Internal model purposes

The internal model outputs provide the capital information used in the calculations of the Pillar 1 SCR, internal Pillar II capital measures, the ORSA, reporting and disclosure, and other business applications.

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

E.4.2 Internal model scope

Scope (by business unit)

All of the Group's business units are included in the scope of the internal model.

Scope (by risk type)

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

- Underwriting Risk
- Catastrophe Risk
- Reserve Risk
- Market Risk
- Credit Risk
- Currency Risk
- Pension Risk
- Operational Risk
- Other Drivers

E.4.3 Partial internal model integration

A full internal model is used so there is no partial internal model integration into the standard formula.

E.4.4 Internal model calculation methods

Overview of model methodology

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

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

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

E.4.5 Differences in methodologies and assumptions

Differences in standard formula and internal model structure

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

Explanation by risk module used in internal model and standard formula

Insurance risk – underwriting, reserving and catastrophe

The internal model splits insurance risk into three categories:

- Underwriting
- Reserving
- Catastrophe

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

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

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

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

Catastrophe risk can similarly be compared.

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

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

Market and currency risk

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

Counterparty risk

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

Operational risk and other items

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

Risks not covered by the standard formula but covered by the internal model

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

- Credit spread volatility and longevity risk associated with the Group's pension schemes
- Claims inflation risk arising from changes in legislative, global economic and political environment

E.4.6 Risk measure and time period

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

E.4.7 Data nature and appropriateness

There are many data sources used in the internal model.

For example:

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

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

E.4.8 Solo and Group level differences

The Group and UK solo entities use the same internal model.

The following Group entities used the standard formula to calculate their SCR as at the 2021 year-end: RSA Luxembourg S.A and RSA Insurance Ireland DAC.

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

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

E.6 Any other information

Nothing to report.

Appendix 1. Group Branches

Branches as at 31 December 2021

| Company | Country of Branch |
|--|--|
| Royal & Sun Alliance Insurance Ltd | Argentina Belgium China DIFC, Middle East France Germany Greece Ireland Norway |
| RSA Luxembourg S.A. | Belgium France Germany Netherlands Spain United Kingdom |
| The Marine Insurance Company Limited | Greece |
| Royal & Sun Alliance Reinsurance Limited | Argentina |
| Royal Insurance (U.K.) Limited | Ireland |
| Royal International Insurance Holdings Limited | Greece |
| Sun Insurance Office Limited | Greece |
| Royal & Sun Alliance Insurance (Middle East) BSC (c) | Abu Dhabi Dubai Sharjah |
| The London Assurance | Greece |
| RSA Insurance Ireland DAC | United Kingdom |
| EGI Holdings Limited | United Kingdom |
| Intouch Insurance Group BV | United Kingdom |
| IDIP Direct Insurance BV | United Kingdom |
| RSA Overseas Holdings BV | United Kingdom |

| | |
|--|----------------|
| RSA Overseas (Netherlands) BV | United Kingdom |
| RSA Overseas Holdings (No.1) Unlimited Company | United Kingdom |
| RSA Overseas Holdings (No.2) Unlimited Company | United Kingdom |

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

Summary

Royal & Sun Alliance Insurance Ltd (“RSAI”) is the main insurance company in the Group and is the operating company that holds the Group’s entire insurance business.

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

A. Business and Performance

RSAI is the largest operating company in the Group, and transacts the majority of the Group's business. RSAI transacts the greater part of its business in the UK where it is a leading commercial lines insurer and a top 5 personal lines insurer via direct and affinity lines business. It offers a full suite of commercial lines products across Property, Liability, Motor and Marine, distributing predominantly via insurance brokers. RSAI's personal lines business principally provides Household, Motor and Pet insurance through brokers and affinity programmes as well as through MORE TH>N, its direct brand.

The components of the Group's System of Governance are designed to satisfy the legal and regulatory guidelines and requirements applicable to RSAI such as the Companies Act 2006, Solvency II, and rules of Prudential Regulation Authority and the Financial Conduct Authority.

Business Strategy

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

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

Performance Information

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

Performance figures in section A of this Appendix have been prepared in accordance with the same accounting standards used for RSAI's Annual Report and Accounts.

A.1 Business

A.1.1 Company name & legal form

Royal & Sun Alliance Insurance Limited ("RSAI" or "RSAI Ltd") is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

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

A.1.3 External auditor

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

A.1.4 Holders of qualifying holdings

RSAI's sole shareholder is Royal Insurance Holdings Limited.

A.1.5 Position within the Group legal structure

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

A.1.6 Material related undertakings

See note 49 of the Company's 2021 Annual Report and Accounts for a list of all subsidiaries and associates of RSAI.

Refer to table 31.4 of Intact Financial Corporation Annual Report for significant operating entities which share common ownership with RSAI.

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

See section A.1.6 of the Group SFCR for a list of the Group's material related undertakings; these are also material related undertakings of RSAI.

A.1.7 Simplified Group structure

See section A.1.7 of the Regent Bidco Limited Group SFCR.

A.1.8 Business lines and geographical areas

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

| Geographic regions |
|--|
| UK |
| Europe |
| Ireland |
| Canada (proportional reinsurance accepted) |
| Line of businesses – non-life |
| Fire and damage to property |
| Motor vehicle liability |
| Other motor |
| General liability |
| Marine, aviation and transport |
| Medical expense |
| Non prop RI accepted - Casualty |

A.1.9 Significant events

Takeover

On 1 June 2021, Intact in consortium with Tryg undertook a takeover of RSA, approved by RSA shareholders in January 2021. RSA Insurance Group Limited, formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and 100% of the RSAIG's ordinary share was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation (IFC)) on 1 June 2021 (the 'acquisition'). On 1 June 2021, RSAIG disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited).

Covid

Following on from the material impact of the Covid-19 Pandemic in 2020, there has continued to be a significant impact upon our customers, our staff and society as a whole for most of 2021.

The Company's operations remained resilient during the year. The majority of the workforce has been working from home during the pandemic, reflecting guidelines set by local governments. Significant resource has been deployed to ensure our people have received the appropriate support regarding physical and mental well-being during remote working. Operationally, we have continued to make improvements to our IT architecture and successfully migrated to a new cloud-based mainframe to support our UK systems and processes. During 2021, where and when guidelines permitted, there was some voluntary return to the office supported by hybrid arrangements to ensure effective working from the office and home.

On 15 January 2021, the Supreme Court handed down judgement relating to the Financial Conduct Authority's ("FCA") UK business interruption court proceedings. Subsequently, on the 5 February 2021, the Irish High Court handed down judgement relating to Irish business interruption court proceedings. The estimated impact of these judgements is included in the actuarial indication of ultimate losses. For further detail on the recognition of BI claims within the Technical Provisions please refer to Section D.2 of the Group SFCR.

Post-Brexit transition

The Company recognises that leaving the EU could bring unexpected challenges and extend economic uncertainties.

The creation of RSA Luxembourg has insulated the Company from the main regulatory impacts of Brexit. The transfer of risk underwritten through the European branch network to RSA Luxembourg has ensured a smooth transition for our customers and brokers following the UK's departure from the EU.

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

Adverse Development Cover

In July 2021, RSA entered into a reinsurance contract for adverse development cover ("ADC") (transaction closed in October 2021) resulting in a £34m total net P&L impact, including partial offset from reduced reserve margin in light of the increased reinsurance protection. The Cover will reduce the potential volatility in the Group's historical claims liabilities. See C.1.6 for further information.

Ancillary Own Funds

During the year, an AOF structure was approved for RSAI by the PRA permitting a maximum of £250m of nil-paid uncalled share capital in favour of its ultimate parent, IFC. For further detail, please refer to Section B.1.

A.2 Underwriting performance

RSAI's operations are materially driven by the UK & International region's results and are affected by factors not reflected in divisional numbers such as intra-group reinsurance (see section A.1.10 in the Group SFCR). The RSAI Board manages the operations on a divisional basis as described in RSAIG's Annual Report and Accounts. For this reason, the RSAI Board believes that analysis using key performance indicators for the UK business in aggregate is relevant to RSAI. See note 9 of RSAIG's Annual Report and Accounts for details of the performance of the UK business.

| | 2021 £m | 2020 £m |
|---------------------------------------|--------------|------------|
| Net written premiums | 2,981 | 2,719 |
| Net earned premiums | 2,907 | 2,701 |
| Net incurred claims | (2,024) | (1,730) |
| Commissions | (814) | (800) |
| Operating expenses | (237) | (169) |
| Underwriting result | (168) | 2 |
| Investment income | 103 | 103 |
| Investment expenses | (22) | (7) |
| Unwind of discount | (6) | (7) |
| Investment result | 75 | 89 |
| Operating result | (93) | 91 |
| Interest | 49 | 4 |
| Profit on disposals | - | (4) |
| Other non-operating charges | (4,169) | (77) |
| Dividends from subsidiary undertaking | 6,914 | 1 |
| Profit before tax | 2,701 | 15 |
| Tax | 10 | (5) |
| Profit after tax | 2,711 | 10 |

| | Net Written Premium | | Underwriting Result | |
|---|---------------------|--------------|---------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | £m | £m | £m | £m |
| Non-life | | | | |
| Fire and other damage to property | 1,294 | 1,205 | (114) | (30) |
| Motor vehicle liability | 608 | 443 | (4) | (1) |
| General liability | 383 | 375 | (31) | (27) |
| Marine, aviation and transport | 214 | 213 | 4 | 10 |
| Medical expense | 230 | 228 | 12 | 26 |
| Other motor | 225 | 196 | (13) | 34 |
| Total material lines of business | 2,954 | 2,660 | (146) | 12 |
| Non-material | 27 | 59 | (19) | (10) |
| Total Non-Life | 2,981 | 2,719 | (165) | 2 |
| Total life/annuities | - | - | (3) | - |
| Total | 2,981 | 2,719 | (168) | 2 |

A.3 Investment performance

The information in this section of the report is taken from the RSAI Annual Report and Accounts.

A.3.1 Income and expenses by class

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

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

| | Investment income | | Net realised gains/(losses) | | Net unrealised gains/(losses) | | Total investment return | |
|---|-------------------|------------|-----------------------------|------------|-------------------------------|-------------|-------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Investment property | 16 | 17 | (1) | 3 | 44 | (8) | 59 | 12 |
| Equity securities | | | | | | | | |
| Available for sale | 6 | 5 | 3 | 1 | - | - | 9 | 6 |
| Debt securities | | | | | | | | |
| Available for sale | 71 | 74 | 4 | (1) | - | - | 75 | 73 |
| Other investments | | | | | | | | |
| Other loans | 67 | 51 | - | - | - | - | 67 | 51 |
| Deposits, cash at bank and in hand | 1 | 1 | - | - | - | - | 1 | 1 |
| Derivatives | - | - | - | (4) | 18 | (8) | 18 | (12) |
| Total net investment return | 161 | 148 | 6 | (1) | 62 | (16) | 229 | 131 |
| Dividends from subsidiary undertakings | 6,914 | 1 | - | - | - | - | 6,914 | 1 |
| | 7,075 | 149 | 6 | (1) | 62 | (16) | 7,143 | 132 |

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

| | 2021 £m | 2020 £m |
|---|-------------|------------|
| Investment property | (1) | (1) |
| Debt securities | (6) | (6) |
| Other | (15) | - |
| Total investment management expenses | (22) | (7) |

A.3.2 Gains and losses recognised in equity

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

| | Net unrealised gains / (losses) | | Net realised (gains) transferred to profit and loss account | | Net movement recognised in other comprehensive income | |
|---------------------------------------|---------------------------------|------------|---|------------|---|------------|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Equity securities | 4 | (6) | 3 | 4 | 7 | (2) |
| Debt securities | - | 66 | 4 | (1) | 4 | 65 |
| Subsidiary and associate undertakings | - | 660 | - | - | - | 660 |
| Total | 4 | 720 | 7 | 3 | 11 | 723 |

A.3.3 Investments in securitisation

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

RSAI's exposure to securitised investments at 31 December 2021 is summarised in the table below:

| Class of investments | Nature of the underlying investments of the vehicle | Exposure | |
|---|---|------------|------------|
| | | 2021 £m | 2020 £m |
| Collateralised Loan Obligations and Asset Backed Securities | Structured debt security backed by bonds or receivables | 247 | 242 |

A.4 Performance of other activities

A.4.1 Other material income & expenses

Employee expenses

Staff costs for all employees comprise:

| | 2021 £m | 2020 £m |
|--------------------------|------------|------------|
| Wages and salaries | 210 | 224 |
| Redundancy costs | 10 | 28 |
| Social security costs | 22 | 27 |
| Other pension costs | 28 | 30 |
| Share based payments | 22 | 14 |
| Total staff costs | 292 | 323 |

A.4.2 Operating and finance leasing arrangements

RSAL acts as lessee and lessor in a number of lease arrangements. For further details of the RSAL's leasing arrangements, see note 13 of RSAL's Annual Report and Accounts.

B. System of Governance

B.1 General information on the system of governance

RSAI's System of Governance

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

RSAI Board and Executive Committee

Regent Bidco Ltd, RSA Insurance Group Ltd and Royal & Sun Alliance Insurance Ltd business is overseen by a single set of Directors. The members of the boards of these companies are the same and their meetings are run in a combined session with one agenda and one board pack. The agenda and papers specify whether an item relates to a particular legal entity. The papers describe any differences between relevant issues from an RBL, RSAIG and RSAI perspective.

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

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

A review process is undertaken annually to ensure that the board is operating effectively.

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

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

Remuneration

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

The policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of RSA and its ultimate shareholder, IFC.

Key governance functions

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

Changes during 2021

The changes to RSAI's system of governance over the reporting period are

- Changes in the membership and responsibilities of the Board members
- For all other changes see section B.1.3 of the Regent Bidco Limited Group SFCR

Shareholder/Board transactions

Key management transactions

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

| | £m |
|---------------------------------|----------|
| Short term benefits | 7 |
| Compensation for loss of office | - |
| Total | 7 |

During 2021, no retirement benefits accrued under defined benefit schemes for directors and no contributions of were made to Group defined contribution schemes during the year in respect of directors.

During 2021, no directors exercised share options, three directors had share awards vesting under long term incentive schemes in respect of ordinary shares of the Company, and two non-executive directors had Deferred Share Units (DSUs) vesting in the Group's ultimate parent company, IFC, as part of their fee for their role on the IFC Board of Directors. The DSUs are redeemed upon director retirement or termination and are settled for cash afterwards.

Dividends

Ordinary dividends of £6,976m were paid during the year. A dividend of £100m was paid to Royal Insurance Holdings Limited in May 2021. Following the acquisition of RSAI by IFC, a dividend in specie of £6,876m was paid to Royal Insurance Holdings Limited. The dividend was settled with highly liquid financial instruments, classified as cash equivalents.

Ancillary Own Funds

During the year, an AOF structure was approved for RSAI by the PRA for a period of 2 years, permitting a maximum of £250m of nil-paid uncalled share capital. The AOF counts as Tier 2 capital in RSAI's Solo solvency calculations, subject to eligibility rules, however, it does not count towards covering its MCR. The AOF item also counts as Tier 2 capital for Group solvency purposes.

B.2 Fit and proper requirements

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

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

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

B.4 Internal control system

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

B.5 Internal audit function

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

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

B.6 Actuarial function

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

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

B.7 Outsourcing

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

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

The RSAI board reviews the provisions of all major external outsourcing contracts.

B.8 Any other information

Nothing to report.

C. Risk Profile

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

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

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

At 31 December 2021 RSAI's EPIFP was £21m.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with UK GAAP (Financial Reporting Standard 101), the accounting standard used for RSAI's Annual Report and Accounts. There are no differences in valuation principles between IFRS (used for the Group's valuation) and FRS 101, so all basis of preparation descriptions referring to IFRS in section D in the Group SFCR apply equally to RSAI.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSAI's Annual Report and Accounts.

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

RSAI SII balance sheet

| | Financial statements note | Statutory accounts value £m | Reclassification £m | SII valuation adjustments £m | Solvency II value £m | Group SFCR section |
|---|---------------------------|--------------------------------|------------------------|---------------------------------|-------------------------|---------------------|
| Goodwill and intangible assets | 19 | 250 | - | (250) | - | D.1.1.1, D.1.1.2 |
| Deferred tax assets | 28 | 146 | - | - | 146 | D.1.1.4 |
| Pension benefit surplus | 15 | 472 | - | - | 472 | D.1.1.5 |
| Property, plant and equipment held for own use | | 66 | - | (8) | 58 | D.1.1.6 |
| Investments (other than assets held for index-linked and unit-linked contracts) | | 10,565 | 38 | (345) | 10,258 | |
| <i>Property (other than for own use)</i> | 20 | 367 | - | - | 367 | D.1.1.7 |
| <i>Holdings in related undertakings, including participations</i> | 21 | 5,518 | - | (345) | 5,173 | D.1.1.8 |
| <i>Equities</i> | 22 | 575 | (327) | - | 248 | D.1.1.9 |
| <i>Bonds</i> | 22 | 4,058 | 2 | - | 4,060 | D.1.1.9 |
| <i>Collective investments undertakings</i> | | - | 327 | - | 327 | D.1.1.9 |
| <i>Derivatives</i> | 22 | 47 | - | - | 47 | D.1.1.9 |
| <i>Deposits other than cash equivalents</i> | | - | 36 | - | 36 | D.1.1.9 |
| Loans and mortgages | | 537 | 42 | - | 579 | D.1.1.9 |
| Reinsurance recoverables | 25, 26 | 2,028 | - | (787) | 1,241 | D.2 |
| Deposits to cedants | | 48 | - | - | 48 | D.1.1.9 |
| Insurance and intermediaries receivables | | 1,492 | 128 | (1,460) | 160 | D.1.1.9 |
| Reinsurance receivables | | 207 | (128) | (12) | 67 | |
| Receivables (trade, not insurance) | | 371 | 372 | - | 743 | D.1.1.9 |
| Cash and cash equivalents | | 66 | (5) | - | 61 | D.1.1.9 |
| Any other assets, not elsewhere shown | | 491 | (46) | (426) | 19 | D.1.1.9 |
| Total assets | | 16,739 | 401 | (3,288) | 13,852 | |
| Technical provisions | 33, 34 | 7,001 | - | (1,919) | 5,082 | D.2 |
| Contingent liabilities | | - | - | 6 | 6 | |
| Provisions other than technical provisions | 35 | 36 | - | - | 36 | D.3.1.3 |
| Pension benefit obligations | 35 | 5 | - | - | 5 | D.1.1.5 |
| Derivatives | 22 | 49 | - | - | 49 | D.3.1.1 |
| Financial liabilities other than debts owed to credit institutions | | 4,251 | 413 | - | 4,664 | D.3.1.1 |
| Insurance & intermediaries payables | | 37 | 27 | 10 | 74 | D.3.1.1 |
| Reinsurance payables | | 702 | (27) | (640) | 35 | |
| Payables (trade, not insurance) | | 937 | - | - | 937 | D.3.1.1 |
| Any other liabilities, not elsewhere shown | | 252 | (12) | 2 | 242 | D.3.1.1 |
| Total liabilities | | 13,270 | 401 | (2,541) | 11,130 | |
| Excess of assets over liabilities | | 3,469 | - | (747) | 2,722 | |

D.1 Assets

Analysis of deferred tax

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

| | Asset £m | Liability £m |
|-----------------------------------|-------------|-----------------|
| Deferred tax assets/(liabilities) | 146 | - |

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

| | £m |
|--|-------------|
| Net unrealised loss on investments | (25) |
| Tax losses and unused tax credits | 9 |
| Accrued costs deductible when settled | 75 |
| Retirement benefit obligations | 1 |
| Capital allowances | 81 |
| Provisions and other temporary differences | 5 |
| Net deferred tax position at 31 December | 146 |

Net deferred tax assets of £146m, that relate to tax jurisdictions in which the Company has suffered a loss in either the current or preceding period, have been recognised to the extent that it is probable future taxable profits will be available against which unused losses and temporary differences can be utilised.

At the end of the reporting period, the Company has unused trading losses of £1,593m. A deferred tax asset of £8m has been recognised in respect of these losses at 31 December 2021. No deferred tax asset has been recognised in respect of trading losses of £1,558m. In addition, the Company has other deductible temporary differences of £187m for which no deferred tax has been recognised.

No deferred tax has been recognised in respect of £481m of Solvency II adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

Deferred tax assets and liabilities are recognised based on tax rates that have been substantively enacted at the balance sheet date. A change to the UK corporation tax rate was substantively enacted during the year to 25% from 1 April 2023. As a result of this, the deferred tax rate has been calculated at 24% which is a blended rate reflecting the future periods during which the corporate tax rate will still be 19%.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The basis of deferred tax asset recognition, together with the impact of downward movements in key assumptions and specific downside scenarios on the value of the UK deferred tax asset (which is predominantly RSAI), is detailed in Group section D.1.2.

There is increased sensitivity to changes in the operational plan compared to previous years due to the increase in the substantively enacted tax rate to 25% in the year and due to recognising a proportionally greater amount of deferred tax assets which are not subject to the 50% tax loss offset restriction rules.

The procedure for providing Solvency II deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these adjustments give rise to a

temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and Solvency II guidance.

D.2 Technical provisions

| | | SII Net Technical Provisions | | Statutory | |
|--|-----------------------------------|------------------------------|------------|--------------|----------------|
| | | Best | Risk | Accounts | Difference |
| | | Estimate | Margin | Value | |
| | | £m | £m | £m | £m |
| | Medical Expense | 47 | 2 | 140 | (91) |
| Direct Business and Accepted Proportional Reinsurance | Motor Vehicle Liability | 1,089 | 84 | 1,413 | (240) |
| | Other Motor | 37 | 2 | 131 | (92) |
| | Marine, Aviation and Transport | 222 | 9 | 298 | (67) |
| | Fire and Other Damage to Property | 1,004 | 31 | 1,603 | (568) |
| | General Liability | 962 | 62 | 1,141 | (117) |
| Other Non-Life Direct and Accepted Reinsurance Lines | | 88 | 4 | 113 | (21) |
| Life & Health Insurance Lines (including Annuities Stemming from Non-Life) | | 139 | 59 | 134 | 64 |
| TOTAL | | 3,588 | 253 | 4,973 | (1,132) |

Notes

- (1) Allowance for future premium within SII Technical Provisions is a significant difference impacting multiple lines of business. These include Motor Vehicle Liability, Other Motor, General Liability, Marine Aviation & Transport, and Fire & Other Damage to Property insurance.
- (2) Expected profit or loss within the UPR is deferred under IFRS until it is earned. However, on a SII basis, this expected profit or loss is recognised up front when the contract is bound.
- (3) Risk Margin held under SII is higher than the margin in the Outstanding Claims Provisions under IFRS. This is because Risk Margin is defined differently to margin under IFRS which is a simpler buffer for risks around the Actuarial Indication. The Risk Margin, on the other hand, covers cost of holding capital until runoff.
- (4) Life & Health insurance lines comprise of non-life annuities where the difference is almost entirely driven by the difference in IFRS and SII risk margins.

Uncertainties and contingencies

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

D.3 Other liabilities

Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

The major defined benefit pension schemes are located in the UK. The assets of these schemes are mainly held in separate trustee administered funds. The UK defined benefit schemes were effectively closed to new entrants in 2002 and subsequently closed to future accruals with effect from 31 March 2017.

The value of scheme assets and defined benefit liability at 31 December 2021 are as follows:

| | Total £m |
|---|----------------|
| Present value of funded obligations | (8,571) |
| Present value of unfunded obligations | (5) |
| Present value of obligations | (8,576) |
| Equities | 576 |
| Government debt | 6,566 |
| Non government debt | 3,650 |
| Derivatives | 1,041 |
| Securities with quoted market price in an active market | 11,833 |
| Property | 658 |
| Cash | 85 |
| Other (including infrastructure, commodities, hedge funds, loans) | 357 |
| Other investments | 1,100 |
| Value of asset and longevity swaps | (3,636) |
| Total assets in the schemes | 9,297 |
| Other net surplus remeasurements | (254) |
| Total surplus | 467 |
| Defined benefit pension schemes | 467 |
| Schemes in surplus | 472 |
| Schemes in deficit | (5) |

D.4 Alternative methods for valuation

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

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

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

E. Capital management

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

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

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

Capital composition

The capital structure of RSAI by tier as at 31 December 2021 is as per the table below. Tier 2 capital reflects the guarantee in respect of the 2014 Tier 2 debt instrument issued by the Group and the Ancillary Own Funds item approved for use in July 2021.

| | | 2021 £m | 2020 £m |
|---------------------|--|--------------|------------|
| Tier 1 Unrestricted | Equity capital (including Share Premium) | 1,766 | 3,703 |
| | Reconciliation reserve | 225 | (772) |
| | | 1,991 | 2,931 |
| Tier 2 | Ancillary own funds item | 250 | - |
| | Share Premium | 178 | 466 |
| | | 428 | 466 |
| Tier 3 | Net deferred tax assets | 146 | 152 |
| | Total Own Funds | 2,565 | 3,549 |

Basic own funds to eligible own funds

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

| | Basic Own Funds £m | Ancillary Own Funds £m | Availability restrictions £m | Available Own Funds £m | Eligibility restrictions £m | Eligible Own Funds £m | Eligibility Capacity £m | Eligibility rule |
|--------------|-----------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------|----------------------------|----------------------------------|
| Tier 1 | 1,991 | - | - | 1,991 | - | 1,991 | | |
| Tier 1 (R) | - | - | - | - | - | - | 498 | 20% of total Tier 1 |
| Tier 2 | 178 | 250 | - | 428 | - | 428 | 716 | Tier 2 + Tier 3 up to 50% of SCR |
| Tier 3 | 146 | - | - | 146 | - | 146 | | |
| Total | 2,315 | 250 | - | 2,565 | - | 2,565 | | |

SCR 1,432
Surplus 1,133
SCR 179%

Analysis of significant changes in own funds

RSA Insurance Group and its subsidiaries was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation (IFC)) on 1 June 2021. Operations in Scandinavia and Canada were disposed of as part of this transaction.

RSAI Limited Unrestricted Tier 1 capital has decreased c£(1.0)bn during the year:

- Equity capital funding from IFC c£1.0bn
- Refinancing of T2 notes with equity capital from IFC c£0.3bn
- Disposal of Scandinavia and Canada c£(2.1)bn
- Other items £(0.2)bn

RSAI Limited Tier 2 capital is broadly unchanged in total over the year but has changed in composition as follows:

- Partial refinance of T2 notes c£(0.3)bn
- Ancillary Own Funds arrangement £0.3bn

See Section E.1.7 of the Group SFCR for details of the Ancillary Own Funds arrangement.

Eligible own funds to cover the MCR

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

| | Basic Own Funds £m | Ancillary Own Funds £m | Availability restrictions £m | Available Own Funds £m | Eligibility restrictions £m | Eligible Own Funds £m | Eligibility Capacity £m | Eligibility rule |
|--------------|-----------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------|----------------------------|-------------------------|
| Tier 1 | 1,991 | - | - | 1,991 | - | 1,991 | | |
| Tier 1 (R) | - | - | - | - | - | - | 498 | 20% of total Tier 1 |
| Tier 2 | 178 | 250 | (250) | 178 | (58) | 120 | 120 | Tier 2 up to 20% of MCR |
| Tier 3 | 146 | - | (146) | - | - | - | | Ineligible |
| Total | 2,315 | 250 | (396) | 2,169 | (58) | 2,111 | | |
| | | | | | MCR | 598 | | |
| | | | | | Surplus | 1,513 | | |
| | | | | | MCR | 353% | | |

Comparison between FRS 101 net equity and SII basic own funds

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

| | £m |
|---|--------------|
| Excess of assets over liabilities (see Section D) | 2,722 |
| Foreseeable dividends, distributions and charges | (407) |
| Ancillary own funds items | 250 |
| SII Own Funds | 2,565 |

Included in the foreseeable dividends, distributions and charges row in the S.23.01 is a deduction for net intercompany amounts above RSAI Ltd in the group structure. In practice, these intercompany amounts could only be settled via a dividend payment from RSAI Ltd, the excluded amount being £126m.

IAS 19 pension surpluses in excess of their scheme's marginal share of the SCR are also deducted from the reconciliation reserve, the excluded amount being £281m.

SCR and MCR

At 31 December 2021 RSAI's SCR was £1,432m and the MCR £598m.

Movements in the SCR

The SCR reduction during the year predominantly reflects the impact of market movements over the year in addition to divesting the Scandinavian and Canadian businesses, offset by diversification.

Movements in the MCR

There were no significant movements in the MCR during the year.

Deferred tax

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

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

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

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

Summary

The principal activity of Royal & Sun Alliance Reinsurance Limited (“RSA Re”) and its overseas branches is to provide a settlement function for the insurance activities carried out by the Group offices and Global Network Partners.

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

A. Business and Performance

General structure

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

- business written by the Global Network
- intra-group reinsurance treaties

Global Network

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

The Global Network facilitates the fronting of risks by RSA group entities through servicing offices (RSA entities or external Network Partners) via licences to operate in the relevant territory. As of December 2021, the Global Network covered 180 territories worldwide through 34 producing offices. All producing offices pay a fee to use the network (including external Strategic Network Partners). Membership of the Global Network enables the producing offices to offer wider geographical coverage to their clients. Most of the business written relates to global insurance programmes for multinational entities. The Global Network Team undertake relationship management and business development, with the Central Accounting Unit ("CAU"), a dedicated team based in Liverpool undertaking reconciliation of reinsurance activity; contributing to financial reporting for RSA Re, and efficient cash flow.

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

Intra-group Reinsurance

The intra-group reinsurance principally comprises the Internal Reinsurance Vehicle ("IRV"), a mechanism whereby insurance risk is ceded from RSAI, its branches and subsidiaries to RSA Re in order to allow local and group risk appetite to be met. Market pricing is established by either using external reinsurance for a minimum 10% of the ceded risk (i.e. this does not go into the IRV) or using external reinsurers to provide a firm quote without then ceding them any risks. RSA Re has a 100% retrocession agreement moving all of the ceded premium from the Company to RSAI (RSA Re keeps a 2% fronting fee). This activity is conducted by UK&I Reinsurance and all cessions into the IRV overseen by the UK&I Reinsurance quarterly business review meetings. Following a review of internal risk appetite and the structure of the Intact Group's external treaty placements, it has been decided not to cede any new risks to the IRV for 2022.

RSA Re has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Agreement.

Business strategy

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

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

Performance information

Section A of this Appendix provides information about the business and performance of RSA Re, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for RSA Re's Annual Report and Accounts.

A.1 Business

A.1.1 Company name & legal form

Royal & Sun Alliance Reinsurance Limited ("RSA Re") is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

The PRA is the authority responsible for prudential supervision of RSA Re. The contact details of the PRA are in section A.1.2 in the Regent Bidco Limited Group SFCR.

A.1.3 External auditor

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

A.1.4 Holders of qualifying holdings

The sole shareholder is Royal & Sun Alliance Insurance Ltd.

A.1.5 Position within the Group legal structure

RSA Re's immediate parent company is Royal & Sun Alliance Insurance Limited, a company incorporated in England and Wales. RSA Re's ultimate parent and controlling party is Intact Financial Corporation, a company incorporated in Canada.

A.1.6 Material related undertakings

RSA Re has no subsidiaries. See Appendix 1 for a list of all RSA Re's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 of the Regent Bidco Limited Group SFCR.

A.1.8 Business lines and geographical areas

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

| Geographic regions |
|--------------------|
| UK |
| Europe |

| Line of businesses – non-life |
|---------------------------------|
| Marine, aviation and transport |
| Fire and damage to property |
| General liability |
| Non prop RI accepted – Property |
| Non prop RI accepted - Casualty |

A.1.9 Significant events

Takeover

On 1 June 2021, Intact in consortium with Tryg undertook a takeover of RSA, approved by RSA shareholders in January 2021. RSA Insurance Group Limited, formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and 100% of the RSAIG's ordinary share was purchased by Regent Bidco Limited (a wholly owned subsidiary of IFC) on 1 June 2021 (the 'acquisition'). On 1 June 2021, RSAIG disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited).

Post-Brexit transition

The Company recognises that leaving the EU could bring unexpected challenges and extend economic uncertainties.

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

A.2 Underwriting performance

RSA Re's activities are focused on the internal reinsurance program and Global Network business. 100% of the gross premiums are retroceded, with a 2% reinsurance commission added in certain circumstances. RSA Re has nil retention in respect of underwriting risk. Management of the treaties has been outsourced to RSAI. RSA Re's underwriting profit for the year was £886k (2020: £880k).

A.3 Investment performance

The information in this section of the report is taken from the RSA Re Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in RSA Re's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Income from cash at bank and in hand | - | 18 |
| Investment income from debt and fixed income securities | 1,217 | 1,148 |
| Investment Management Expenses (debt securities) | (3) | (3) |
| | 1,214 | 1,163 |

A.3.2 Gains and losses recognised in equity

Unrealised gains/(losses) on other financial instruments classified as available for sale net of tax are as follows:

| | 2021 £'000 | 2020 £'000 |
|---|----------------|---------------|
| Debt securities and other fixed income securities | (1,602) | 1,495 |

A.3.3 Investments in securitisation

RSA Re has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

RSA Re had no employees during the period (2020: none). All administrative duties are performed by employees of RSAI at no cost to RSA Re (2020: nil).

A.4.2 Operating and finance leasing arrangements

RSA Re has no material operating or finance leases.

B. System of Governance

B.1 General information on the system of governance

RSA Re's System of Governance

RSA Re has adopted the RSAI System of Governance as more fully described in Section B in the main body of the report.

Board and committees

As at 1 January 2021, the RSA Re Board was comprised of:

| | |
|-------------------------|--|
| Chairman | RSA Group Underwriting Director |
| Chief Executive Officer | RSA Managing Director, UK Commercial Lines |
| Director | RSA Group Chief Risk Officer |
| Director | RSA Chief Financial Officer |

With effect from 1 June 2021, the RSA Re Board was comprised of:

| | |
|-------------------------|--------------------------------------|
| Chair | UK&I Chief Operating Officer |
| Chief Executive Officer | Managing Director UK Specialty Lines |
| Director | UK&I Chief Finance Officer |
| Director | UK&I Chief Underwriting Officer |

The Board is accountable to RSA Re's ultimate shareholder, IFC, for the creation and delivery of strong sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board meets quarterly and there is an additional meeting to approve Solvency II submissions. The Board is responsible for organising and directing the affairs of RSA Re in a manner that will promote the success of RSA Re and is consistent with good corporate governance practice, ensuring that in carrying out its duties RSA Re meets legal and regulatory requirements.

The Board approves the corporate budget ("Operational Plan").

The Board oversees the business of RSA Re. It may exercise all the powers of the company subject to the Articles of Association, the Board's Terms of Reference, relevant laws, and any directions as may be given by shareholder resolution. The directors of RSA Re have access to the services and advice of the UK&I General Counsel and Company Secretary, Corporate Audit Services, the Compliance Function, the Risk Function, and the Actuarial Function. In addition directors may take independent professional advice at the expense of RSA Re in furtherance of their duties.

The Board's Terms of Reference sets out matters which are reserved for RSA Re's Board and those matters which are reserved to the Company's shareholder, RSAI, for approval.

The RSAI Board Risk Committee oversees the investment policy and strategy on behalf of RSA Re, including the operation of the investment portfolios within established strategy and risks frameworks.

The RSA Re board remains responsible for the Company's System of Governance.

At the current time, there are no RSA Re Board level committees.

There is a standing agenda of items for RSA Re Board meetings, the contents of which are continually refreshed. All decisions are documented by Company Secretariat. The Board reviews RSA Re's financial performance through regular reports, including quarterly capital updates and a quarterly presentation on actual performance against plan and a previous financial year comparison. Board approval of the outsourcing of the Key Governance Functions and other critical functions and important activities, and Board review of the performance of these functions and activities provided by the service provider, are required at least annually.

RSA Re Board meetings are held in a combined session with the meeting of the MIC Board.

Effectiveness of the RSA Re Board

The Board has implemented an effectiveness review process which is undertaken periodically to ensure that the Board is operating effectively.

Key governance functions

All of the Key Governance Functions have been outsourced to RSAI. The RSA Re Board's Terms of Reference require it to ensure each key governance function is suitable, effective and proportionate to the nature, scale and complexity of RSA Re's business.

The RSA Re Board's Terms of Reference explicitly note the right of the Heads of the Key Governance Functions to have direct access to the RSA Re Board at all times and for a private meeting with the directors at least annually.

Remuneration

RSA Re has adopted the RSAI remuneration framework and aligns to general principles and standards set by RSAI. These are contained in the RSAI Remuneration Policy.

RSA Re's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to the RSA sub-group as a whole.

Changes during 2021

The changes to the RSA Re system of governance over the 2021 year are:

- Changes in the membership and responsibilities of the RSA Re Board members
- For all other changes see section B.1.3 of the Regent Bidco Limited Group SFCR

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Fitness and Propriety Policy and certain HR policies provide a framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The policies apply to the Executive Management, Key Governance Functions, and the directors. RSAI, RSA Re's service provider, applies the Fitness and Propriety Policy and the relevant HR policies.

See section B.2 within the Regent Bidco Limited Group SFCR for details of the RSAI fit and proper requirements.

B.3 Risk management system including the own risk and solvency assessment

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group's risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

RSA Re has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

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

This approach is applied to the plans for RSA Re. Corporate Audit Services (CAS) provides its audit plans and quarterly updates on progress against plans; the outcomes of its work; and progress against issues to the RSA Re Board.

B.6 Actuarial function

RSA Re operates within the same risk appetite and operational control environments as RSAI. Much of the scope of the Actuarial Function is hence covered by RSAI and the Group's Actuarial Function documentation.

The Group Actuarial Function Holder is also the Actuarial Function Holder for RSA Re. On an annual basis, the RSA Re Actuarial Function produces Actuarial Function reports summarising the key conclusions of the Actuarial Function's work covering RSA Re and these are presented to the RSA Re Board.

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

B.7 Outsourcing

RSA Re has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to RSA Re, including the Key Governance Functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

RSA Re has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the RSA Re Board by the UK & International Risk Function. The risks are a combination of the relevant Group risks and additional material risks specific to RSA Re (e.g. Global Network). In this way, the RSA Re Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to RSA Re's business. Other risks, for example investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the main body of the report which sets out the Group's risk profile. RSA Re is covered by the treaty and facultative protection described in Section C.1.6 in the Group SFCR. Liquidity risk concentrations are considered immaterial for RSA Re. At 31 December 2021 RSA Re's EPIFP was nil. RSA Re is not exposed to pension risk.

Currency risk

The principal risk to RSA Re is currency risk as a result of the business carried out by the Group's offices and Global Network partners being denominated in overseas currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

Credit risk

RSA Re is exposed to credit risk in respect of other group companies and Global Network Partners. This risk is integrated within and managed together with the other principal risks of the Group.

RSA Re has a credit risk insurance policy with RSAI which is assessed annually and protects it against loss of reinsurance recoverables due to third party reinsurer insolvency.

Debtor credit risk is managed through tight credit control by the CAU.

Operational risk

RSA Re is exposed to the following risks as described for the Group in section C.5.3 in the Group SFCR:

- Legal/Legislative Non-Compliance
- Regulatory Breach
- Third Party Management; this is particularly key to RSA Re due to the Global Network and the associated reliance on external third parties

The Master Services Agreement mitigates most of the operational risks. However, RSA Re is exposed to regulatory risk in respect of changes in its operating environment (which it cannot mitigate) or breaches of regulation/failure to renew licences. The latter is controlled through a combination of UK&I functions and procedures plus a centrally managed licensing register being held by the Network team. Licence renewal dates are diarised.

As there are limited residual risks within RSA Re, the impact of operational risk is minimal and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with UK GAAP (Financial Reporting Standard 101), the accounting standards used for RSA Re's Annual Report and Accounts. There are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP, so all basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to RSA Re.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of RSA Re's Annual Report and Accounts.

RSA Re has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

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

RSA Re SII balance sheet

The assets as per the SII balance sheet at the valuation date are as follows:

| | Financial statements note | Financial statements value £'000 | Reclassification £'000 | SII valuation adjustments £'000 | Solvency II value £'000 | Group SFCR section |
|---|---------------------------|-------------------------------------|---------------------------|------------------------------------|----------------------------|--------------------|
| Deferred tax assets | 16 | 76 | - | - | 76 | D.1.1.4 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 13 | 89,292 | 391 | - | 89,683 | |
| <i>Bonds</i> | 13 | 89,292 | 391 | - | 89,683 | D.1.1.9 |
| Reinsurance recoverables | 14, 15 | 466,229 | - | (54,874) | 411,355 | D.2 |
| Insurance and intermediaries receivables | | - | 23,430 | (12,419) | 11,011 | D.1.1.9 |
| Reinsurance receivables | | 23,026 | (11,706) | (1,123) | 10,197 | |
| Cash and cash equivalents | | 97 | - | - | 97 | D.1.1.9 |
| Any other assets, not elsewhere shown | | 6,981 | (6,981) | - | - | D.1.1.9 |
| Total assets | | 585,701 | 5,134 | (68,416) | 522,419 | |
| Technical provisions | | 466,229 | - | (54,102) | 412,127 | D.2 |
| Insurance & intermediaries payables | | - | 8,047 | (1,756) | 6,291 | D.3.1.1 |
| Reinsurance payables | | 10,053 | 325 | (7,784) | 2,594 | D.3.1.1 |
| Payables (trade, not insurance) | | 25,449 | 3,353 | - | 28,802 | D.3.1.1 |
| Any other liabilities, not elsewhere shown | | 7,072 | (6,591) | - | 481 | D.3.1.1 |
| Total liabilities | | 508,803 | 5,134 | (63,642) | 450,295 | |
| Excess of assets over liabilities | | 76,898 | - | (4,774) | 72,124 | |

D.1 Assets

Analysis of deferred tax

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

| Deferred Tax | Asset £'000 | Liability £'000 |
|-----------------------------------|------------------------|----------------------------|
| Deferred tax assets/(liabilities) | 76 | - |

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

| | £'000 |
|--|--------------|
| Net unrealised loss on investments | 76 |
| Net deferred tax position at 31 December | 76 |

The utilisation of the Company's net deferred tax asset of £76,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Audit Committee and Auditors. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £4,774,000 of Solvency II adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

In addition, the Company has deductible temporary differences of £4,000 for which no deferred tax has been recognised.

The procedure for providing Solvency II deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and Solvency II guidance.

D.2 Technical provisions

The gross provisions of RSA Re are fully reinsured, so at a net level the company's exposure is close to £nil. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin.

| | | SII Net technical provisions | | Statutory accounts | Difference |
|---|--|------------------------------|-------------|--------------------|------------|
| | | Best estimate | Risk margin | value | |
| | | £'000 | £'000 | £'000 | £'000 |
| Direct business and accepted proportional reinsurance | Motor vehicle liability | 5 | 1 | - | 6 |
| | Other motor | 2 | - | - | 2 |
| | Marine, aviation and transport | 34 | 37 | - | 71 |
| | Fire and other damage to property | (1,681) | 97 | - | (1,584) |
| | General liability | 440 | 176 | - | 616 |
| Accepted non-proportional reinsurance | Non-proportional property RI | 937 | 113 | - | 1,050 |
| | Non-proportional casualty RI | 529 | 81 | - | 610 |
| | Non-proportional marine, aviation and transport RI | 1 | - | - | 1 |
| Total | 267 | 505 | - | 772 | |

Uncertainties and contingencies

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

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

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

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

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

E. Capital management

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

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

Capital composition

The capital structure of RSA Re by tier as at 31 December 2021 is as per the table below. There has been no material change in own funds during the year.

| | | 2021 £'000 | 2020 £'000 |
|---------------------|--|---------------|---------------|
| Tier 1 Unrestricted | Equity capital (including Share Premium) | 70,000 | 70,000 |
| | Reconciliation reserve | 2,048 | 1,676 |
| | | 72,048 | 71,676 |
| Tier 1 Restricted | | - | - |
| Tier 2 | | - | - |
| Tier 3 | | 76 | - |
| | Total Own Funds | 72,124 | 71,676 |

Basic own funds to eligible own funds

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

| | Basic Own Funds £'000 | Availability restrictions £'000 | Available Own Funds £'000 | Eligibility restrictions £'000 | Eligible Own Funds £'000 | Eligibility Capacity £'000 | Eligibility rule |
|--------------|--------------------------|------------------------------------|------------------------------|-----------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Tier 1 | 72,048 | - | 72,048 | - | 72,048 | | |
| Tier 1 (R) | - | - | - | - | - | 18,012 | 20% of total Tier 1 |
| Tier 2 | - | - | - | - | - | 11,652 | Tier 2 + Tier 3 up to 50% of SCR |
| Tier 3 | 76 | - | 76 | - | 76 | | |
| Total | 72,124 | - | 72,124 | - | 72,124 | | |

| | |
|---------------------|-------------|
| SCR | 23,304 |
| Surplus | 48,820 |
| SCR Coverage | 309% |

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). No other significant changes in own funds were noted over the year.

Eligible own funds to cover the MCR

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

| | Basic Own Funds £'000 | Availability restrictions £'000 | Available Own Funds £'000 | Eligibility restrictions £'000 | Eligible Own Funds £'000 | Eligibility Capacity £'000 | Eligibility rule |
|--------------|--------------------------|------------------------------------|------------------------------|-----------------------------------|-----------------------------|-------------------------------|-------------------------|
| Tier 1 | 72,048 | - | 72,048 | - | 72,048 | | |
| Tier 1 (R) | - | - | - | - | - | 18,012 | 20% of total Tier 1 |
| Tier 2 | - | - | - | - | - | 1,165 | Tier 2 up to 20% of MCR |
| Tier 3 | 76 | - | 76 | (76) | - | | Ineligible |
| Total | 72,124 | - | 72,124 | (76) | 72,048 | | |
| | | | | MCR | 5,826 | | |
| | | | | Surplus | 66,222 | | |
| | | | | MCR Coverage | 1237% | | |

Comparison between FRS 101 net equity and Solvency II basic own funds

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

| | £'000 |
|---|---------------|
| Excess of assets over liabilities (see Section D) | 72,124 |
| SII Basic Own Funds | 72,124 |

SCR and MCR

At 31 December 2021 RSA Re's SCR was £23,304k and the MCR £5,826k.

Movements in the SCR

The increase in SCR over the year is due to increased levels of investment assets pledged as collateral for intragroup reinsurance arrangements.

Movements in the MCR

The MCR increased over the period as the lower bound of the MCR corridor increased.

Deferred tax

Deferred tax assets of £76k are included in available own funds.

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

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

Appendix 4. The Marine Insurance Company Limited Solo SFCR Sections

Summary

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

With effect from 1 January 2012, the Company entered into a 100% quota share agreement with Royal & Sun Alliance Insurance Ltd under which the insurance risk of the Company's business is transferred to Royal & Sun Alliance Insurance Limited. The company receives a reinsurance commission in relation to the quota share agreement which is determined by reference to gross premium written, net of reinsurance.

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

A. Business and Performance

The Marine Insurance Company is the Group vehicle for the writing of United States (“US”) Surplus Lines risks. The Company is registered with the US National Association of Insurance Commissioners (“NAIC”) as an eligible surplus lines alien insurer. The registration is renewed annually following authorisation by the MIC Board. The actual underwriting is undertaken by London based personnel. In those States where certain classes of non-admitted business such as marine are exempt from the surplus lines regulations the business is written by RSAI, however, there are exceptions considered on a case by case basis where business of this type is written by MIC.

With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI under which the insurance risk of MIC’s business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quota share arrangement has applied to business written since the beginning of 2012. Following the transfer of nearly all of MIC’s insurance risk to Mercantile Indemnity Company Ltd on 1 July 2019, the excess of loss reinsurance was commuted on 1 September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC’s insurance liabilities are reinsured to RSAI under the quota share from 1 September 2019. MIC receives a commission of 36.5% in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

MIC has no direct employees; all services necessary for the above activity being provided by RSAI under a Master Services Agreement and an Internal Model Services Agreement.

Business strategy

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

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

Performance information

Section A of this Appendix provides information about the business and performance of MIC, covering in particular the performance from underwriting and investment activities.

Performance figures in Section A of this Appendix have been prepared in accordance with the same accounting standards used for MIC’s Annual Report and Accounts.

A.1 Business

A.1.1 Company name & legal form

The Marine Insurance Company Limited (“MIC”) is a private limited company incorporated in England and Wales.

A.1.2 Supervisory authority

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

A.1.3 External auditor

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

A.1.4 Holders of qualifying holdings

The sole shareholder is Royal & Sun Alliance Insurance Limited.

A.1.5 Position within the Group legal structure

MIC’s immediate parent company is Royal & Sun Alliance Insurance Limited, a company incorporated in the England and Wales. MIC’s ultimate parent and controlling party is Intact Financial Corporation, a company incorporated in Canada.

A.1.6 Material related undertakings

MIC has no subsidiaries. See Appendix 1 for a list of all MIC's branches. No branches are material.

A.1.7 Simplified Group structure

See section A.1.7 in the Regent Bidco Limited Group SFCR.

A.1.8 Business lines and geographical areas

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

| |
|--------------------------------------|
| Geographic regions |
| UK |
| Line of businesses – non-life |
| Marine, Aviation and Transport |
| Fire and other damage to property |
| General Liability |

A.1.9 Significant events

Takeover

On 1 June 2021, Intact in consortium with Tryg undertook a takeover of RSA, approved by RSA shareholders in January 2021. RSA Insurance Group Limited, formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and 100% of the RSAIG's ordinary share was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation (IFC)) on 1 June 2021 (the 'acquisition'). On 1 June 2021, RSAIG disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited).

Post-Brexit transition

The Company recognises that leaving the EU could bring unexpected challenges and extend economic uncertainties.

As the Company moves into a new era between the UK and the EU, there remains some potential for economic shocks, claims inflation and supply chain disruption but the Company believes it is well placed to respond to and mitigate any impacts.

The Company continues to monitor the new relationship between the UK and the EU closely.

A.2 Underwriting performance

MIC is the Group vehicle for the writing of US Surplus Lines risks. With effect from 1 January 2012, MIC entered into an excess of loss agreement and a quota share arrangement with RSAI under which the insurance risk of MIC's business is transferred to RSAI. The excess of loss reinsurance covers business written pre-2012, while the 100% quota share arrangement has applied to business written since the beginning of 2012. Following the transfer of nearly all of MIC's insurance risk to Mercantile Indemnity Company Ltd on 1 July 2019, the excess of loss reinsurance was commuted on 1 September 2019 and the quota share extended to cover any residual insurance liabilities retained by MIC for business written pre-2012. Therefore 100% of MIC's insurance liabilities are reinsured to RSAI under the quota share from 1 September 2019. MIC receives a commission of 36.5% in relation to the quota share arrangement which is determined by reference to the gross written premium of the business.

| | Net Written Premium | | Underwriting Result | |
|-----------------------------------|---------------------|-------|---------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Non-life | | | | |
| Marine, aviation and transport | - | - | 3,100 | 3,082 |
| Fire and other damage to property | - | - | 1,400 | 1,712 |
| General liability | - | - | 100 | (1) |
| Total | - | - | 4,600 | 4,793 |

A.3 Investment performance

The information in this section of the report is taken from the MIC Annual Report and Accounts.

A.3.1 Income and expenses by class

Asset classes shown in this section follow the definitions used in MIC's Annual Report and Accounts which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this Appendix.

| | 2021 | 2020 |
|--|-----------|-------|
| | £'000 | £'000 |
| Income from available for sale investments | 94 | 334 |

A.3.2 Gains and losses recognised in equity

Unrealised gains/(losses) on other financial instruments classified as available for sale net of tax are as follows:

| | 2021 | 2020 |
|---|--------------|-------|
| | £'000 | £'000 |
| Debt securities and other fixed income securities | (146) | 35 |

A.3.3 Investments in securitisation

MIC has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

MIC did not employ anyone during the period (2020: none). All administrative duties are performed by employees of RSAI at a cost to MIC of £1,554,000 (2020: £1,677,000).

A.4.2 Operating and finance leasing arrangements

MIC has no material operating or finance leases.

B. System of Governance

B.1 General information on the system of governance

MIC's System of Governance

MIC has adopted the RSAI System of Governance as more fully described in Section B in the main body of the report.

Board and committees

As at 1 January 2021, the MIC Board was comprised of:

| | |
|-------------------------|--|
| Chairman | RSA Group Underwriting Director |
| Chief Executive Officer | RSA Managing Director, UK Commercial Lines |
| Director | RSA Group Chief Risk Officer |
| Director | RSA Chief Financial Officer |

With effect from 1 June 2021, the MIC Board was comprised of:

| | |
|-------------------------|--------------------------------------|
| Chair | UK&I Chief Operating Officer |
| Chief Executive Officer | Managing Director UK Specialty Lines |
| Director | UK&I Chief Finance Officer |
| Director | UK&I Chief Underwriting Officer |

The Board is accountable to MIC's ultimate shareholder, IFC, for the creation and delivery of strong sustainable performance and the creation of long-term shareholder value, while having regard to RSA's other stakeholders. The Board meets quarterly and there is an additional meeting to approve Solvency II submissions. The Board is responsible for organising and directing the affairs of MIC in a manner that will promote the success of MIC and is consistent with good corporate governance practice, ensuring that in carrying out its duties MIC meets legal and regulatory requirements.

The Board approves the corporate budget ("Operational Plan") and a business plan is submitted to the US National Association of Insurance Commissioners ("NAIC").

The Board oversees the business of MIC. It may exercise all the powers of the company subject to the Articles of Association, the Board's Terms of Reference, relevant laws, and any directions as may be given by shareholder resolution. The directors of MIC have access to the services and advice of the UK&I General Counsel and Company Secretary, Corporate Audit Services, the Compliance Function, the Risk Function, and the Actuarial Function. In addition, directors may take independent professional advice at the expense of MIC in furtherance of their duties.

The Board's Terms of Reference set out matters which are reserved for MIC's Board and those matters which are reserved to the Company's shareholder, RSAI, for approval.

The RSAI Board Risk Committee oversees the investment policy and strategy on behalf of MIC, including the operation of the investment portfolios within established strategy and risks frameworks.

The MIC Board remains responsible for the Company's System of Governance.

At the current time, there are no MIC Board level committees.

There is a standing agenda of items for MIC Board meetings, the contents of which are continually refreshed. All decisions are documented by Company Secretariat. The Board reviews MIC's financial performance through regular reports, including

quarterly capital updates and a quarterly presentation on actual performance against plan and a previous financial year comparison. Board approval of the outsourcing of the Key Governance Functions and other critical functions and important activities, and Board review of the performance of these functions and activities provided by the service provider, are required at least annually.

MIC Board meetings are held in a combined session with the meeting of the RSA Re Board.

Effectiveness of the MIC Board

The Board has implemented an effectiveness review process which is undertaken periodically to ensure that the Board is operating effectively.

Key Governance Functions

All of the Key Governance Functions have been outsourced to RSAI. The MIC Board's Terms of Reference requires it to ensure each Key Governance Function is suitable, effective and proportionate to the nature, scale and complexity of MIC's business.

The MIC Board's Terms of Reference explicitly notes the right of the Heads of the Key Governance Functions to have direct access to the MIC Board at all times and for a private meeting with the directors at least annually.

Remuneration

MIC has adopted the RSAI remuneration framework and aligns to general principles and standards set by RSAI. These are contained in the RSAI Remuneration Policy.

MIC's directors receive no remuneration for their services as directors of this company. They receive remuneration for their services to the RSA sub-group as a whole.

Changes during 2021

The changes to the MIC system of governance over the 2021 year are:

- Changes in the membership and responsibilities of the MIC Board members
- For all other changes see section B.1.3 of the Regent Bidco Limited Group SFCR

Shareholder/Board transactions

There are no material transactions to report.

B.2 Fit and proper requirements

The Fitness and Propriety Policy and certain HR policies provide a framework for assessment of fitness and propriety of both new and on-going appointees within its scope. The policies apply to the Executive Management, Key Governance Functions, and the directors. RSAI, MIC's service provider, applies the Fitness and Propriety Policy and the relevant HR policies.

See section B.2 within the Regent Bidco Limited Group SFCR for details of the RSAI fitness and propriety requirements.

B.3 Risk management system including the own risk and solvency assessment

MIC has outsourced its risk management system to RSAI, which has adopted the Group's risk management system. See section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal control system

MIC has outsourced its internal control system to RSAI, which has adopted the Group Internal Control System. See section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal audit function

See section B.5 within the Group SFCR for details of the Group's Internal Audit function.

This approach is applied to the plans for MIC. Corporate Audit Services ("CAS") provides its audit plans and quarterly updates on progress against plans; the outcomes of its work; and progress against issues to the MIC Board.

B.6 Actuarial function

MIC operates within the same risk appetite and operational control environments as RSAI. Much of the scope of the Actuarial Function is hence covered by RSAI and the Group Actuarial Function documentation.

The Group Actuarial Function Holder is also the Actuarial Function Holder for MIC. On an annual basis, the MIC Actuarial Function Holder produces Actuarial Function reports summarising the key conclusions of the Actuarial Function's work covering MIC and these are presented to the MIC Board.

See section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

MIC has no employees and has outsourced all of its operations to its immediate parent company, RSAI. RSAI provides all services to MIC, including the key governance functions and activities deemed critical and important.

B.8 Any other information

Nothing to report.

C. Risk Profile

MIC has outsourced its risk management system to RSAI, which has adopted the Group risk management system.

Material issues are escalated to the MIC Board by the UK & International Risk Committee. This information is a combination of data from the UK risk profile and more granular Commercial and Marine risk profiles. The risks are a combination of the relevant Group risks and additional material risks specific to MIC. In this way, the MIC Board is able to oversee and control the activities of its business.

The remainder of this section outlines the key risks applicable to MIC's business. Other risks, for example, investment risk, are managed by RSAI in its capacity as the service provider. For full risk profile details, see Section C in the main body of the report, which sets out the Group's risk profile. At 31 December 2021 MIC's EPIFP was nil. MIC is not exposed to pension risk.

Currency Risk

The principal risk to MIC is currency risk as a result of writing direct marine, aviation, transport and renewable energy insurance business in the US which is denominated in foreign currency. This means that a large proportion of the company's assets are held in foreign currency. If the value of Sterling strengthens, then the value of non-Sterling net assets will decline when translated into Sterling.

Credit risk

MIC has credit risk exposure to RSAI, and in the event of the failure of RSAI, the negation of the reinsurance protection and ceded insurance. The risk of the excess of loss policy is mitigated by MIC holding the premium for the reinsurance policy in a funds withheld account and netting off sums owed by RSAI under the excess of loss policy against it. The MIC Board pays close attention to the creditworthiness of RSAI and has the option not to extend the quota share agreement.

Operational risk

MIC is exposed to the following risks as described for the Group in section C.5.3 in the Group SFCR:

- Legal/Legislative Non-Compliance
- Inappropriate Underwriting
- Regulatory Breach

The Master Services Agreement combined with the reinsurance arrangement with RSAI mitigate most of the operational risks. However, MIC is exposed to regulatory risk in respect of changes in its operating environment (which it cannot mitigate) or breaches of regulation/failure to renew licences. The latter is controlled through a combination of UK&I functions. The risk of failing to maintain sufficient regulatory capital or meet United States trust fund requirements is controlled through careful monitoring and reporting to the MIC Board.

As there are limited residual risks within MIC, the impact of operational risk is minimal and a detailed sensitivity analysis has not been deemed necessary.

D. Valuation for Solvency Purposes

The statutory accounts values shown in this section are prepared in accordance with the accounting standard used for MIC's Annual Report and Accounts: UK GAAP. However, there are no differences in valuation principles between IFRS (used for the Group's valuation) and UK GAAP (Financial Reporting Standard (FRS) 101), so all basis of preparation descriptions referring to IFRS in Section D in the Group SFCR apply equally to MIC. For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of MIC's Annual Report and Accounts.

MIC has no retirement benefit obligations, owns no property, has no derivative instruments and has no subordinated debt.

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

MIC SII balance sheet

| | Financial statements note | Statutory accounts value £'000 | Reclassification £'000 | SII valuation adjustments £'000 | Solvency II value £'000 | Group SFCR section |
|---|---------------------------|-----------------------------------|---------------------------|------------------------------------|----------------------------|--------------------|
| Deferred tax assets | | 13 | - | - | 13 | D.1.1.4 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 12 | 14,752 | 23 | - | 14,775 | |
| <i>Bonds</i> | 12 | 14,752 | 23 | - | 14,775 | D.1.1.9 |
| Loans and mortgages | | - | 17,677 | - | 17,677 | D.1.1.9 |
| Reinsurance recoverables | 13, 14 | 66,543 | - | (15,066) | 51,477 | D.2 |
| Insurance and intermediaries receivables | | 10,738 | - | (6,086) | 4,652 | D.1.1.9 |
| Reinsurance receivables | | 2,306 | - | - | 2,306 | |
| Receivables (trade, not insurance) | | 40,883 | (8,699) | - | 32,184 | D.1.1.9 |
| Cash and cash equivalents | | 407 | - | - | 407 | D.1.1.9 |
| Any other assets, not elsewhere shown | | 3,003 | (3,003) | - | - | D.1.1.9 |
| Total assets | | 138,645 | 5,998 | (21,152) | 123,491 | |
| Technical provisions | | 66,552 | - | (12,341) | 54,211 | D.2 |
| Insurance & intermediaries payables | | 3,424 | - | (481) | 2,943 | D.3.1.1 |
| Reinsurance payables | | 2,069 | 8,978 | (7,682) | 3,365 | D.3.1.1 |
| Any other liabilities, not elsewhere shown | | 3,886 | (2,980) | - | 906 | D.3.1.1 |
| Total liabilities | | 75,931 | 5,998 | (20,504) | 61,425 | |
| Excess of assets over liabilities | | 62,714 | - | (648) | 62,066 | |

D.1 Assets

Analysis of deferred tax

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

| Deferred Tax | Asset £'000 | Liability £'000 |
|-----------------------------------|------------------------|----------------------------|
| Deferred tax assets/(liabilities) | 13 | - |

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

| | £'000 |
|--|--------------|
| Net unrealised loss on investments | 13 |
| Net deferred tax position at 31 December | 13 |

The utilisation of the Company's net deferred tax asset of £13,000 is largely dependent on the availability of future taxable profits. The evidence for the future taxable profits is a forecast consistent with the three year operational plans prepared by the relevant businesses, which are subject to internal review and challenge by senior management and the Board. Additional assurance is obtained from the recognition of deferred tax for IFRS purposes by the UK group of companies being subject to discussion and challenge by the Group Audit Committee and Group Auditors. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those in the plans.

No deferred tax has been recognised in respect of £648,000 of Solvency II adjustments to technical provisions as there is insufficient certainty that adequate future profits will be available.

The procedure for providing Solvency II deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on an FRS 101 basis in the Company's Report & Accounts. A tax analysis of valuation adjustments made to the statutory accounts balances is performed in arriving at the Solvency II balance sheet. Where these adjustments give rise to a temporary difference under IAS12, a deferred tax asset or liability is recognised in accordance with IFRS principles and Solvency II guidance.

D.2 Technical provisions

The gross provisions of MIC are fully reinsured, so at a net level the company's exposure is close to £nil. For this reason the statutory account values are small and the differences seen between the net SII technical provisions and the IFRS reserves are due to the allowance for reinsurance default and future premium cash inflows within the technical provisions and the associated risk margin.

| | | SII Net technical provisions | | Statutory accounts | Difference £'000 |
|---|-----------------------------------|-------------------------------------|------------------------------|---------------------------|-----------------------------|
| | | Best estimate £'000 | Risk margin £'000 | value £'000 | |
| | | | | | |
| Direct business and accepted proportional reinsurance | Marine, aviation and transport | 1,366 | 31 | 9 | 1,388 |
| | Fire and other damage to property | 1,258 | 35 | - | 1,293 |
| | General liability | 39 | 5 | - | 44 |
| TOTAL | | 2,663 | 71 | 9 | 2,725 |

D.3 Other liabilities

Nothing to report.

D.4 Alternative methods for valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities.

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

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

E. Capital Management

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

Information on capital management, which is carried out at the Group level, is contained in Section E within the Group SFCR.

Capital composition

The capital structure of MIC by tier as at 31 December 2021 is as per the table below. MIC does not include any subordinated liabilities in its basic own funds. The increase in own funds over the year was mainly down to an improved underwriting result.

| | | 2021 £'000 | 2020 £'000 |
|---------------------|--|---------------|---------------|
| Tier 1 Unrestricted | Equity capital (including Share Premium) | 22,334 | 22,333 |
| | Reconciliation reserve | 39,719 | 36,031 |
| | | 62,053 | 58,364 |
| Tier 1 Restricted | | - | - |
| Tier 2 | | - | - |
| Tier 3 | | 13 | - |
| | Total Own Funds | 62,066 | 58,364 |

Basic own funds to eligible own funds

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

| | Basic Own Funds £'000 | Availability restrictions £'000 | Available Own Funds £'000 | Eligibility restrictions £'000 | Eligible Own Funds £'000 | Eligibility Capacity £'000 | Eligibility rule |
|--------------|--------------------------|------------------------------------|------------------------------|-----------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Tier 1 | 62,053 | - | 62,053 | - | 62,053 | | |
| Tier 1 (R) | - | - | - | - | - | 15,513 | 20% of total Tier 1 |
| Tier 2 | - | - | - | - | - | 1,978 | Tier 2 + Tier 3 up to 50% of SCR |
| Tier 3 | 13 | - | 13 | - | 13 | | |
| Total | 62,066 | - | 62,066 | - | 62,066 | | |

| | |
|--------------|--------|
| SCR | 3,956 |
| Surplus | 58,110 |
| SCR Coverage | 1569% |

Analysis of significant changes in own funds

The reconciliation reserve has increased in value during the year due to an increase in excess of assets over liabilities (see section D). No other significant changes in own funds were noted over the year.

Eligible own funds to cover the MCR

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

| | Basic Own Funds £'000 | Availability restrictions £'000 | Available Own Funds £'000 | Eligibility restrictions £'000 | Eligible Own Funds £'000 | Eligibility Capacity £'000 | Eligibility rule |
|--------------|--------------------------|------------------------------------|------------------------------|-----------------------------------|-----------------------------|-------------------------------|-------------------------|
| Tier 1 | 62,053 | - | 62,053 | - | 62,053 | | |
| Tier 1 (R) | - | - | - | - | - | 15,513 | 20% of total Tier 1 |
| Tier 2 | - | - | - | - | - | 625 | Tier 2 up to 20% of MCR |
| Tier 3 | 13 | (13) | - | - | - | | Ineligible |
| Total | 62,066 | (13) | 62,053 | - | 62,053 | | |
| | | | | MCR | 3,124 | | |
| | | | | Surplus | 58,929 | | |
| | | | | MCR Coverage | 1986% | | |

Comparison between FRS 101 net equity and SII basic own funds

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

| | £'000 |
|---|---------------|
| Excess of assets over liabilities (see Section D) | 62,066 |
| SII Basic Own Funds | 62,066 |

SCR and MCR

At 31 December 2021 MIC's SCR was £3,956k and the MCR £3,124k, the absolute floor as defined in Rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook applicable to SII firms.

Movements in the SCR

There were no material movements in the SCR over the period.

Movements in the MCR

There were no material movements in the MCR over the period.

Deferred tax

Deferred tax assets of £13k are included in available own funds.

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

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

Further, MIC is subject to NAIC requirements in order to write surplus lines business in the USA. Requirements include maintaining a minimum of \$45m of shareholders equity on a continuous basis. MIC remained compliant with this requirement throughout the reporting period.

Appendix 5. Directors' Statements in respect of the SFCR

Regent Bidco Ltd and Royal & Sun Alliance Insurance Limited

The directors are responsible for ensuring that the Group SFCR and relevant content for Royal & Sun Alliance Insurance Limited have been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- throughout the financial year to 31 December 2021, the Group and Royal & Sun Alliance Insurance Limited have complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable at the level of the Group
- it is reasonable to believe that, in respect of the period from 31 December 2021 to the date of publication of the SFCR, the Group and Royal & Sun Alliance Insurance Limited have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2022.

By order of the Board,



Charlotte Jones
Chief Financial Officer

Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited

The directors are responsible for ensuring that the relevant content of the SFCR has been properly prepared in all material respects in accordance with the PRA Rules and the SII Regulations.

The directors are satisfied that:

- throughout the financial year to 31 December 2021, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited have complied in all material respects with the requirements of the PRA Rules and the SII Regulations as applicable to the insurer
- it is reasonable to believe that, in respect of the period from 31 December 2021, to the date of publication of the SFCR, Royal & Sun Alliance Reinsurance Limited and The Marine Insurance Company Limited have continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2022.

By order of the Board,



Charlotte Jones
Director

Appendix 6. KPMG Audit Report

Report of the external independent auditor to the Directors of Regent Bidco Limited ('the Group'), Royal & Sun Alliance Insurance Limited ('RSAI'), Royal & Sun Alliance Reinsurance Limited ('RSA Re') and The Marine Insurance Company Limited ('MIC') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group, RSAI, RSA Re and MIC (together, 'the entities') as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the entities as at 31 December 2021, (**the Narrative Disclosures subject to audit**); and
- Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22 for the Group, and Company templates S.02.01.02, S.12.01.02, S.17.01.02, S22.01.21, S.23.01.01, S.28.01.01, for RSAI, RSA Re and MIC (**the Templates subject to audit**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the Relevant Elements of the Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01, S.25.03.22 for the Group;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21, S.25.03.21 for RSAI, RSA Re and MIC;
- the written acknowledgement by the Directors of the entities of their responsibilities, including for the preparation of their relevant content of the Solvency and Financial Condition Report (**the Responsibility Statement**);
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations (**the sectoral information**).

To the extent the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the entities as at 31 December 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of each of the entities in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report 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.

Emphasis of matter - non-going concern basis of preparation only in respect of the Solvency and Financial Condition Report for Regent Bidco Limited

We draw attention to the disclosure made on page 6 to the Group's Solvency and Financial Condition Report which explains that the Directors have prepared the Group's Solvency and Financial Condition Report on a non-going concern basis as the Directors intend to liquidate Regent Bidco Limited which is the parent company of the Group. The Solvency and Financial Condition Report includes the Solvency and Financial Condition Reports of RSAI, RSA Re and MIC which are prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Going concern in respect of the Solvency and Financial Condition Reports for RSAI, RSA Re and MIC

The Directors of RSAI, RSA Re and MIC have prepared the Solvency and Financial Condition Reports for RSAI, RSA Re and MIC ("the subsidiaries") on the going concern basis as they do not intend to liquidate RSAI, RSA Re and MIC or to cease their operations, and as they have concluded that the subsidiaries' financial positions mean that this is realistic. They have also concluded that there are no material uncertainties that may cast significant doubt over the ability of the subsidiaries to continue as going concerns for at least a year from the date of approval of the subsidiaries' Solvency and Financial Condition Reports ("the going concern period").

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

- adverse technical provisions development, potentially caused by impacts of the Covid-19 pandemic;
- a deterioration in claims experience, potentially caused by market wide catastrophe event(s) or economic factors such as inflation;
- a deterioration in the valuation of investments arising from a significant change in the economic environment; and
- a decrease in the Group's net pension surplus.

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

Our procedures also included:

- Consideration of specific scenarios that could reasonably arise in relation to the Covid-19 pandemic including adverse outcomes in respect of Business Interruption claims;
- Evaluation of the consistency, arithmetical accuracy and reasonableness of the data and assumptions used in the subsidiaries' Going Concern assessment paper.

Our conclusions based on this work:

- we consider that the directors' of the subsidiaries use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Reports for RSAI, RSA Re and MIC is appropriate; and

- we have not identified, and concur with the directors' of the subsidiaries assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on RSAI, RSA Re and MIC's ability to continue as a going concern for the going concern period.

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

Emphasis of Matter – special purpose basis of accounting

We draw attention to the Valuation for solvency purposes and Capital Management sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls.

We identified a fraud risk related to the valuation of technical provisions in response to the level of estimation and judgement in this balance and the ability for changes in the valuation to be used to impact the solvency ratio.

We performed procedures including:

- Identifying journal entries to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report from our general commercial and sector

experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the entities' regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entities' procedures for complying with regulatory requirements.

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

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of Solvency and Financial Condition Report varies considerably.

Firstly, the entities are subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of Solvency and Financial Condition Report including regulatory capital and liquidity legislation, financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related items in the information subject to audit in the Relevant Elements of Solvency and Financial Condition Report .

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

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

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

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

Other Information

The Directors of the entities are responsible for their relevant content of the Other Information.

Our opinion on the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the entities for the Solvency and Financial Condition Report

The Directors of the entities are responsible for the preparation of their relevant content of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors of the entities are also responsible for such internal control as they determine is necessary to enable the preparation of their relevant content of the Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the entities' abilities to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the entities or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report 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 it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Relevant Elements of the Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

Other Matter

The entities have authority to calculate the Group and Solo Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, the **sectoral information** has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the entities' statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

This report of the external auditor is made solely to the directors of the entities, as their governing bodies, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our

engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the entities' directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the entities through their governing bodies, for our audit, for this report, or for the opinions we have formed.



Salim Tharani

for and on behalf of KPMG LLP

Chartered Accountants

KPMG UK LLP

15 Canada Square

London

E14 5GL

31 March 2022

Appendix – Relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of Group template S.22.01.22
 - Column C0030 – Impact of transitional measures on technical provisions
 - Row R0010 – Technical provisions
 - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
 - Row R0020: Non-available called but not paid in ordinary share capital at group level
 - Row R0060: Non-available subordinated mutual member accounts at group level
 - Row R0080: Non-available surplus at group level
 - Row R0100: Non-available preference shares at group level
 - Row R0120: Non-available share premium account related to preference shares at group level
 - Row R0150: Non-available subordinated liabilities at group level
 - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
 - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
 - Row R0210: Non-available minority interests at group level
 - Row R0380: Non-available ancillary own funds at group level
 - Rows R0410 to R0440 – Own funds of other financial sectors
 - Row R0680: Group SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 - Row R0750: Other non-available own funds
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Solo internal model

The relevant elements of the RSAI, RSA Re and MIC Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin
- The following elements of template S.12.01.02
 - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
 - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
 - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

The following elements of template S.22.01.21

- Column C0030 – Impact of transitional measures on technical provisions
- Row R0010 – Technical provisions
- Row R0090 – Solvency Capital Requirement

- The following elements of template S.23.01.01
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
 - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Appendix 7. Abbreviations and Terms used in this Report

| Abbreviation | Description |
|--------------------|--|
| AC | Audit Committee |
| ADC | Adverse Development Cover |
| AOF | Ancillary Own Funds |
| BI | Business Interruption |
| BBNI | Bound But Not Incepted |
| BRC | Board Risk Committee |
| CAA | Commissariat aux Assurances |
| CAS | Corporate Audit Services |
| CAU | Central Accounting Unit |
| CBES | Climate Biennial Exploratory Scenario |
| CBI | Central Bank of Ireland |
| CCAP | Climate Change Action Plan |
| CFO | Chief Financial Officer |
| the Company | Regent Bidco Limited |
| COR | Combined Operating Ratio |
| CRO | Chief Risk Officer |
| CRRC | Credit Rating Review Committee |
| the Delegated Acts | Solvency II Delegated Regulation 2015/35 (as brought into UK law by Section 3 of the European Union (Withdrawal) Act 2018) |
| DAC | Deferred Acquisition Costs |
| DIFC | Dubai International Financial Centre |
| EEA | European Economic Area |
| EIOPA | European Insurance and Occupational Pensions Authority |
| ENIDs | Events Not In Data |
| EPIFP | Expected Profit Included in Future Premiums |

| Abbreviation | Description |
|--------------|--|
| ESG | Economic, Social and Governance |
| EU | European Union |
| FCA | Financial Conduct Authority |
| FRS | Financial Reporting Standard |
| GCR | Governance, Conduct and Remuneration Committee |
| the Group | The Company, together with its subsidiaries |
| GVC | Group Volatility Cover |
| IAS | International Accounting Standards |
| IBNR | Incurred But Not Yet Reported |
| ICS | Internal Control System |
| IFC | Intact Financial Corporation |
| IFRS | International Financial Reporting Standards |
| IMGC | Internal Model Governance Committee |
| IRV | Internal Reinsurance Vehicle |
| MIC | The Marine Insurance Company Limited |
| MCR | Minimum Capital Requirement |
| MSCR | Minimum consolidated group Solvency Capital Requirement |
| NAIC | National Association of Insurance Commissioners |
| ORSA | Own Risk and Solvency Assessment |
| PRA | Prudential Regulation Authority |
| QRT | Quantitative Reporting Template |
| QRT LOG | Guidance as extracted from Solvency II Implementing Technical Standard on reporting – Regulation 2015/2450 and Solvency II Implementing Technical Standard on public disclosure – Regulation 2015/2452 (as brought into UK regulation by the Technical Standards (Solvency II Directive & Institutions for Occupational Retirement Provision Directive) (EU Exit) Instrument 2019) |
| RBL | Regent Bidco Limited |
| RMS | Risk Management System |
| RSA | The Company, together with its subsidiaries |
| RSAL | Royal & Sun Alliance Insurance Limited |
| RSAIG | RSA Insurance Group Limited |
| RSA Re | Royal & Sun Alliance Reinsurance Limited |

| Abbreviation | Description |
|--------------|---|
| SCR | Solvency Capital Requirement |
| SFCR | Solvency and Financial Condition Report |
| SII | Solvency II |
| SLT | Similar to Life Techniques |
| SMCR | Senior Managers and Certification Regime |
| UK GAAP | United Kingdom Generally Accepted Accounting Practice |
| UKAMC | UK Asset Management Committee |
| US | United States |
| VA | Volatility Adjustment |
| | |
| | |
| | |

The terms *financial statement, statement of financial position, income statement, profit and loss account and other comprehensive income* used in this report refer to information presented in the Annual Reports and Accounts for RSAIG, RSAI, RSA Re and MIC. These have been prepared according to IFRS (as adopted for use in the UK) for RSAIG and UK GAAP for RSAI, RSA Re and MIC. Refer to the relevant Annual Report and Accounts for details.

Appendix 8. Quantitative Reporting Templates (QRTs)

This Appendix contains the following QRTs:

| Entity | QRT Reference | QRT Name |
|--------|---------------|--|
| Group | S.02.01.02 | Group balance sheet |
| Group | S.05.01.02 | Group premiums, claims and expenses by line of business |
| Group | S.05.02.01 | Group premiums, claims & expenses by country |
| Group | S.22.01.22 | Impact of long term guarantees and transitional measures |
| Group | S.23.01.22 | Group own funds |
| Group | S.25.03.22 | Solvency capital requirement - for groups on full internal models |
| Group | S.32.01.22 | Undertakings in the scope of the group |
| RSAI | S.02.01.02 | Balance sheet |
| RSAI | S.05.01.02 | Premiums, claims and expenses by line of business |
| RSAI | S.05.02.01 | Premiums, claims & expenses by country |
| RSAI | S.12.01.02 | Life and health SLT technical provisions |
| RSAI | S.17.01.02 | Non-life technical provisions |
| RSAI | S.19.01.21 | Non-life insurance claims Information |
| RSAI | S.22.01.21 | Impact of long term guarantees and transitional measures |
| RSAI | S.23.01.01 | Own funds |
| RSAI | S.25.03.21 | Solvency capital requirement - for undertakings on full internal models |
| RSAI | S.28.01.01 | Minimum capital requirement - only life or only non-life insurance or reinsurance activity |
| RSA Re | S.02.01.02 | Balance sheet |
| RSA Re | S.05.01.02 | Premiums, claims and expenses by line of business |
| RSA Re | S.05.02.01 | Premiums, claims & expenses by country |
| RSA Re | S.17.01.02 | Non-life technical provisions |
| RSA Re | S.19.01.21 | Non-life insurance claims information |
| RSA Re | S.22.01.21 | Impact of long term guarantees and transitional measures |
| RSA Re | S.23.01.01 | Own funds |
| RSA Re | S.25.03.21 | Solvency capital requirement - for undertakings on full internal models |
| RSA Re | S.28.01.01 | Minimum capital requirement - only life or only non-life insurance or reinsurance activity |
| MIC | S.02.01.02 | Balance sheet |
| MIC | S.05.01.02 | Premiums, claims and expenses by line of business |
| MIC | S.05.02.01 | Premiums, claims & expenses by country |
| MIC | S.17.01.02 | Non-life technical provisions |
| MIC | S.19.01.21 | Non-life insurance claims information |
| MIC | S.22.01.21 | Impact of long term guarantees and transitional measures |
| MIC | S.23.01.01 | Own funds |
| MIC | S.25.03.21 | Solvency capital requirement - for undertakings on full internal models |
| MIC | S.28.01.01 | Minimum capital requirement - only life or only non-life insurance or reinsurance activity |

There is nothing to report for RSA Re or MIC for QRT S.12.01.02 (Life and health SLT technical provisions).

All monetary amounts are shown in thousands of pounds (£000's) in all QRTs.

Regent Bidco Limited
S.02.01.02
Balance sheet

| | Solvency II value |
|--|------------------------|
| | C0010 |
| | £'000 |
| Assets | |
| Intangible assets | R0030 - |
| Deferred tax assets | R0040 147,774 |
| Pension benefit surplus | R0050 489,781 |
| Property, plant & equipment held for own use | R0060 80,705 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 6,013,075 |
| Property (other than for own use) | R0080 370,752 |
| Holdings in related undertakings, including participations | R0090 72,500 |
| Equities | R0100 248,382 |
| Equities - listed | R0110 243,982 |
| Equities - unlisted | R0120 4,400 |
| Bonds | R0130 4,552,737 |
| Government Bonds | R0140 1,462,917 |
| Corporate Bonds | R0150 2,655,755 |
| Structured notes | R0160 - |
| Collateralised securities | R0170 434,065 |
| Collective Investments Undertakings | R0180 407,103 |
| Derivatives | R0190 46,865 |
| Deposits other than cash equivalents | R0200 314,736 |
| Other investments | R0210 - |
| Assets held for index-linked and unit-linked contracts | R0220 - |
| Loans and mortgages | R0230 362,202 |
| Loans on policies | R0240 - |
| Loans and mortgages to individuals | R0250 1,268 |
| Other loans and mortgages | R0260 360,934 |
| Reinsurance recoverables from: | R0270 1,431,869 |
| Non-life and health similar to non-life | R0280 1,301,408 |
| Non-life excluding health | R0290 1,304,298 |
| Health similar to non-life | R0300 (2,890) |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 130,461 |
| Health similar to life | R0320 - |
| Life excluding health and index-linked and unit-linked | R0330 130,461 |
| Life index-linked and unit-linked | R0340 - |
| Deposits to cedants | R0350 - |
| Insurance and intermediaries receivables | R0360 202,699 |
| Reinsurance receivables | R0370 83,634 |
| Receivables (trade, not insurance) | R0380 91,238 |
| Own shares (held directly) | R0390 - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 - |
| Cash and cash equivalents | R0410 143,910 |
| Any other assets, not elsewhere shown | R0420 19,244 |
| Total assets | R0500 9,066,131 |

| | Solvency II value |
|---|------------------------|
| | C0010 |
| | £'000 |
| Liabilities | |
| Technical provisions – non-life | R0510 5,257,715 |
| Technical provisions – non-life (excluding health) | R0520 5,211,891 |
| TP calculated as a whole | R0530 - |
| Best Estimate | R0540 4,990,123 |
| Risk margin | R0550 221,768 |
| Technical provisions - health (similar to non-life) | R0560 45,824 |
| TP calculated as a whole | R0570 - |
| Best Estimate | R0580 44,122 |
| Risk margin | R0590 1,702 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 335,514 |
| Technical provisions - health (similar to life) | R0610 - |
| TP calculated as a whole | R0620 - |
| Best Estimate | R0630 - |
| Risk margin | R0640 - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 335,514 |
| TP calculated as a whole | R0660 - |
| Best Estimate | R0670 270,995 |
| Risk margin | R0680 64,519 |
| Technical provisions – index-linked and unit-linked | R0690 - |
| TP calculated as a whole | R0700 - |
| Best Estimate | R0710 - |
| Risk margin | R0720 - |
| Contingent liabilities | R0740 16,439 |
| Provisions other than technical provisions | R0750 36,663 |
| Pension benefit obligations | R0760 12,870 |
| Deposits from reinsurers | R0770 - |
| Deferred tax liabilities | R0780 97 |
| Derivatives | R0790 58,308 |
| Debts owed to credit institutions | R0800 7,573 |
| Financial liabilities other than debts owed to credit institutions | R0810 - |
| Insurance & intermediaries payables | R0820 89,643 |
| Reinsurance payables | R0830 49,603 |
| Payables (trade, not insurance) | R0840 194,057 |
| Subordinated liabilities | R0850 187,215 |
| Subordinated liabilities not in BOF | R0860 9,546 |
| Subordinated liabilities in BOF | R0870 177,669 |
| Any other liabilities, not elsewhere shown | R0880 285,464 |
| Total liabilities | R0900 6,531,161 |
| Excess of assets over liabilities | R1000 2,534,970 |

Regent Bidco Limited

S.05.01.02

Premiums, claims and expenses by line of business

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | |
|--|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|-------|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | | |
| Gross - Direct Business | R0110 | 147,246 | 1,044 | - | 377,765 | 160,103 | 118,262 | 875,572 | 270,051 | (2) |
| Gross - Proportional reinsurance accepted | R0120 | 12 | - | - | 118,241 | 50,354 | 8,055 | 185,795 | 7,755 | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | 1,577 | 435 | - | 108,961 | 86,290 | 494 | 173,831 | 13,973 | - |
| Net | R0200 | 145,681 | 609 | - | 387,045 | 124,167 | 125,823 | 887,536 | 263,833 | (2) |
| Premiums earned | | | | | | | | | | |
| Gross - Direct Business | R0210 | 145,832 | 1,334 | - | 416,254 | 179,252 | 139,137 | 845,702 | 262,930 | (2) |
| Gross - Proportional reinsurance accepted | R0220 | 13 | - | - | 116,725 | 48,682 | 22,027 | 188,326 | 19,764 | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | 1,818 | 433 | - | 147,192 | 100,781 | 17,408 | 253,860 | 44,822 | - |
| Net | R0300 | 144,027 | 901 | - | 385,787 | 127,153 | 143,756 | 780,168 | 237,872 | (2) |
| Claims incurred | | | | | | | | | | |
| Gross - Direct Business | R0310 | 77,286 | 467 | - | 236,148 | 206,678 | 65,054 | 534,126 | 101,246 | - |
| Gross - Proportional reinsurance accepted | R0320 | 6 | - | - | 72,496 | 41,012 | 5,484 | 63,722 | 6,920 | - |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | 584 | 82 | - | 62,196 | 163,467 | 659 | 102,577 | 4,762 | 3 |
| Net | R0400 | 76,708 | 385 | - | 246,448 | 84,223 | 69,879 | 495,271 | 103,404 | (3) |
| Changes in other technical provisions | | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 52,988 | 482 | - | 148,225 | 44,744 | 52,051 | 334,229 | 86,616 | 148 |
| Other expenses | R1200 | | | | | | | | | |
| Total expenses | R1300 | | | | | | | | | |

Regent Bidco Limited

S.05.01.02

Premiums, claims and expenses by line of business

| | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|---|--------------|------------------------------|--|--------------|-----------------------------|--------------|--------------|
| | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | 4,695 | (26) | 11,455 | | | | 1,966,165 |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | | | | 370,212 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | - | 31 | (1,040) | (1,009) |
| Reinsurers' share | R0140 | - | 1 | 64 | - | - | (2) | 385,624 |
| Net | R0200 | 4,695 | (27) | 11,391 | - | 31 | (1,038) | 1,949,744 |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | 5,035 | 1,090 | 11,215 | | | | 2,007,779 |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | | | | 395,537 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | - | 4,209 | 7,797 | 12,006 |
| Reinsurers' share | R0240 | 6 | 1 | 1,002 | - | 1,742 | - | 569,065 |
| Net | R0300 | 5,029 | 1,089 | 10,213 | - | 2,467 | 7,797 | 1,846,257 |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | 2,870 | 1,437 | 2,381 | | | | 1,227,693 |
| Gross - Proportional reinsurance accepted | R0320 | - | - | 500 | | | | 190,140 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | - | 1,633 | (300) | 7,343 |
| Reinsurers' share | R0340 | - | - | (66) | - | 4,547 | (2) | 338,809 |
| Net | R0400 | 2,870 | 1,437 | 2,947 | - | (2,914) | (300) | 1,086,367 |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | | | | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | | | | - |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 1,967 | (208) | 4,114 | - | - | - | 725,356 |
| Other expenses | R1200 | | | | | | | (5,724) |
| Total expenses | R1300 | | | | | | | 719,632 |

Regent Bidco Limited

S.05.01.02

Premiums, claims and expenses by line of business

| | Line of Business for: life insurance obligations | | | | | | Life reinsurance obligations | | Total |
|--|---|-------------------------------------|--|----------------------|---|--|------------------------------|------------------|--------------|
| | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life-reinsurance | |
| | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | |
| Gross | R1410 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1420 | - | - | - | - | - | - | - | - |
| Net | R1500 | - | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | | |
| Gross | R1510 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1520 | - | - | - | - | - | - | - | - |
| Net | R1600 | - | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | | |
| Gross | R1610 | - | - | - | - | - | 16,573 | - | 16,573 |
| Reinsurers' share | R1620 | - | - | - | - | - | 7,352 | - | 7,352 |
| Net | R1700 | - | - | - | - | - | 9,221 | - | 9,221 |
| Changes in other technical provisions | | | | | | | | | |
| Gross | R1710 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1720 | - | - | - | - | - | - | - | - |
| Net | R1800 | - | - | - | - | - | - | - | - |
| Expenses incurred | R1900 | - | - | - | - | - | - | - | - |
| Other expenses | R2500 | | | | | | | | - |
| Total expenses | R2600 | | | | | | | | - |

Regent Bidco Limited

S.05.02.01

Premiums, claims and expenses by country

| Non-life | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country | |
|--|--------------|--|---------|---------|---------|--------|------------------------------|-----------|
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | |
| | R0010 | CA | IE | ES | AE | FR | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | 1,417,258 | - | 175,616 | 86,846 | 70,065 | 45,935 | 1,795,720 |
| Gross - Proportional reinsurance accepted | R0120 | 14,775 | 265,990 | 44 | 867 | 902 | - | 282,578 |
| Gross - Non-proportional reinsurance accepted | R0130 | 19 | 98 | - | - | - | - | 117 |
| Reinsurers' share | R0140 | 249,856 | 5,285 | 7,365 | 39,759 | 2,316 | 23,177 | 327,758 |
| Net | R0200 | 1,182,196 | 260,803 | 168,295 | 47,954 | 68,651 | 22,758 | 1,750,657 |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | 1,395,356 | - | 176,881 | 86,175 | 74,364 | 67,909 | 1,800,685 |
| Gross - Proportional reinsurance accepted | R0220 | 15,211 | 240,136 | - | 691 | 720 | - | 256,758 |
| Gross - Non-proportional reinsurance accepted | R0230 | 13 | 11,840 | - | - | - | - | 11,853 |
| Reinsurers' share | R0240 | 315,749 | 6,040 | 20,875 | 49,103 | 5,067 | 38,369 | 435,203 |
| Net | R0300 | 1,094,831 | 245,936 | 156,006 | 37,763 | 70,017 | 29,540 | 1,634,093 |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | 803,498 | - | 111,770 | 74,075 | 33,810 | 37,375 | 1,060,528 |
| Gross - Proportional reinsurance accepted | R0320 | 90,935 | 113,447 | 1,547 | (1,201) | (985) | 1 | 203,744 |
| Gross - Non-proportional reinsurance accepted | R0330 | (2) | 11,128 | - | - | - | - | 11,126 |
| Reinsurers' share | R0340 | 88,977 | (1,483) | 38,491 | 47,951 | 696 | 25,613 | 200,245 |
| Net | R0400 | 805,454 | 126,058 | 74,826 | 24,923 | 32,129 | 11,763 | 1,075,153 |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | - | - | - | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 490,961 | 79,029 | 60,168 | 11,674 | 27,436 | 12,008 | 681,276 |
| Other expenses | R1200 | | | | | | | (5,310) |
| Total expenses | R1300 | | | | | | | 675,966 |

Regent Bidco Limited

S.05.02.01

Premiums, claims and expenses by country

Life

| | Home Country | Top 5 countries (by amount of gross premiums written) - life obligations | | | | | Total Top 5 and home country | |
|--|--------------|--|-------|-------|-------|-------|------------------------------|--------|
| | | C0150 | C0160 | C0170 | C0180 | C0190 | | C0200 |
| R1400 | | | CA | IE | ES | AE | FR | |
| | | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | |
| Gross | R1410 | - | - | - | - | - | - | - |
| Reinsurers' share | R1420 | - | - | - | - | - | - | - |
| Net | R1500 | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | |
| Gross | R1510 | - | - | - | - | - | - | - |
| Reinsurers' share | R1520 | - | - | - | - | - | - | - |
| Net | R1600 | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | |
| Gross | R1610 | 16,573 | - | - | - | - | - | 16,573 |
| Reinsurers' share | R1620 | 7,352 | - | - | - | - | - | 7,352 |
| Net | R1700 | 9,221 | - | - | - | - | - | 9,221 |
| Changes in other technical provisions | | | | | | | | |
| Gross | R1710 | - | - | - | - | - | - | - |
| Reinsurers' share | R1720 | - | - | - | - | - | - | - |
| Net | R1800 | - | - | - | - | - | - | - |
| Expenses incurred | R1900 | - | - | - | - | - | - | - |
| Other expenses | R2500 | | | | | | | - |
| Total expenses | R2600 | | | | | | | - |

Regent Bidco Limited

S.22.01.22

Impact of long term guarantees measures and transitionals

| | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|--------------|---|---|--|--|--|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 5,593,229 | - | - | 10,603 | - |
| Basic own funds | R0020 | 2,118,950 | - | - | (7,014) | - |
| Eligible own funds to meet Solvency Capital Requirement | R0050 | 2,368,950 | - | - | (7,014) | - |
| Solvency Capital Requirement | R0090 | 1,431,723 | - | - | - | - |

Regent Bidco Limited
S.23.01.22
Own funds

Basic own funds before deduction for participations in other financial sector

| |
|---|
| Ordinary share capital (gross of own shares) |
| Non-available called but not paid in ordinary share capital at group level |
| Share premium account related to ordinary share capital |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings |
| Subordinated mutual member accounts |
| Non-available subordinated mutual member accounts at group level |
| Surplus funds |
| Non-available surplus funds at group level |
| Preference shares |
| Non-available preference shares at group level |
| Share premium account related to preference shares |
| Non-available share premium account related to preference shares at group level |
| Reconciliation reserve |
| Subordinated liabilities |
| Non-available subordinated liabilities at group level |
| An amount equal to the value of net deferred tax assets |
| The amount equal to the value of net deferred tax assets not available at the group level |
| Other items approved by supervisory authority as basic own funds not specified above |
| Non available own funds related to other own funds items approved by supervisory authority |
| Minority interests (if not reported as part of a specific own fund item) |
| Non-available minority interests at group level |

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

| |
|---|
| Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities |
| <i>whereof deducted according to art 228 of the Directive 2009/138/EC</i> |
| Deductions for participations where there is non-availability of information (Article 229) |
| Deduction for participations included by using D&A when a combination of methods is used |
| Total of non-available own fund items |

Total deductions

Total basic own funds after deductions

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------|--------------------------|------------------------|---------|---------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| R0010 | 972,247 | 972,247 | | - | |
| R0020 | - | - | | - | |
| R0030 | 274,874 | 274,874 | | - | |
| R0040 | - | - | | - | |
| R0050 | - | | - | - | - |
| R0060 | - | | - | - | - |
| R0070 | - | - | | | |
| R0080 | - | - | | | |
| R0090 | 125,000 | | 125,000 | - | - |
| R0100 | - | | - | - | - |
| R0110 | - | | - | - | - |
| R0120 | - | | - | - | - |
| R0130 | 301,896 | 301,896 | | | |
| R0140 | 177,669 | | - | 177,669 | - |
| R0150 | 177,669 | | - | 177,669 | - |
| R0160 | 147,774 | | | | 147,774 |
| R0170 | - | | | | - |
| R0180 | 297,159 | - | 297,159 | - | - |
| R0190 | - | | - | - | - |
| R0200 | 135,239 | 135,239 | - | - | - |
| R0210 | 135,239 | 135,239 | - | - | - |
| | | | | | |
| R0220 | - | - | | | |
| | | | | | |
| R0230 | - | - | - | - | - |
| R0240 | - | - | - | - | - |
| R0250 | - | - | - | - | - |
| R0260 | - | - | - | - | - |
| R0270 | 312,908 | 135,239 | - | 177,669 | - |
| R0280 | 312,908 | 135,239 | - | 177,669 | - |
| R0290 | 2,118,950 | 1,549,017 | 422,159 | - | 147,774 |

Regent Bidco Limited
S.23.01.22
Own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand
 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Non available ancillary own funds at group level
 Other ancillary own funds

Total ancillary own funds

Own funds of other financial sectors

Reconciliation reserve

Institutions for occupational retirement provision
 Non regulated entities carrying out financial activities
 Total own funds of other financial sectors

Own funds when using the D&A, exclusively or in combination of method 1

Own funds aggregated when using the D&A and combination of method
 Own funds aggregated when using the D&A and a combination of method net of IGT

Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total available own funds to meet the minimum consolidated group SCR
 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total-eligible own funds to meet the minimum consolidated group SCR

Minimum consolidated group SCR

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|--------------|-----------|--------------------------|------------------------|---------|---------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| R0300 | - | | | - | |
| R0310 | - | | | - | |
| R0320 | - | | | - | - |
| R0330 | - | | | - | - |
| R0340 | - | | | | |
| R0350 | - | | | - | |
| R0360 | - | | | - | |
| R0370 | - | | | - | - |
| R0380 | - | | | - | - |
| R0390 | 250,000 | | | 250,000 | - |
| R0400 | 250,000 | | | 250,000 | - |
| R0410 | - | - | - | - | |
| R0420 | - | - | - | - | - |
| R0430 | - | - | - | - | |
| R0440 | - | - | - | - | |
| R0450 | - | - | - | - | - |
| R0460 | - | - | - | - | - |
| R0520 | 2,368,950 | 1,549,017 | 422,159 | 250,000 | 147,774 |
| R0530 | 1,971,176 | 1,549,017 | 422,159 | - | |
| R0560 | 2,368,950 | 1,549,017 | 387,254 | 284,905 | 147,774 |
| R0570 | 1,971,176 | 1,549,017 | 387,254 | 34,905 | |
| R0610 | 722,365 | | | | |

Regent Bidco Limited
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Own funds

Ratio of Eligible own funds to Minimum Consolidated Group SCR

Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)

Group SCR

Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (included as assets on the balance sheet)
- Forseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- Other non available own funds

Reconciliation reserve before deduction for participations in other financial sector

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total EPIFP

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|--------------|--------------|----------------------------------|--------------------------------|---------------|---------------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| R0650 | 272.88% | | | | |
| R0660 | 2,368,950 | 1,549,017 | 387,254 | 284,905 | 147,774 |
| R0680 | 1,431,723 | | | | |
| R0690 | 165.46% | | | | |
| | C0060 | | | | |
| | £'000 | | | | |
| R0700 | 2,534,970 | | | | |
| R0710 | - | | | | |
| R0720 | - | | | | |
| R0730 | 1,952,293 | | | | |
| R0740 | - | | | | |
| R0750 | 280,781 | | | | |
| R0760 | 301,896 | | | | |
| R0770 | - | - | | | |
| R0780 | 33,379 | 33,379 | | | |
| R0790 | 33,379 | 33,379 | | | |

Regent Bidco Limited
S.25.03.22
Solvency Capital Requirement - for groups on Full Internal Models

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|---|---|
| C0010 | C0020 | C0030 |
| | | £'000 |
| 10000A | Market risk (excluding currency risk) - Expectation | (30,742) |
| 10000B | Market risk (excluding currency risk) - Movement from Expectation | 481,501 |
| 10900A | Market Risk: Group Currency Risk - Expectation | (5,974) |
| 10900B | Market Risk: Group Currency Risk - Movement from Expectation | 72,236 |
| 19900B | Diversification within Market Risk | (66,563) |
| 20100A | Credit risk - Expectation | 6,244 |
| 20100B | Credit risk - Movement from Expectation | 72,499 |
| 50150A | Total underwriting risk - Expectation | (230,330) |
| 50150B | Total underwriting risk - Movement from Expectation | 493,192 |
| 50310A | Catastrophe Risk - Expectation | 149,460 |
| 50310B | Catastrophe Risk - Movement from Expectation | 269,140 |
| 50210A | Total reserve risk - Expectation | (20,980) |
| 50210B | Total reserve risk - Movement from Expectation | 406,676 |
| 59900B | Diversification within Insurance Risk | (389,050) |
| 70100B | Operational risk - Movement from Expectation | 138,000 |
| 80100A | Other risks (excluding pension risk) - Expectation | 177,909 |
| 80100B | Other risks (excluding pension risk) - Movement from Expectation | 62,550 |
| 80110A | Other risks: Pension Risk - Expectation | 127,305 |
| 80110B | Other risks: Pension Risk - Movement from Expectation | 435,872 |

Calculation of Solvency Capital Requirement

Total undiversified components
Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

Minimum consolidated group solvency capital requirement

| C0100 | |
|--------------|-----------|
| £'000 | |
| R0110 | 2,148,945 |
| R0060 | (717,222) |
| R0160 | - |
| R0200 | 1,431,723 |
| R0210 | - |
| R0220 | 1,431,723 |
| R0300 | - |
| R0310 | - |
| R0410 | - |
| R0420 | - |
| R0430 | - |
| R0440 | - |
| R0470 | - |

Information on other entities

Capital requirement for other financial sectors (Non-insurance capital requirements)

Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies

Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions

Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities

Capital requirement for non-controlled participation requirements

Capital requirement for residual undertakings

| C0100 | |
|--------------|---|
| £'000 | |
| R0500 | - |
| R0510 | - |
| R0520 | - |
| R0530 | - |
| R0540 | - |
| R0550 | - |

Regent Bidco Limited
S.32.01.22
Undertakings in the scope of the group

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non mutual) | Supervisory Authority | Criteria of influence | | | | | | Inclusion in the scope of group supervision | | Group solvency calculation |
|---------|--|---|--|---|--|------------------------------|--|-----------------------|---|-----------------|---|--------------------|--|---|---|--|
| | | | | | | | | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| IE | 635400JKBNF9HWETAC12 | LEI | 123 Money Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| SA | 21380029FNRTUXGSMV81 | LEI | Al Alamiya for Cooperative Insurance Company | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Saudi Arabian Monetary Agency | 25.04% | 100.00% | 25.04% | Control via intermediate parent undertaking | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 2138001L7RT95YMKO572 | LEI | Alliance Assurance Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IE | 6354002QMLYRFBNBZ030 | LEI | Benchmark Underwriting Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23GB10046 | Specific code | Centrium Management Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 31.45% | 0.3145 | 31.45% | | Significant | 0% | Included in the scope | | Method 1: Adjusted Equity Method |
| IE | 2138005VMCTKTHZCS990 | LEI | EGI Holdings Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23GB10058 | Specific code | Eurotemppest Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 33.33% | 33.33% | 33.33% | | Significant | 0% | Included in the scope | | Method 1: Adjusted Equity Method |
| NL | 213800FISZ25G9OTW105 | LEI | GDII - Global Direct Insurance Investments V.O.F. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 2138002JCYMLUO559480 | LEI | IDIP Direct Insurance B.V. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GG | 213800GEY2IFG4358671 | LEI | Insurance Corporation of the Channel Islands Limited | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Guernsey Financial Services Commission | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GG | 213800UBK38YDFB2WZ49 | LEI | Insurance Corporation Service Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800XUJQZ6KEFH86 | LEI | Intouch Insurance Group B.V. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800XGL4IMC52Y1252 | LEI | National Vulcan Engineering Insurance Group Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 21380093NMZ67LWQUP95 | LEI | Non-Destructive Testers Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23GB10023 | Specific code | Polaris U.K. Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 25.38% | 25.38% | 25.38% | | Significant | 0% | Included in the scope | | Method 1: Adjusted Equity Method |
| GB | 213800ANK59AYB612F23GB10093 | Specific code | Punchbowl Park Management Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 65.09% | 100.00% | 65.09% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800UFW01FMVFWJ852 | LEI | R&SA Global Network Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 64.00% | 100.00% | 64.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ID98Y7D8M1X68 | LEI | Royal & Sun Alliance Insurance (Global) Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| BH | 213800E6WD79WF4OXL64 | LEI | Royal & Sun Alliance Insurance (Middle East) BSC (c) | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Central Bank of Bahrain | 50.00% | 100.00% | 50.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| BR | 213800ANK59AYB612F23BR10110 | Specific code | Royal & Sun Alliance Insurance PLC - Escritório de Representação no Brasil Ltda. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800YQOZNTZBWKFB71 | LEI | Royal & Sun Alliance Pension Trustee Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 2138001DUHXRJZKBA57 | LEI | Royal & Sun Alliance Property Services Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800TWS860896DND08 | LEI | Royal & Sun Alliance Reinsurance Limited | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Prudential Regulation Authority | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800FAL75DJ6CVR886 | LEI | Royal Insurance (U.K.) Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| NL | 2138003TXNY2FXMIL04 | LEI | Royal Insurance Global B.V. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IM | 2138003LWV3J4G7RG628 | LEI | Royal Insurance Service Company (Isle of Man) Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800DXUS819BNLN46 | LEI | Royal International Insurance Holdings Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800EQGGJALB1LMV41 | LEI | Roysun Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800K98YF86NOVO18 | LEI | RSA Accident Repairs Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |

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Undertakings in the scope of the group

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non mutual) | Supervisory Authority | Criteria of influence | | | | | | Inclusion in the scope of group supervision | | Group solvency calculation |
|---------|--|---|---|---|--|------------------------------|--|-----------------------|---|-----------------|---|--------------------|--|---|---|--|
| | | | | | | | | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| | | | | | | | | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| IN | 213800RZ5127857GQ681 | LEI | RSA Actuarial Services (India) Private Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 21380027C4H5077B520 | LEI | RSA Finance | Credit institution, investment firm and financial institution | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Sectoral rules |
| IM | 213800T7NQT6LNQZQ295 | LEI | RSA Isle of Man No.1 Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800QUPYRC4MX7D553 | LEI | RSA Law Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 90.00% | 100.00% | 90.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 2138004LEUJAJN7ZTL31 | LEI | RSA Northern Ireland Insurance Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800RIF98KZ1HHHH93 | LEI | RSA Overseas (Netherlands) B.V. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800OCAOG1VQXR288 | LEI | RSA Overseas Holdings B.V. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IE | 2138004U5LQVDZFC3325 | LEI | RSA Reinsurance Ireland Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | QG45WAC0BQ35QVTSKU66 | LEI | Sal Pension Fund Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800YRS9W5SAZAPB68 | LEI | Sun Alliance Insurance Overseas Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800R663W5CDREOC48 | LEI | Sun Alliance Mortgage Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800D6JMQC3D307VJ98 | LEI | Sun Insurance Office Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800XE8BP59G7RB65 | LEI | The Globe Insurance Company Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 21380051JKP1VT3RG38 | LEI | The London Assurance | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ZPIJG2HWOKGX70 | LEI | The Marine Insurance Company Limited | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Prudential Regulation Authority | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800AW6RS4V8AGNX91 | LEI | The Sea Insurance Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IM | 213800GQHZOG5CX23H28 | LEI | Tower Insurance Company Limited | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Isle of Man Financial Services Authority | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800K4XGW6FT9ZC81 | LEI | Westgate Properties Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| US | 2138001JNHNJU652O92 | LEI | Royal & Sun Alliance Insurance Agency Inc. | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IE | 635400PUDJ8XTX95FW67 | LEI | RSA Insurance Ireland DAC | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Central Bank of Ireland | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| IE | 213800SOY368PRPH9818 | LEI | RSA Overseas Holdings (No. 2) Unlimited Company | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IE | 2138007UK3VNVV5JQW88 | LEI | RSA Overseas Holdings (No 1) Unlimited Company | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800MOAG1P5WPBYN70 | LEI | Royal Insurance Holdings Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| OM | 213800F12PSFQ4ZDBU69 | LEI | Al Ahlia Insurance Company SAOG | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Capital Market Authority | 26.25% | 100.00% | 26.25% | Control via intermediate parent undertaking | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |

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Undertakings in the scope of the group

| Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal name of the undertaking | Type of undertaking | Legal form | Category (mutual/non mutual) | Supervisory Authority | Criteria of influence | | | | | | Inclusion in the scope of group supervision | | Group solvency calculation |
|---------|--|---|---|---|--|------------------------------|---------------------------------|-----------------------|---|-----------------|----------------|--------------------|--|---|---|--|
| | | | | | | | | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| LU | 213800PT2YLSVDVYLA41 | LEI | RSA Luxembourg S.A. | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Commissariat aux Assurances | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800HZNB54V174TQ06 | LEI | R&SA Marketing Services Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 21380021T4T3KT7JV62 | LEI | Sun Alliance and London Insurance Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| IE | 635400BFCW2IQOMUJ805 | LEI | RSA Broker Motor Insurance Ireland Ltd | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23GB00001 | specific code | Hempton Court Manco | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 87.50% | 100.00% | 87.50% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23 | LEI | Royal & Sun Alliance Insurance Limited | Non life insurance undertaking | Company limited by shares or by guarantee or unlimited | Non-mutual | Prudential Regulation Authority | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 549300HOGQ7E0TY86138 | LEI | RSA Insurance Group Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Full consolidation |
| GB | 213800ZQJUSJL4TOA70 | LEI | Regent Bidco Limited | Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC | Company limited by shares or by guarantee or unlimited | Non-mutual | | 0.00% | 0.00% | 0.00% | | 0 | 0% | Included in the scope | | 0 |
| GB | 2138008YP8JR2458V93 | LEI | Regent Subco Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 100.00% | 100.00% | 100.00% | | Dominant | 100% | Included in the scope | | Method 1: Adjusted equity method |
| GB | 213800ANK59AYB612F23GB00002 | Specific Code | Emerson Green Management Company Limited | Other | Company limited by shares or by guarantee or unlimited | Non-mutual | | 33.00% | 33.00% | 33.00% | | Significant | 0% | Included in the scope | | Method 1: Adjusted Equity Method |

Royal & Sun Alliance Insurance Limited
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Balance sheet

Assets

| | |
|--|-------------------|
| Intangible assets | - |
| Deferred tax assets | 146,159 |
| Pension benefit surplus | 472,357 |
| Property, plant & equipment held for own use | 58,010 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 10,257,896 |
| Property (other than for own use) | 367,809 |
| Holdings in related undertakings, including participations | 5,172,599 |
| Equities | 247,759 |
| Equities - listed | 243,874 |
| Equities - unlisted | 3,885 |
| Bonds | 4,059,998 |
| Government Bonds | 1,253,029 |
| Corporate Bonds | 2,398,694 |
| Structured notes | - |
| Collateralised securities | 408,275 |
| Collective Investments Undertakings | 327,092 |
| Derivatives | 46,865 |
| Deposits other than cash equivalents | 35,774 |
| Other investments | - |
| Assets held for index-linked and unit-linked contracts | - |
| Loans and mortgages | 579,066 |
| Loans on policies | - |
| Loans and mortgages to individuals | 1,268 |
| Other loans and mortgages | 577,798 |
| Reinsurance recoverables from: | 1,240,760 |
| Non-life and health similar to non-life | 1,125,931 |
| Non-life excluding health | 1,125,931 |
| Health similar to non-life | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | 114,829 |
| Health similar to life | - |
| Life excluding health and index-linked and unit-linked | 114,829 |
| Life index-linked and unit-linked | - |
| Deposits to cedants | 47,286 |
| Insurance and intermediaries receivables | 159,617 |
| Reinsurance receivables | 67,270 |
| Receivables (trade, not insurance) | 742,832 |
| Own shares (held directly) | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | - |
| Cash and cash equivalents | 61,232 |
| Any other assets, not elsewhere shown | 19,404 |
| Total assets | 13,851,889 |

| Solvency II value |
|-------------------|
| C0010 |
| £'000 |

| | |
|-------|------------|
| R0030 | - |
| R0040 | 146,159 |
| R0050 | 472,357 |
| R0060 | 58,010 |
| R0070 | 10,257,896 |
| R0080 | 367,809 |
| R0090 | 5,172,599 |
| R0100 | 247,759 |
| R0110 | 243,874 |
| R0120 | 3,885 |
| R0130 | 4,059,998 |
| R0140 | 1,253,029 |
| R0150 | 2,398,694 |
| R0160 | - |
| R0170 | 408,275 |
| R0180 | 327,092 |
| R0190 | 46,865 |
| R0200 | 35,774 |
| R0210 | - |
| R0220 | - |
| R0230 | 579,066 |
| R0240 | - |
| R0250 | 1,268 |
| R0260 | 577,798 |
| R0270 | 1,240,760 |
| R0280 | 1,125,931 |
| R0290 | 1,125,931 |
| R0300 | - |
| R0310 | 114,829 |
| R0320 | - |
| R0330 | 114,829 |
| R0340 | - |
| R0350 | 47,286 |
| R0360 | 159,617 |
| R0370 | 67,270 |
| R0380 | 742,832 |
| R0390 | - |
| R0400 | - |
| R0410 | 61,232 |
| R0420 | 19,404 |
| R0500 | 13,851,889 |

Liabilities

| | |
|--|-------------------|
| Technical provisions – non-life | 4,768,541 |
| Technical provisions – non-life (excluding health) | 4,719,962 |
| TP calculated as a whole | - |
| Best Estimate | 4,527,651 |
| Risk margin | 192,311 |
| Technical provisions - health (similar to non-life) | 48,579 |
| TP calculated as a whole | - |
| Best Estimate | 46,890 |
| Risk margin | 1,689 |
| Technical provisions - life (excluding index-linked and unit-linked) | 313,198 |
| Technical provisions - health (similar to life) | - |
| TP calculated as a whole | - |
| Best Estimate | - |
| Risk margin | - |
| linked) | 313,198 |
| TP calculated as a whole | - |
| Best Estimate | 254,240 |
| Risk margin | 58,958 |
| Technical provisions – index-linked and unit-linked | - |
| TP calculated as a whole | - |
| Best Estimate | - |
| Risk margin | - |
| Contingent liabilities | 6,253 |
| Provisions other than technical provisions | 35,392 |
| Pension benefit obligations | 5,200 |
| Deposits from reinsurers | - |
| Deferred tax liabilities | - |
| Derivatives | 49,454 |
| Debts owed to credit institutions | 16,115 |
| Financial liabilities other than debts owed to credit institutions | 4,663,687 |
| Insurance & intermediaries payables | 74,298 |
| Reinsurance payables | 35,494 |
| Payables (trade, not insurance) | 936,885 |
| Subordinated liabilities | - |
| Subordinated liabilities not in BOF | - |
| Subordinated liabilities in BOF | - |
| Any other liabilities, not elsewhere shown | 225,774 |
| Total liabilities | 11,130,291 |
| Excess of assets over liabilities | 2,721,598 |

| Solvency II value |
|-------------------|
| C0010 |
| £'000 |

| | |
|-------|------------|
| R0510 | 4,768,541 |
| R0520 | 4,719,962 |
| R0530 | - |
| R0540 | 4,527,651 |
| R0550 | 192,311 |
| R0560 | 48,579 |
| R0570 | - |
| R0580 | 46,890 |
| R0590 | 1,689 |
| R0600 | 313,198 |
| R0610 | - |
| R0620 | - |
| R0630 | - |
| R0640 | - |
| R0650 | 313,198 |
| R0660 | - |
| R0670 | 254,240 |
| R0680 | 58,958 |
| R0690 | - |
| R0700 | - |
| R0710 | - |
| R0720 | - |
| R0740 | 6,253 |
| R0750 | 35,392 |
| R0760 | 5,200 |
| R0770 | - |
| R0780 | - |
| R0790 | 49,454 |
| R0800 | 16,115 |
| R0810 | 4,663,687 |
| R0820 | 74,298 |
| R0830 | 35,494 |
| R0840 | 936,885 |
| R0850 | - |
| R0860 | - |
| R0870 | - |
| R0880 | 225,774 |
| R0900 | 11,130,291 |
| R1000 | 2,721,598 |

Royal & Sun Alliance Insurance Limited

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Premiums, claims and expenses by line of business

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | |
|---|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|-----|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Premiums written | | | | | | | | | | |
| Gross - Direct Business | R0110 | 230,123 | - | - | 410,331 | 250,676 | 135,378 | 1,114,480 | 328,168 | (1) |
| Gross - Proportional reinsurance accepted | R0120 | - | 688 | - | 455,622 | 124,584 | 117,277 | 511,591 | 140,383 | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | - | - | - | 258,304 | 149,983 | 38,419 | 332,335 | 85,312 | - |
| Net | R0200 | 230,123 | 688 | - | 607,649 | 225,277 | 214,236 | 1,293,736 | 383,239 | (1) |
| Premiums earned | | | | | | | | | | |
| Gross - Direct Business | R0210 | 229,485 | - | - | 462,230 | 278,925 | 127,709 | 1,095,445 | 299,341 | (1) |
| Gross - Proportional reinsurance accepted | R0220 | - | 845 | - | 429,951 | 112,032 | 123,432 | 489,072 | 132,263 | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | - | - | - | 281,746 | 166,135 | 39,038 | 336,185 | 83,834 | - |
| Net | R0300 | 229,485 | 845 | - | 610,435 | 224,822 | 212,103 | 1,248,332 | 347,770 | (1) |
| Claims incurred | | | | | | | | | | |
| Gross - Direct Business | R0310 | 133,927 | - | - | 320,998 | 306,806 | 103,134 | 779,924 | 227,214 | 5 |
| Gross - Proportional reinsurance accepted | R0320 | - | 83 | - | 308,922 | 59,306 | 45,319 | 162,757 | 106,753 | - |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | 2,472 | - | - | 195,154 | 189,960 | 20,840 | 188,496 | 90,743 | 5 |
| Net | R0400 | 131,455 | 83 | - | 434,766 | 176,152 | 127,613 | 754,185 | 243,224 | - |
| Changes in other technical provisions | | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 86,484 | 287 | - | 212,695 | 82,446 | 82,237 | 637,605 | 140,550 | 253 |
| Other expenses | R1200 | | | | | | | | | |
| Total expenses | R1300 | | | | | | | | | |

Royal & Sun Alliance Insurance Limited

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Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|--|--------------|---|--------------|------------------------------|--|--------------|-----------------------------|--------------|--------------|
| | | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | |
| Gross - Direct Business | R0110 | 9,986 | (212) | 18,181 | | | | | 2,497,110 |
| Gross - Proportional reinsurance accepted | R0120 | - | 17 | 2 | | | | | 1,350,164 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | - | - | - | - | - |
| Reinsurers' share | R0140 | 10 | - | 1,889 | - | - | - | - | 866,252 |
| Net | R0200 | 9,976 | (195) | 16,294 | - | - | - | - | 2,981,022 |
| Premiums earned | | | | | | | | | |
| Gross - Direct Business | R0210 | 10,442 | 4,826 | 19,596 | | | | | 2,527,998 |
| Gross - Proportional reinsurance accepted | R0220 | - | 32 | 5 | | | | | 1,287,632 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | - | - | - | - | - |
| Reinsurers' share | R0240 | 10 | - | 1,770 | - | - | - | - | 908,718 |
| Net | R0300 | 10,432 | 4,858 | 17,831 | - | - | - | - | 2,906,912 |
| Claims incurred | | | | | | | | | |
| Gross - Direct Business | R0310 | 5,898 | 5,300 | 10,758 | | | | | 1,893,964 |
| Gross - Proportional reinsurance accepted | R0320 | - | (16) | - | | | | | 683,124 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | - | 8,827 | - | - | 8,827 |
| Reinsurers' share | R0340 | - | - | 103 | - | (8,663) | - | - | 679,110 |
| Net | R0400 | 5,898 | 5,284 | 10,655 | - | 17,490 | - | - | 1,906,805 |
| Changes in other technical provisions | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | | | | | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | | | | | - |
| Gross - Non- proportional reinsurance accepted | R0430 | | | | - | - | - | - | - |
| Reinsurers'share | R0440 | - | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 4,742 | 672 | 7,718 | - | - | - | - | 1,255,689 |
| Other expenses | R1200 | | | | | | | | 6,092 |
| Total expenses | R1300 | | | | | | | | 1,261,781 |

Royal & Sun Alliance Insurance Limited

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Premiums, claims and expenses by line of business

| | Line of Business for: life insurance obligations | | | | | | Life reinsurance obligations | | Total |
|--|---|-------------------------------------|--|----------------------|---|--|------------------------------|------------------|--------------|
| | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | |
| Gross | R1410 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1420 | - | - | - | - | - | - | - | - |
| Net | R1500 | - | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | | |
| Gross | R1510 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1520 | - | - | - | - | - | - | - | - |
| Net | R1600 | - | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | | |
| Gross | R1610 | - | - | - | - | (10,253) | - | - | (10,253) |
| Reinsurers' share | R1620 | - | - | - | - | (12,773) | - | - | (12,773) |
| Net | R1700 | - | - | - | - | 2,520 | - | - | 2,520 |
| Changes in other technical provisions | | | | | | | | | |
| Gross | R1710 | - | - | - | - | - | - | - | - |
| Reinsurers' share | R1720 | - | - | - | - | - | - | - | - |
| Net | R1800 | - | - | - | - | - | - | - | - |
| Expenses incurred | R1900 | - | - | - | - | - | - | - | - |
| Other expenses | R2500 | | | | | | | | - |
| Total expenses | R2600 | | | | | | | | - |

Royal & Sun Alliance Insurance Limited
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Premiums, claims and expenses by country

| Non-life | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country | |
|--|--------------|--|---------|---------|---------|-------|------------------------------|-----------|
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | |
| | R0010 | CA | IE | LU | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | 2,289,647 | - | - | - | - | - | 2,289,647 |
| Gross - Proportional reinsurance accepted | R0120 | 197,974 | 626,903 | 199,375 | 171,969 | - | - | 1,196,221 |
| Gross - Non-proportional reinsurance accepted | R0130 | - | - | - | - | - | - | - |
| Reinsurers' share | R0140 | 759,331 | 203 | - | - | - | - | 759,534 |
| Net | R0200 | 1,728,290 | 626,700 | 199,375 | 171,969 | - | - | 2,726,334 |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | 2,321,878 | - | - | - | - | - | 2,321,878 |
| Gross - Proportional reinsurance accepted | R0220 | 192,760 | 558,700 | 201,283 | 162,951 | - | - | 1,115,694 |
| Gross - Non-proportional reinsurance accepted | R0230 | - | - | - | - | - | - | - |
| Reinsurers' share | R0240 | 799,129 | 203 | - | - | - | - | 799,332 |
| Net | R0300 | 1,715,509 | 558,497 | 201,283 | 162,951 | - | - | 2,638,240 |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | 1,784,890 | - | 145 | - | - | - | 1,785,035 |
| Gross - Proportional reinsurance accepted | R0320 | 136,176 | 375,698 | 100,707 | 94,073 | - | - | 706,654 |
| Gross - Non-proportional reinsurance accepted | R0330 | 9,204 | - | (377) | - | - | - | 8,827 |
| Reinsurers' share | R0340 | 640,441 | - | (4) | - | - | - | 640,437 |
| Net | R0400 | 1,289,829 | 375,698 | 100,479 | 94,073 | - | - | 1,860,079 |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | - | - | - | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | 931,673 | 133,548 | 67,831 | 46,510 | - | - | 1,179,562 |
| Other expenses | R1200 | | | | | | | 5,872 |
| Total expenses | R1300 | | | | | | | 1,185,434 |

Royal & Sun Alliance Insurance Limited

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Premiums, claims and expenses by country

Life

| | Home Country | Top 5 countries (by amount of gross premiums written) - life obligations | | | | | Total Top 5 and home country |
|--------------|--------------|--|-------|-------|-------|-------|------------------------------|
| | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| R1400 | | CA | IE | LU | | | |
| | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |

| | | | | | | | | |
|--|--------------|----------|---|---|---|---|---|----------|
| Premiums written | | | | | | | | |
| Gross | R1410 | - | - | - | - | - | - | - |
| Reinsurers' share | R1420 | - | - | - | - | - | - | - |
| Net | R1500 | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | |
| Gross | R1510 | - | - | - | - | - | - | - |
| Reinsurers' share | R1520 | - | - | - | - | - | - | - |
| Net | R1600 | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | |
| Gross | R1610 | (10,253) | - | - | - | - | - | (10,253) |
| Reinsurers' share | R1620 | (12,773) | - | - | - | - | - | (12,773) |
| Net | R1700 | 2,520 | - | - | - | - | - | 2,520 |
| Changes in other technical provisions | | | | | | | | |
| Gross | R1710 | - | - | - | - | - | - | - |
| Reinsurers' share | R1720 | - | - | - | - | - | - | - |
| Net | R1800 | - | - | - | - | - | - | - |
| Expenses incurred | R1900 | - | - | - | - | - | - | - |
| Other expenses | R2500 | | | | | | | - |
| Total expenses | R2600 | | | | | | | - |

Royal & Sun Alliance Insurance Limited
S.12.01.02
Life and Health SLT Technical Provisions

| | Insurance with profit participation | Index-linked and unit-linked insurance | | Other life insurance | | | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | Total (Life other than health insurance, incl. Unit-Linked) | |
|--|-------------------------------------|--|--------------------------------------|--|--------------------------------------|-------|---|----------------------|---|---------|
| | | Contracts without options and guarantees | Contracts with options or guarantees | Contracts without options and guarantees | Contracts with options or guarantees | | | | | |
| | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0150 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Technical provisions calculated as a whole | R0010 | - | - | | - | | | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0020 | - | - | | - | | | - | - | - |
| Technical provisions calculated as a sum of BE and RM Best Estimate | | | | | | | | | | |
| Gross Best Estimate | R0030 | - | - | - | | - | - | 254,240 | - | 254,240 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0080 | - | - | - | | - | - | 114,829 | - | 114,829 |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | R0090 | - | - | - | | - | - | 139,411 | - | 139,411 |
| Risk Margin | R0100 | - | - | | - | | | 58,958 | - | 58,958 |
| Amount of the transitional on Technical Provisions | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0110 | - | - | | - | | | - | - | - |
| Best estimate | R0120 | - | - | - | | - | - | - | - | - |
| Risk margin | R0130 | - | - | | - | | | - | - | - |
| Technical provisions - total | R0200 | - | - | | - | | | 313,198 | - | 313,198 |

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S.12.01.02
Life and Health SLT Technical Provisions

| Health insurance (direct business) | | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | Total (Health similar to life insurance) |
|--|--------------------------------------|-------|---|---|--|
| Contracts without options and guarantees | Contracts with options or guarantees | | | | |
| C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

| | | | | | | |
|-------|---|---|---|---|---|---|
| R0210 | - | | | - | - | - |
| R0220 | - | | | - | - | - |
| | | | | | | |
| R0030 | | - | - | - | - | - |
| R0080 | | - | - | - | - | - |
| R0090 | | - | - | - | - | - |
| R0100 | - | | | - | - | - |
| R0110 | - | | | - | - | - |
| R0120 | | - | - | - | - | - |
| R0130 | - | | | - | - | - |
| R0200 | - | | | - | - | - |

Royal & Sun Alliance Insurance Limited
S.17.01.02
Non-life Technical Provisions

| Direct business and accepted proportional reinsurance | | | | | | | | | |
|--|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance |
| | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0050 | - | - | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | | |
| Best estimate | | | | | | | | | |
| Premium provisions | | | | | | | | | |
| Gross | R0060 | 21,328 | 142 | - | 63,699 | 50,649 | 5,812 | 130,940 | 41,073 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | (16,756) | 18,151 | (6,187) | (24,108) | (4,471) |
| Net Best Estimate of Premium Provisions | R0150 | 21,328 | 142 | - | 80,455 | 32,498 | 11,999 | 155,048 | 45,544 |
| Claims provisions | | | | | | | | | |
| Gross | R0160 | 25,209 | 136 | - | 1,663,834 | (28,170) | 210,736 | 1,226,354 | 1,070,351 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | - | 655,523 | (32,289) | 1,137 | 377,435 | 153,914 |
| Net Best Estimate of Claims Provisions | R0250 | 25,209 | 136 | - | 1,008,311 | 4,119 | 209,599 | 848,919 | 916,437 |
| Total Best estimate - gross | R0260 | 46,537 | 278 | - | 1,727,533 | 22,479 | 216,548 | 1,357,294 | 1,111,424 |
| Total Best estimate - net | R0270 | 46,537 | 278 | - | 1,088,766 | 36,617 | 221,598 | 1,003,967 | 961,981 |
| Risk margin | R0280 | 1,678 | 9 | - | 84,451 | 1,711 | 8,608 | 30,981 | 62,184 |
| Amount of the transitional on Technical Provisions | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | | | |
| Technical provisions - total | R0320 | 48,215 | 287 | - | 1,811,984 | 24,190 | 225,156 | 1,388,275 | 1,173,608 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | 638,767 | (14,138) | (5,050) | 353,327 | 149,443 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 48,215 | 287 | - | 1,173,217 | 38,328 | 230,206 | 1,034,948 | 1,024,165 |

Royal & Sun Alliance Insurance Limited
S.17.01.02
Non-life Technical Provisions

| | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | Total Non-Life obligation | | |
|--|---|------------|------------------------------|---------------------------------------|---------------------------------------|---|---------------------------|---------------------------------------|-----------|
| | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | | Non-proportional property reinsurance | |
| | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | | C0170 | C0180 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - | - | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0050 | - | - | - | - | - | - | - | |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | | |
| Best estimate | | | | | | | | | |
| Premium provisions | | | | | | | | | |
| Gross | R0060 | 34 | (2,667) | (1,698) | - | - | - | 309,312 | |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | 1 | - | (54) | - | - | - | (33,424) | |
| Net Best Estimate of Premium Provisions | R0150 | 33 | (2,667) | (1,644) | - | - | - | 342,736 | |
| Claims provisions | | | | | | | | | |
| Gross | R0160 | 4,682 | (746) | 11,088 | 75 | 78,414 | - | 228 | 4,265,231 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | (328) | - | 4,414 | - | - | - | - | 1,159,357 |
| Net Best Estimate of Claims Provisions | R0250 | 5,010 | (746) | 6,674 | 75 | 78,414 | - | 228 | 3,105,874 |
| Total Best estimate - gross | R0260 | 4,716 | (3,413) | 9,390 | 75 | 78,414 | - | 228 | 4,574,543 |
| Total Best estimate - net | R0270 | 5,043 | (3,413) | 5,030 | 75 | 78,414 | - | 228 | 3,448,610 |
| Risk margin | R0280 | 253 | 33 | 204 | 2 | 3,801 | - | 3 | 194,001 |
| Amount of the transitional on Technical Provisions | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - | |
| Best estimate | R0300 | - | - | - | - | - | - | - | |
| Risk margin | R0310 | - | - | - | - | - | - | - | |
| Technical provisions - total | | | | | | | | | |
| Technical provisions - total | R0320 | 4,969 | (3,380) | 9,594 | 77 | 82,215 | - | 231 | 4,768,544 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | (327) | - | 4,360 | - | - | - | - | 1,125,933 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 5,296 | (3,380) | 5,234 | 77 | 82,215 | - | 231 | 3,642,611 |

Royal & Sun Alliance Insurance Limited
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

| | | |
|-----------------------------------|--------------|---------------|
| Accident year / Underwriting year | Z0010 | Accident Year |
|-----------------------------------|--------------|---------------|

Gross Claims Paid (non-cumulative)
 (absolute amount)

| Year | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) | | | |
|-------|------------------|-----------|---------|---------|---------|---------|--------|--------|--------|--------|--------|-----------------|---------------------------|--------------|------------------|-------------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | | C0170 | C0180 | |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | | C0170 | C0180 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | |
| Prior | R0100 | | | | | | | | | | | | | R0100 | 47,503 | 47,503 |
| N-9 | R0160 | 983,191 | 561,171 | 189,839 | 102,755 | 70,965 | 73,083 | 35,822 | 21,765 | 12,163 | 7,319 | | | R0160 | 7,319 | 2,058,073 |
| N-8 | R0170 | 863,719 | 535,864 | 160,337 | 102,665 | 94,586 | 72,288 | 45,487 | 34,852 | 17,503 | | | | R0170 | 17,503 | 1,927,301 |
| N-7 | R0180 | 895,865 | 455,146 | 179,772 | 101,577 | 120,513 | 86,468 | 56,374 | 24,433 | | | | | R0180 | 24,433 | 1,920,148 |
| N-6 | R0190 | 867,542 | 565,938 | 198,917 | 119,772 | 83,538 | 74,038 | 56,729 | | | | | | R0190 | 56,729 | 1,966,474 |
| N-5 | R0200 | 893,096 | 529,010 | 213,319 | 131,895 | 90,710 | 84,076 | | | | | | | R0200 | 84,076 | 1,942,106 |
| N-4 | R0210 | 973,476 | 623,813 | 268,659 | 133,296 | 96,600 | | | | | | | | R0210 | 96,600 | 2,095,844 |
| N-3 | R0220 | 1,008,653 | 713,290 | 249,729 | 149,994 | | | | | | | | | R0220 | 149,994 | 2,121,666 |
| N-2 | R0230 | 943,660 | 531,229 | 242,929 | | | | | | | | | | R0230 | 242,929 | 1,717,818 |
| N-1 | R0240 | 810,351 | 592,436 | | | | | | | | | | | R0240 | 592,436 | 1,402,787 |
| N | R0250 | 763,723 | | | | | | | | | | | | R0250 | 763,723 | 763,723 |
| | Total | | | | | | | | | | | | | R0260 | 2,083,245 | 17,963,443 |

Gross undiscounted Best Estimate Claims Provisions
 (absolute amount)

| Year | Development year | | | | | | | | | | | Year end (discounted data) | | |
|-------|------------------|-----------|---------|---------|---------|---------|---------|---------|--------|--------|--------|----------------------------|--------------|------------------|
| | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | C0360 | |
| | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Prior | R0100 | | | | | | | | | | | | R0100 | 243,418 |
| N-9 | R0160 | - | - | - | - | 211,625 | 136,854 | 91,959 | 53,976 | 41,130 | 34,228 | | R0160 | 33,563 |
| N-8 | R0170 | - | - | - | 366,737 | 284,791 | 202,445 | 144,796 | 91,351 | 68,048 | | | R0170 | 66,143 |
| N-7 | R0180 | - | - | 530,596 | 397,336 | 267,069 | 166,482 | 110,390 | 83,583 | | | | R0180 | 81,044 |
| N-6 | R0190 | - | 837,730 | 490,458 | 366,609 | 251,718 | 203,288 | 142,659 | | | | | R0190 | 137,457 |
| N-5 | R0200 | 1,091,020 | 783,029 | 485,512 | 371,712 | 289,337 | 211,396 | | | | | | R0200 | 204,160 |
| N-4 | R0210 | 1,242,166 | 675,576 | 572,922 | 431,384 | 335,582 | | | | | | | R0210 | 324,283 |
| N-3 | R0220 | 1,333,560 | 818,753 | 576,050 | 444,697 | | | | | | | | R0220 | 431,138 |
| N-2 | R0230 | 1,293,569 | 827,893 | 610,017 | | | | | | | | | R0230 | 591,721 |
| N-1 | R0240 | 1,217,884 | 974,879 | | | | | | | | | | R0240 | 949,672 |
| N | R0250 | 1,231,224 | | | | | | | | | | | R0250 | 1,202,631 |
| | Total | | | | | | | | | | | | R0260 | 4,265,230 |

Royal & Sun Alliance Insurance Limited

S.22.01.21

Impact of long term guarantees measures and transitionals

| | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|--------------|---|---|--|--|--|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 5,081,738 | - | - | 10,881 | - |
| Basic own funds | R0020 | 2,315,003 | - | - | (6,870) | - |
| Eligible own funds to meet Solvency Capital Requirement | R0050 | 2,565,003 | - | - | (6,870) | - |
| Solvency Capital Requirement | R0090 | 1,431,723 | - | - | - | - |
| Eligible own funds to meet Minimum Capital Requirement | R0100 | 2,110,858 | - | - | (6,870) | - |
| Minimum Capital Requirement | R0110 | 598,415 | - | - | - | - |

Royal & Sun Alliance Insurance Limited
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares
 Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets
 Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------|-----------------------|---------------------|---------|---------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| R0010 | 89,953 | 89,953 | | - | |
| R0030 | 1,854,183 | 1,676,514 | | 177,669 | |
| R0040 | - | - | | - | |
| R0050 | - | | - | - | - |
| R0070 | - | - | | | |
| R0090 | - | - | - | - | - |
| R0110 | - | | - | - | - |
| R0130 | 224,708 | 224,708 | | | |
| R0140 | - | - | - | - | - |
| R0160 | 146,159 | | | | 146,159 |
| R0180 | - | - | - | - | - |
| | | | | | |
| R0220 | - | | | | |
| | | | | | |
| R0230 | - | - | - | - | - |
| R0290 | 2,315,003 | 1,991,175 | - | 177,669 | 146,159 |

Royal & Sun Alliance Insurance Limited

S.23.01.01

Own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
 Unpaid and uncalled preference shares callable on demand
 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
 Total available own funds to meet the MCR
 Total eligible own funds to meet the SCR
 Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
 Own shares (held directly and indirectly)
 Foreseeable dividends, distributions and charges
 Other basic own fund items
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
 Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------|-----------------------|---------------------|---------|---------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| R0300 | - | | | - | |
| R0310 | - | | | - | |
| R0320 | - | | | - | - |
| R0330 | - | | | - | - |
| R0340 | - | | | - | |
| R0350 | - | | | - | - |
| R0360 | - | | | - | |
| R0370 | - | | | - | - |
| R0390 | 250,000 | | | 250,000 | - |
| R0400 | 250,000 | | | 250,000 | - |
| R0500 | 2,565,003 | 1,991,175 | - | 427,669 | 146,159 |
| R0510 | 2,168,844 | 1,991,175 | - | 177,669 | |
| R0540 | 2,565,003 | 1,991,175 | - | 427,669 | 146,159 |
| R0550 | 2,110,858 | 1,991,175 | - | 119,683 | |
| R0580 | 1,431,723 | | | | |
| R0600 | 598,415 | | | | |
| R0620 | 179.15% | | | | |
| R0640 | 352.74% | | | | |

| C0060 | |
|--------------|-----------|
| £'000 | |
| R0700 | 2,721,597 |
| R0710 | - |
| R0720 | 406,594 |
| R0730 | 2,090,295 |
| R0740 | - |
| R0760 | 224,708 |
| R0770 | - |
| R0780 | 20,869 |
| R0790 | 20,869 |

Royal & Sun Alliance Insurance Limited

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|---|---|
| C0010 | C0020 | C0030 £'000 |
| 10000A | Market risk (excluding currency risk) - Expectation | (30,742) |
| 10000B | Market risk (excluding currency risk) - Movement from Expectation | 481,501 |
| 10900A | Market Risk: Group Currency Risk - Expectation | (5,974) |
| 10900B | Market Risk: Group Currency Risk - Movement from Expectation | 72,236 |
| 19900B | Diversification within Market Risk | (66,563) |
| 20100A | Credit risk - Expectation | 6,244 |
| 20100B | Credit risk - Movement from Expectation | 72,499 |
| 50150A | Total underwriting risk - Expectation | (230,330) |
| 50150B | Total underwriting risk - Movement from Expectation | 493,192 |
| 50310A | Catastrophe Risk - Expectation | 149,460 |
| 50310B | Catastrophe Risk - Movement from Expectation | 269,140 |
| 50210A | Total reserve risk - Expectation | (20,980) |
| 50210B | Total reserve risk - Movement from Expectation | 406,676 |
| 59900B | Diversification within Insurance Risk | (389,050) |
| 70100B | Operational risk - Movement from Expectation | 138,000 |
| 80100A | Other risks (excluding pension risk) - Expectation | 177,909 |
| 80100B | Other risks (excluding pension risk) - Movement from Expectation | 62,550 |
| 80110A | Other risks: Pension Risk - Expectation | 127,305 |
| 80110B | Other risks: Pension Risk - Movement from Expectation | 435,872 |

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

**C0100
£'000**

| | |
|--------------|-----------|
| R0110 | 2,148,945 |
| R0060 | (717,222) |
| R0160 | - |
| R0200 | 1,431,723 |
| R0210 | - |
| R0220 | 1,431,723 |
| R0300 | - |
| R0310 | - |
| R0410 | - |
| R0420 | - |
| R0430 | - |
| R0440 | - |

Royal & Sun Alliance Insurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

| | |
|--------------------------|----------------------|
| | C0010 |
| | £'000 |
| MCR _{NL} Result | R0010 595,488 |

| | |
|---|--|
| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
| C0020 | C0030 |
| £'000 | £'000 |

| | | | |
|--|--------------|-----------|-----------|
| Medical expense insurance and proportional reinsurance | R0020 | 46,537 | 230,123 |
| Income protection insurance and proportional reinsurance | R0030 | 278 | 688 |
| Workers' compensation insurance and proportional reinsurance | R0040 | - | - |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 1,088,766 | 607,649 |
| Other motor insurance and proportional reinsurance | R0060 | 36,617 | 225,277 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 221,598 | 214,236 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 1,003,967 | 1,295,921 |
| General liability insurance and proportional reinsurance | R0090 | 961,981 | 383,239 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 3,489 | - |
| Legal expenses insurance and proportional reinsurance | R0110 | 5,043 | 9,976 |
| Assistance and proportional reinsurance | R0120 | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 5,030 | 16,294 |
| Non-proportional health reinsurance | R0140 | 75 | - |
| Non-proportional casualty reinsurance | R0150 | 78,414 | - |
| Non-proportional marine, aviation and transport reinsurance | R0160 | - | - |
| Non-proportional property reinsurance | R0170 | 228 | - |

Royal & Sun Alliance Insurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

| | |
|-------------------------|--------------------|
| | C0040 |
| | £'000 |
| MCR _L Result | R0200 2,928 |

| | |
|---|--|
| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
| C0050 | C0060 |
| £'000 | £'000 |

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

| | | |
|--------------|---------|--|
| R0210 | - | |
| R0220 | - | |
| R0230 | - | |
| R0240 | 139,411 | |
| R0250 | - | |

Overall MCR calculation

| | |
|---------------------------|------------------------|
| | C0070 |
| | £'000 |
| Linear MCR | R0300 598,416 |
| SCR | R0310 1,431,723 |
| MCR cap | R0320 644,275 |
| MCR floor | R0330 357,931 |
| Combined MCR | R0340 598,415 |
| Absolute floor of the MCR | R0350 3,124 |

Minimum Capital Requirement

| | |
|--------------|---------|
| R0400 | 598,415 |
|--------------|---------|

Royal & Sun Alliance Reinsurance Limited

S.02.01.02

Balance sheet

Assets

| | |
|--|--|
| Intangible assets | |
| Deferred tax assets | |
| Pension benefit surplus | |
| Property, plant & equipment held for own use | |
| Investments (other than assets held for index-linked and unit-linked contracts) | |
| Property (other than for own use) | |
| Holdings in related undertakings, including participations | |
| Equities | |
| Equities - listed | |
| Equities - unlisted | |
| Bonds | |
| Government Bonds | |
| Corporate Bonds | |
| Structured notes | |
| Collateralised securities | |
| Collective Investments Undertakings | |
| Derivatives | |
| Deposits other than cash equivalents | |
| Other investments | |
| Assets held for index-linked and unit-linked contracts | |
| Loans and mortgages | |
| Loans on policies | |
| Loans and mortgages to individuals | |
| Other loans and mortgages | |
| Reinsurance recoverables from: | |
| Non-life and health similar to non-life | |
| Non-life excluding health | |
| Health similar to non-life | |
| Life and health similar to life, excluding health and index-linked and unit-linked | |
| Health similar to life | |
| Life excluding health and index-linked and unit-linked | |
| Life index-linked and unit-linked | |
| Deposits to cedants | |
| Insurance and intermediaries receivables | |
| Reinsurance receivables | |
| Receivables (trade, not insurance) | |
| Own shares (held directly) | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | |
| Cash and cash equivalents | |
| Any other assets, not elsewhere shown | |
| Total assets | |

| |
|--------------------|
| Solvency II |
| value |
| C0010 |
| £'000 |

| | |
|--------------|---------|
| R0030 | - |
| R0040 | 76 |
| R0050 | - |
| R0060 | - |
| R0070 | 89,683 |
| R0080 | - |
| R0090 | - |
| R0100 | - |
| R0110 | - |
| R0120 | - |
| R0130 | 89,683 |
| R0140 | 24,810 |
| R0150 | 39,083 |
| R0160 | - |
| R0170 | 25,790 |
| R0180 | - |
| R0190 | - |
| R0200 | - |
| R0210 | - |
| R0220 | - |
| R0230 | - |
| R0240 | - |
| R0250 | - |
| R0260 | - |
| R0270 | 411,355 |
| R0280 | 411,355 |
| R0290 | 411,355 |
| R0300 | - |
| R0310 | - |
| R0320 | - |
| R0330 | - |
| R0340 | - |
| R0350 | - |
| R0360 | 11,011 |
| R0370 | 10,197 |
| R0380 | - |
| R0390 | - |
| R0400 | - |
| R0410 | 97 |
| R0420 | - |
| R0500 | 522,419 |

Liabilities

| | |
|---|--|
| Technical provisions – non-life | |
| Technical provisions – non-life (excluding health) | |
| TP calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Technical provisions - health (similar to non-life) | |
| TP calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Technical provisions - life (excluding index-linked and unit-linked) | |
| Technical provisions - health (similar to life) | |
| TP calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Technical provisions – life (excluding health and index-linked and unit-linked) | |
| TP calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Technical provisions – index-linked and unit-linked | |
| TP calculated as a whole | |
| Best Estimate | |
| Risk margin | |
| Contingent liabilities | |
| Provisions other than technical provisions | |
| Pension benefit obligations | |
| Deposits from reinsurers | |
| Deferred tax liabilities | |
| Derivatives | |
| Debts owed to credit institutions | |
| Financial liabilities other than debts owed to credit institutions | |
| Insurance & intermediaries payables | |
| Reinsurance payables | |
| Payables (trade, not insurance) | |
| Subordinated liabilities | |
| Subordinated liabilities not in BOF | |
| Subordinated liabilities in BOF | |
| Any other liabilities, not elsewhere shown | |
| Total liabilities | |
| Excess of assets over liabilities | |

| |
|--------------------|
| Solvency II |
| value |
| C0010 |
| £'000 |

| | |
|--------------|---------|
| R0510 | 412,127 |
| R0520 | 412,127 |
| R0530 | - |
| R0540 | 411,622 |
| R0550 | 505 |
| R0560 | - |
| R0570 | - |
| R0580 | - |
| R0590 | - |
| R0600 | - |
| R0610 | - |
| R0620 | - |
| R0630 | - |
| R0640 | - |
| R0650 | - |
| R0660 | - |
| R0670 | - |
| R0680 | - |
| R0690 | - |
| R0700 | - |
| R0710 | - |
| R0720 | - |
| R0740 | - |
| R0750 | - |
| R0760 | - |
| R0770 | - |
| R0780 | - |
| R0790 | - |
| R0800 | - |
| R0810 | - |
| R0820 | 6,291 |
| R0830 | 2,594 |
| R0840 | 28,802 |
| R0850 | - |
| R0860 | - |
| R0870 | - |
| R0880 | 481 |
| R0900 | 450,295 |
| R1000 | 72,124 |

Royal & Sun Alliance Reinsurance Limited

S.05.01.02

Premiums, claims and expenses by line of business

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional) | | | | | | | | | | |
|---|--------------|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | | |
| Gross - Direct Business | R0110 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | 105 | 45 | 37,258 | 200,245 | 48,527 | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | - | - | - | 105 | 45 | 37,258 | 200,245 | 48,527 | - |
| Net | R0200 | - | - | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | | | |
| Gross - Direct Business | R0210 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | 109 | 47 | 36,648 | 208,926 | 48,052 | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | - | - | - | 109 | 47 | 36,648 | 208,926 | 48,052 | - |
| Net | R0300 | - | - | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | | | |
| Gross - Direct Business | R0310 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | 74 | 30 | 18,899 | 45,709 | 37,153 | - |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | - | - | - | 74 | 30 | 18,899 | 45,709 | 37,153 | - |
| Net | R0400 | - | - | - | - | - | - | - | - | - |
| Changes in other technical provisions | | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | - | - | - | - | - | - | 7 | - | - |
| Other expenses | R1200 | | | | | | | | | |
| Total expenses | R1300 | | | | | | | | | |

Royal & Sun Alliance Reinsurance Limited

S.05.01.02

Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of business for: accepted non-proportional reinsurance | | | Total | |
|---|--------------|---|--------------|------------------------------|--|--------------|-----------------------------|--------------|--------------|
| | | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | | Property |
| | | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | | C0160 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Premiums written | | | | | | | | | |
| Gross - Direct Business | R0110 | - | - | - | | | | - | |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | | | | 286,180 | |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | - | 13,597 | - | 29,699 | |
| Reinsurers' share | R0140 | - | - | - | - | 13,597 | - | 29,699 | |
| Net | R0200 | - | - | - | - | - | - | - | |
| Premiums earned | | | | | | | | | |
| Gross - Direct Business | R0210 | - | - | - | | | | - | |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | | | | 293,782 | |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | - | 13,597 | - | 29,700 | |
| Reinsurers' share | R0240 | - | - | - | - | 13,597 | - | 29,700 | |
| Net | R0300 | - | - | - | - | - | - | - | |
| Claims incurred | | | | | | | | | |
| Gross - Direct Business | R0310 | - | - | - | | | | - | |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | | | | 101,865 | |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | - | 16,957 | 1,015 | 30,036 | |
| Reinsurers' share | R0340 | - | - | - | - | 16,957 | 1,015 | 30,036 | |
| Net | R0400 | - | - | - | - | - | - | - | |
| Changes in other technical provisions | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | | | | - | |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | | | | - | |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | - | - | - | - | |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - | |
| Net | R0500 | - | - | - | - | - | - | - | |
| Expenses incurred | R0550 | - | - | - | - | (225) | - | (662) | |
| Other expenses | R1200 | | | | | | | - | |
| Total expenses | R1300 | | | | | | | (880) | |

Royal & Sun Alliance Reinsurance Limited
S.05.02.01
Premiums, claims and expenses by country

| Non-life | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country | |
|--|--------------|--|--------|--------|--------|--------|------------------------------|---------|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | | C0060 |
| | R0010 | US | ES | CA | CL | DE | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0120 | 4,676 | 57,449 | 38,338 | 9,107 | 13,320 | 12,539 | 135,429 |
| Gross - Non-proportional reinsurance accepted | R0130 | 16,104 | - | - | 22,973 | - | - | 39,077 |
| Reinsurers' share | R0140 | 20,780 | 57,449 | 38,338 | 32,080 | 13,320 | 12,539 | 174,506 |
| Net | R0200 | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0220 | 8,506 | 59,403 | 36,645 | 9,467 | 12,676 | 12,127 | 138,824 |
| Gross - Non-proportional reinsurance accepted | R0230 | 16,103 | - | - | 23,070 | - | - | 39,173 |
| Reinsurers' share | R0240 | 24,609 | 59,403 | 36,645 | 32,537 | 12,676 | 12,127 | 177,997 |
| Net | R0300 | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0320 | 2,299 | 39,241 | 2,397 | (843) | 1,780 | 2,516 | 47,390 |
| Gross - Non-proportional reinsurance accepted | R0330 | 28,817 | - | - | 22,964 | - | - | 51,781 |
| Reinsurers' share | R0340 | 31,116 | 39,241 | 2,397 | 22,121 | 1,780 | 2,516 | 99,171 |
| Net | R0400 | - | - | - | - | - | - | - |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | - | - | - | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | (274) | - | - | (511) | - | - | (785) |
| Other expenses | R1200 | | | | | | | - |
| Total expenses | R1300 | | | | | | | (785) |

Royal & Sun Alliance Reinsurance Limited
S.17.01.02
Non-life Technical Provisions

| Direct business and accepted proportional reinsurance | | | | | | | | | |
|--|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance |
| | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Technical provisions calculated as a whole | | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0010 | - | - | - | - | - | - | - | - |
| | R0050 | - | - | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | | |
| Best estimate | | | | | | | | | |
| Premium provisions | | | | | | | | | |
| Gross | R0060 | - | - | 53 | 7 | 1,592 | 7,054 | 4,990 | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | 51 | 7 | 2,299 | 9,373 | 5,606 | - |
| Net Best Estimate of Premium Provisions | R0150 | - | - | 2 | - | (707) | (2,319) | (616) | - |
| Claims provisions | | | | | | | | | |
| Gross | R0160 | - | - | 294 | 128 | 20,134 | 114,660 | 103,239 | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | 291 | 126 | 19,393 | 114,022 | 102,183 | - |
| Net Best Estimate of Claims Provisions | R0250 | - | - | 3 | 2 | 741 | 638 | 1,056 | - |
| Total Best estimate - gross | R0260 | - | - | 347 | 135 | 21,726 | 121,714 | 108,229 | - |
| Total Best estimate - net | R0270 | - | - | 5 | 2 | 34 | (1,681) | 440 | - |
| Risk margin | R0280 | - | - | 1 | - | 37 | 97 | 176 | - |
| Amount of the transitional on Technical Provisions | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | | | |
| Technical provisions - total | R0320 | - | - | 348 | 135 | 21,763 | 121,811 | 108,405 | - |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | 342 | 133 | 21,692 | 123,395 | 107,789 | - |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | - | - | 6 | 2 | 71 | (1,584) | 616 | - |

Royal & Sun Alliance Reinsurance Limited
S.17.01.02
Non-life Technical Provisions

| | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation |
|--|---|------------|------------------------------|---------------------------------------|---------------------------------------|---|---------------------------------------|---------------------------|
| | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | |
| | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Technical provisions calculated as a whole | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0010 | - | - | - | - | - | - | - |
| | R0050 | - | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | |
| Best estimate | | | | | | | | |
| Premium provisions | | | | | | | | |
| Gross | R0060 | - | - | - | - | - | - | 13,696 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | - | - | - | 17,336 |
| Net Best Estimate of Premium Provisions | R0150 | - | - | - | - | - | - | (3,640) |
| Claims provisions | | | | | | | | |
| Gross | R0160 | - | - | - | 65,705 | 128 | 93,638 | 397,926 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | - | 65,176 | 127 | 92,701 | 394,019 |
| Net Best Estimate of Claims Provisions | R0250 | - | - | - | 529 | 1 | 937 | 3,907 |
| Total Best estimate - gross | R0260 | - | - | - | 65,705 | 128 | 93,638 | 411,622 |
| Total Best estimate - net | R0270 | - | - | - | 529 | 1 | 937 | 267 |
| Risk margin | R0280 | - | - | - | 81 | - | 113 | 505 |
| Amount of the transitional on Technical Provisions | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | | |
| Technical provisions - total | R0320 | - | - | - | 65,786 | 128 | 93,751 | 412,127 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | 65,176 | 127 | 92,701 | 411,355 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | - | - | - | 610 | 1 | 1,050 | 772 |

Royal & Sun Alliance Reinsurance Limited
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

| | | |
|-----------------------------------|--------------|---------------|
| Accident year / Underwriting year | Z0010 | Accident Year |
|-----------------------------------|--------------|---------------|

Gross Claims Paid (non-cumulative)
 (absolute amount)

| Year | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) | | |
|-------|------------------|--------|--------|--------|--------|-------|-------|-------|--------|-------|--------|-----------------|---------------------------|----------------|------------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | | C0170 | C0180 |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | | C0170 | C0180 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Prior | R0100 | | | | | | | | | | | | 3,792 | | 3,792 |
| N-9 | R0160 | 43,550 | 60,913 | 18,860 | 6,551 | 2,847 | 3,924 | 5,021 | 2,584 | 439 | 636 | R0160 | 636 | 145,325 | |
| N-8 | R0170 | 29,779 | 45,145 | 23,048 | 5,523 | 2,587 | 2,458 | 2,296 | 10,587 | 1,196 | | R0170 | 1,196 | 122,619 | |
| N-7 | R0180 | 45,483 | 64,796 | 35,233 | 7,084 | 3,827 | 6,496 | 1,823 | 4,960 | | | R0180 | 4,960 | 169,702 | |
| N-6 | R0190 | 19,819 | 54,667 | 39,018 | 19,279 | 1,753 | 1,882 | 1,163 | | | | R0190 | 1,163 | 137,581 | |
| N-5 | R0200 | 26,392 | 63,468 | 19,378 | 5,397 | 1,963 | 8,634 | | | | | R0200 | 8,634 | 125,232 | |
| N-4 | R0210 | 31,812 | 98,522 | 65,359 | 9,914 | 7,192 | | | | | | R0210 | 7,192 | 212,799 | |
| N-3 | R0220 | 17,772 | 95,402 | 40,740 | 10,635 | | | | | | | R0220 | 10,635 | 164,549 | |
| N-2 | R0230 | 39,609 | 49,745 | 38,875 | | | | | | | | R0230 | 38,875 | 128,229 | |
| N-1 | R0240 | 44,573 | 44,773 | | | | | | | | | R0240 | 44,773 | 89,346 | |
| N | R0250 | 18,521 | | | | | | | | | | R0250 | 18,521 | 18,521 | |
| | | | | | | | | | | | | Total | R0260 | 140,377 | 1,317,695 |

Gross undiscounted Best Estimate Claims Provisions
 (absolute amount)

| Year | Development year | | | | | | | | | | | Year end (discounted data) | | |
|-------|------------------|---------|---------|--------|--------|--------|--------|-------|-------|-------|--------|----------------------------|--------------|----------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | C0360 | |
| | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Prior | R0100 | | | | | | | | | | | 28,641 | R0100 | 28,456 |
| N-9 | R0160 | - | - | - | - | 20,701 | 14,937 | 8,530 | 6,348 | 5,400 | 6,404 | | R0160 | 6,322 |
| N-8 | R0170 | - | - | - | 13,979 | 11,948 | 3,427 | 5,166 | 4,132 | 3,895 | | | R0170 | 3,872 |
| N-7 | R0180 | - | - | 14,637 | 10,224 | 5,905 | 4,512 | 3,331 | 4,945 | | | | R0180 | 4,914 |
| N-6 | R0190 | - | 61,336 | 20,701 | 7,968 | 5,061 | 2,815 | 2,169 | | | | | R0190 | 2,154 |
| N-5 | R0200 | 122,886 | 75,038 | 26,351 | 24,873 | 20,104 | 17,327 | | | | | | R0200 | 17,067 |
| N-4 | R0210 | 166,399 | 110,522 | 35,959 | 23,784 | 29,321 | | | | | | | R0210 | 28,964 |
| N-3 | R0220 | 139,117 | 94,614 | 55,585 | 49,290 | | | | | | | | R0220 | 48,695 |
| N-2 | R0230 | 145,714 | 84,069 | 38,805 | | | | | | | | | R0230 | 38,331 |
| N-1 | R0240 | 163,539 | 74,500 | | | | | | | | | | R0240 | 73,720 |
| N | R0250 | 146,909 | | | | | | | | | | | R0250 | 145,433 |
| | | | | | | | | | | | | Total | R0260 | 397,928 |

Royal & Sun Alliance Reinsurance Limited

S.22.01.21

Impact of long term guarantees measures and transitionals

| | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|--------------|--|--|---|---|---|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 412,127 | - | - | 573 | - |
| Basic own funds | R0020 | 72,124 | - | - | 72 | - |
| Eligible own funds to meet Solvency Capital Requirement | R0050 | 72,124 | - | - | 72 | - |
| Solvency Capital Requirement | R0090 | 23,304 | - | - | - | - |
| Eligible own funds to meet Minimum Capital Requirement | R0100 | 72,048 | - | - | 72 | - |
| Minimum Capital Requirement | R0110 | 5,826 | - | - | - | - |

Royal & Sun Alliance Reinsurance Limited
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares
 Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets
 Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|--------|--------------------------|------------------------|--------|--------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| R0010 | 70,000 | 70,000 | | - | |
| R0030 | - | - | | - | |
| R0040 | - | - | | - | |
| R0050 | - | | - | - | - |
| R0070 | - | - | | | |
| R0090 | - | | - | - | - |
| R0110 | - | | - | - | - |
| R0130 | 2,048 | 2,048 | | | |
| R0140 | - | | - | - | - |
| R0160 | 76 | | | | 76 |
| R0180 | - | - | - | - | - |
| | | | | | |
| R0220 | - | | | | |
| | | | | | |
| R0230 | - | - | - | - | |
| R0290 | 72,124 | 72,048 | - | - | 76 |

Royal & Sun Alliance Reinsurance Limited
S.23.01.01
Own funds

Ancillary own funds

- Unpaid and uncalled ordinary share capital callable on demand
- Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- Unpaid and uncalled preference shares callable on demand
- A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

- Total available own funds to meet the SCR
- Total available own funds to meet the MCR
- Total eligible own funds to meet the SCR
- Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

- Excess of assets over liabilities
- Own shares (held directly and indirectly)
- Foreseeable dividends, distributions and charges
- Other basic own fund items
- Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

- Expected profits included in future premiums (EPIFP) - Life business
- Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|--------------|-----------|--------------------------|------------------------|--------|--------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| R0300 | - | | | - | |
| R0310 | - | | | - | |
| R0320 | - | | | - | - |
| R0330 | - | | | - | - |
| R0340 | - | | | - | - |
| R0350 | - | | | - | - |
| R0360 | - | | | - | - |
| R0370 | - | | | - | - |
| R0390 | - | | | - | - |
| R0400 | - | | | - | - |
| R0500 | 72,124 | 72,048 | - | - | 76 |
| R0510 | 72,048 | 72,048 | - | - | |
| R0540 | 72,124 | 72,048 | - | - | 76 |
| R0550 | 72,048 | 72,048 | - | - | |
| R0580 | 23,304 | | | | |
| R0600 | 5,826 | | | | |
| R0620 | 309.49% | | | | |
| R0640 | 1,236.66% | | | | |

| | C0060 |
|--------------|--------|
| | £'000 |
| R0700 | 72,124 |
| R0710 | - |
| R0720 | - |
| R0730 | 70,076 |
| R0740 | - |
| R0760 | 2,048 |
| R0770 | - |
| R0780 | - |
| R0790 | - |

Royal & Sun Alliance Reinsurance Limited

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|--|---|
| C0010 | C0020 | C0030 |
| | | £'000 |
| 5151ZA | Other Underwriting Risk - Expectation | 502 |
| 5151ZB | Other Underwriting Risk - Movement from Expectation | 373 |
| 502IZA | Other Reserving Risks - Expectation | (1,126) |
| 502IZB | Other Reserving Risks - Movement from Expectation | 208 |
| 10300A | Market Risk: interest rate risk - Expectation | (488) |
| 10300B | Market Risk: interest rate risk - Movement from Expectation | 4,171 |
| 1071AA | Market Risk: spread risk AAA - Expectation | - |
| 1071AB | Market Risk: spread risk AAA - Movement from Expectation | - |
| 1071BA | Market Risk: spread risk AA - Expectation | (28) |
| 1071BB | Market Risk: spread risk AA - Movement from Expectation | 1,245 |
| 1071CA | Market Risk: spread risk A - Expectation | (86) |
| 1071CB | Market Risk: spread risk A - Movement from Expectation | 2,622 |
| 1071DA | Market Risk: spread risk below A - Expectation | (30) |
| 1071DB | Market Risk: spread risk below A - Movement from Expectation | 1,123 |
| 10900A | Market Risk: Group Currency Risk - Expectation | (1,751) |
| 10900B | Market Risk: Group Currency Risk - Movement from Expectation | 17,331 |
| 19900I | Diversification within Market Risk | (8,804) |
| 20100A | Credit Risk - Expectation | 86 |
| 20100B | Credit Risk - Movement from Expectation | 957 |
| 70100B | Operational Risk - Movement from Expectation | 8,232 |
| 80140A | Other Risks: Tax - Expectation | 887 |
| 80140B | Other Risks: Tax - Movement from Expectation | (887) |

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

Net future discretionary benefits

| | C0100 |
|--------------|---------|
| | £'000 |
| R0110 | 24,537 |
| R0060 | (1,233) |
| R0160 | - |
| R0200 | 23,304 |
| R0210 | - |
| R0220 | 23,304 |
| R0300 | - |
| R0310 | - |
| R0410 | - |
| R0420 | - |
| R0430 | - |
| R0440 | - |
| R0460 | - |

Royal & Sun Alliance Reinsurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

| | |
|--------------------------|------------------|
| | C0010 |
| | £'000 |
| MCR _{NL} Result | R0010 322 |

| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|
| C0020 | C0030 |
| £'000 | £'000 |

| | R0020 | R0030 |
|--|--------------|--------------|
| Medical expense insurance and proportional reinsurance | - | - |
| Income protection insurance and proportional reinsurance | - | - |
| Workers' compensation insurance and proportional reinsurance | - | - |
| Motor vehicle liability insurance and proportional reinsurance | 5 | - |
| Other motor insurance and proportional reinsurance | 2 | - |
| Marine, aviation and transport insurance and proportional reinsurance | 34 | - |
| Fire and other damage to property insurance and proportional reinsurance | - | - |
| General liability insurance and proportional reinsurance | 440 | - |
| Credit and suretyship insurance and proportional reinsurance | - | - |
| Legal expenses insurance and proportional reinsurance | - | - |
| Assistance and proportional reinsurance | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | - | - |
| Non-proportional health reinsurance | - | - |
| Non-proportional casualty reinsurance | 529 | - |
| Non-proportional marine, aviation and transport reinsurance | 1 | - |
| Non-proportional property reinsurance | 937 | - |

Royal & Sun Alliance Reinsurance Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

| | |
|-------------------------|----------------|
| | C0040 |
| | £'000 |
| MCR _L Result | R0200 - |

| | |
|---|--|
| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
| C0050 | C0060 |
| £'000 | £'000 |

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

| | | |
|--------------|---|---|
| R0210 | - | |
| R0220 | - | |
| R0230 | - | |
| R0240 | - | |
| R0250 | - | - |

Overall MCR calculation

| | |
|------------------------------------|---------------------|
| | C0070 |
| | £'000 |
| Linear MCR | R0300 322 |
| SCR | R0310 23,304 |
| MCR cap | R0320 10,487 |
| MCR floor | R0330 5,826 |
| Combined MCR | R0340 5,826 |
| Absolute floor of the MCR | R0350 3,040 |
| Minimum Capital Requirement | R0400 5,826 |

The Marine Insurance Company Limited

S.02.01.02

Balance sheet

| | Solvency II value C0010 £'000 |
|--|--|
| Assets | |
| Intangible assets | R0030 - |
| Deferred tax assets | R0040 13 |
| Pension benefit surplus | R0050 - |
| Property, plant & equipment held for own use | R0060 - |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 14,775 |
| Property (other than for own use) | R0080 - |
| Holdings in related undertakings, including participations | R0090 - |
| Equities | R0100 - |
| Equities - listed | R0110 - |
| Equities - unlisted | R0120 - |
| Bonds | R0130 14,775 |
| Government Bonds | R0140 14,775 |
| Corporate Bonds | R0150 - |
| Structured notes | R0160 - |
| Collateralised securities | R0170 - |
| Collective Investments Undertakings | R0180 - |
| Derivatives | R0190 - |
| Deposits other than cash equivalents | R0200 - |
| Other investments | R0210 - |
| Assets held for index-linked and unit-linked contracts | R0220 - |
| Loans and mortgages | R0230 17,677 |
| Loans on policies | R0240 - |
| Loans and mortgages to individuals | R0250 - |
| Other loans and mortgages | R0260 17,677 |
| Reinsurance recoverables from: | R0270 51,477 |
| Non-life and health similar to non-life | R0280 51,477 |
| Non-life excluding health | R0290 51,477 |
| Health similar to non-life | R0300 - |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 - |
| Health similar to life | R0320 - |
| Life excluding health and index-linked and unit-linked | R0330 - |
| Life index-linked and unit-linked | R0340 - |
| Deposits to cedants | R0350 - |
| Insurance and intermediaries receivables | R0360 4,652 |
| Reinsurance receivables | R0370 2,306 |
| Receivables (trade, not insurance) | R0380 32,184 |
| Own shares (held directly) | R0390 - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 - |
| Cash and cash equivalents | R0410 407 |
| Any other assets, not elsewhere shown | R0420 - |
| Total assets | R0500 123,491 |

| | Solvency II value C0010 £'000 |
|---|--|
| Liabilities | |
| Technical provisions – non-life | R0510 54,211 |
| Technical provisions – non-life (excluding health) | R0520 54,211 |
| TP calculated as a whole | R0530 - |
| Best Estimate | R0540 54,140 |
| Risk margin | R0550 71 |
| Technical provisions - health (similar to non-life) | R0560 - |
| TP calculated as a whole | R0570 - |
| Best Estimate | R0580 - |
| Risk margin | R0590 - |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 - |
| Technical provisions - health (similar to life) | R0610 - |
| TP calculated as a whole | R0620 - |
| Best Estimate | R0630 - |
| Risk margin | R0640 - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 - |
| TP calculated as a whole | R0660 - |
| Best Estimate | R0670 - |
| Risk margin | R0680 - |
| Technical provisions – index-linked and unit-linked | R0690 - |
| TP calculated as a whole | R0700 - |
| Best Estimate | R0710 - |
| Risk margin | R0720 - |
| Contingent liabilities | R0740 - |
| Provisions other than technical provisions | R0750 - |
| Pension benefit obligations | R0760 - |
| Deposits from reinsurers | R0770 - |
| Deferred tax liabilities | R0780 - |
| Derivatives | R0790 - |
| Debts owed to credit institutions | R0800 - |
| Financial liabilities other than debts owed to credit institutions | R0810 - |
| Insurance & intermediaries payables | R0820 2,943 |
| Reinsurance payables | R0830 3,365 |
| Payables (trade, not insurance) | R0840 - |
| Subordinated liabilities | R0850 - |
| Subordinated liabilities not in BOF | R0860 - |
| Subordinated liabilities in BOF | R0870 - |
| Any other liabilities, not elsewhere shown | R0880 906 |
| Total liabilities | R0900 61,425 |
| Excess of assets over liabilities | R1000 62,066 |

The Marine Insurance Company Limited
S.05.01.02
Premiums, claims and expenses by line of business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional) | | | | | | | | |
|--|--------------|---|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | | | | |
| Gross - Direct Business | R0110 | - | - | - | - | - | 18,647 | 13,081 | 321 | - |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | - | - | - | 5,088 | - | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | |
| Reinsurers' share | R0140 | - | - | - | - | - | 18,647 | 18,169 | 321 | - |
| Net | R0200 | - | - | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | | | |
| Gross - Direct Business | R0210 | - | - | - | - | - | 18,228 | 14,232 | 311 | - |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | - | - | - | 4,573 | - | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | |
| Reinsurers' share | R0240 | - | - | - | - | - | 18,228 | 18,805 | 311 | - |
| Net | R0300 | - | - | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | | | |
| Gross - Direct Business | R0310 | - | - | - | - | - | 2,446 | 374 | 5 | - |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | - | - | - | 2,671 | - | - |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | |
| Reinsurers' share | R0340 | - | - | - | - | - | 2,446 | 3,045 | 5 | - |
| Net | R0400 | - | - | - | - | - | - | - | - | - |
| Changes in other technical provisions | | | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | | | | | | | | | |
| Reinsurers'share | R0440 | - | - | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | - | - | - | - | - | (3,083) | (1,385) | (58) | - |
| Other expenses | R1200 | | | | | | | | | |
| Total expenses | R1300 | | | | | | | | | |

The Marine Insurance Company Limited

S.05.01.02

Premiums, claims and expenses by line of business

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|--------------|------------------------------|--|--------------|-----------------------------|--------------|--------------|
| Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |

| | | | | | | | | |
|--|--------------|---|---|---|---|---|---|---------|
| Premiums written | | | | | | | | |
| Gross - Direct Business | R0110 | - | - | - | | | | 32,049 |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | | | | 5,088 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | - | - | - | - |
| Reinsurers' share | R0140 | - | - | - | - | - | - | 37,137 |
| Net | R0200 | - | - | - | - | - | - | - |
| Premiums earned | | | | | | | | |
| Gross - Direct Business | R0210 | - | - | - | | | | 32,771 |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | | | | 4,573 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | - | - | - | - |
| Reinsurers' share | R0240 | - | - | - | - | - | - | 37,344 |
| Net | R0300 | - | - | - | - | - | - | - |
| Claims incurred | | | | | | | | |
| Gross - Direct Business | R0310 | - | - | - | | | | 2,825 |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | | | | 2,671 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | - | - | - | - |
| Reinsurers' share | R0340 | - | - | - | - | - | - | 5,496 |
| Net | R0400 | - | - | - | - | - | - | - |
| Changes in other technical provisions | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | | | | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | | | | - |
| Gross - Non- proportional reinsurance accepted | R0430 | | | | - | - | - | - |
| Reinsurers'share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| Expenses incurred | R0550 | - | - | - | - | - | - | (4,526) |
| Other expenses | R1200 | | | | | | | - |
| Total expenses | R1300 | | | | | | | (4,526) |

The Marine Insurance Company Limited
S.05.02.01
Premiums, claims and expenses by country

| | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country |
|--|--------------|--|---------|-------|-------|-------|------------------------------|
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| R0010 | | US | | | | | |
| | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Premiums written | | | | | | | |
| Gross - Direct Business | R0110 | 18,968 | 13,081 | - | - | - | 32,049 |
| Gross - Proportional reinsurance accepted | R0120 | - | 5,088 | - | - | - | 5,088 |
| Gross - Non-proportional reinsurance accepted | R0130 | - | - | - | - | - | - |
| Reinsurers' share | R0140 | 18,968 | 18,169 | - | - | - | 37,137 |
| Net | R0200 | - | - | - | - | - | - |
| Premiums earned | | | | | | | |
| Gross - Direct Business | R0210 | 18,539 | 14,232 | - | - | - | 32,771 |
| Gross - Proportional reinsurance accepted | R0220 | - | 4,573 | - | - | - | 4,573 |
| Gross - Non-proportional reinsurance accepted | R0230 | - | - | - | - | - | - |
| Reinsurers' share | R0240 | 18,539 | 18,805 | - | - | - | 37,344 |
| Net | R0300 | - | - | - | - | - | - |
| Claims incurred | | | | | | | |
| Gross - Direct Business | R0310 | 2,451 | 374 | - | - | - | 2,825 |
| Gross - Proportional reinsurance accepted | R0320 | - | 2,671 | - | - | - | 2,671 |
| Gross - Non-proportional reinsurance accepted | R0330 | - | - | - | - | - | - |
| Reinsurers' share | R0340 | 2,451 | 3,045 | - | - | - | 5,496 |
| Net | R0400 | - | - | - | - | - | - |
| Changes in other technical provisions | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | - | - | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - |
| Expenses incurred | R0550 | (3,141) | (1,385) | - | - | - | (4,526) |
| Other expenses | R1200 | | | | | | - |
| Total expenses | R1300 | | | | | | (4,526) |

The Marine Insurance Company Limited
S.17.01.02
Non-life Technical Provisions

| Direct business and accepted proportional reinsurance | | | | | | | | | |
|--|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--|---|-----------------------------|---------------------------------|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance |
| | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0050 | - | - | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | | |
| Best estimate | | | | | | | | | |
| Premium provisions | | | | | | | | | |
| Gross | R0060 | - | - | - | - | 2,232 | 3,788 | 140 | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | - | 1,001 | 2,835 | 137 | - |
| Net Best Estimate of Premium Provisions | R0150 | - | - | - | - | 1,231 | 953 | 3 | - |
| Claims provisions | | | | | | | | | |
| Gross | R0160 | - | - | - | - | 13,464 | 30,870 | 3,646 | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | - | - | 13,329 | 30,565 | 3,610 | - |
| Net Best Estimate of Claims Provisions | R0250 | - | - | - | - | 135 | 305 | 36 | - |
| Total Best estimate - gross | R0260 | - | - | - | - | 15,696 | 34,658 | 3,786 | - |
| Total Best estimate - net | R0270 | - | - | - | - | 1,366 | 1,258 | 39 | - |
| Risk margin | R0280 | - | - | - | - | 31 | 35 | 5 | - |
| Amount of the transitional on Technical Provisions | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | | | |
| Technical provisions - total | R0320 | - | - | - | - | 15,727 | 34,693 | 3,791 | - |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | - | 14,330 | 33,400 | 3,747 | - |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | - | - | - | - | 1,397 | 1,293 | 44 | - |

The Marine Insurance Company Limited
S.17.01.02
Non-life Technical Provisions

| | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | Total Non-Life obligation | |
|--|---|------------|------------------------------|---------------------------------------|---------------------------------------|---|---------------------------|---------------------------------------|
| | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | | Non-proportional property reinsurance |
| | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | | C0170 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Technical provisions calculated as a whole | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0010 | - | - | - | - | - | - | |
| | R0050 | - | - | - | - | - | - | |
| Technical provisions calculated as a sum of BE and RM | | | | | | | | |
| Best estimate | | | | | | | | |
| Premium provisions | | | | | | | | |
| Gross | R0060 | - | - | - | - | - | 6,160 | |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | - | - | 3,973 | |
| Net Best Estimate of Premium Provisions | R0150 | - | - | - | - | - | 2,187 | |
| Claims provisions | | | | | | | | |
| Gross | R0160 | - | - | - | - | - | 47,980 | |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | - | - | - | 47,504 | |
| Net Best Estimate of Claims Provisions | R0250 | - | - | - | - | - | 476 | |
| Total Best estimate - gross | R0260 | - | - | - | - | - | 54,140 | |
| Total Best estimate - net | R0270 | - | - | - | - | - | 2,663 | |
| Risk margin | R0280 | - | - | - | - | - | 71 | |
| Amount of the transitional on Technical Provisions | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | |
| Best estimate | R0300 | - | - | - | - | - | - | |
| Risk margin | R0310 | - | - | - | - | - | - | |
| Technical provisions - total | | | | | | | | |
| Technical provisions - total | R0320 | - | - | - | - | - | 54,211 | |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | - | - | 51,477 | |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | - | - | - | - | - | 2,734 | |

The Marine Insurance Company Limited

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

| | | |
|--------------------------------------|--------------|---------------|
| Accident year / Underwriting year | Z0010 | Accident Year |
|--------------------------------------|--------------|---------------|

Gross Claims Paid (non-cumulative)

(absolute amount)

| Year | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) | | |
|-------|------------------|-------|--------|---------|-------|-------|-------|-------|-------|-------|--------|-----------------|------------------------------|---------------|----------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | | C0170 | C0180 |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | | C0170 | C0180 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Prior | R0100 | | | | | | | | | | | R0100 | 58 | 58 | |
| N-9 | R0160 | 6,664 | 6,469 | 3,734 | 142 | 34 | 3 | (622) | (34) | (11) | (6) | R0160 | (6) | 16,373 | |
| N-8 | R0170 | 7,057 | 5,237 | 1,362 | 157 | 439 | 16 | 3 | 40 | (155) | | R0170 | (155) | 14,156 | |
| N-7 | R0180 | 2,692 | 1,035 | 1,419 | 151 | 8 | 16 | 28 | 13 | | | R0180 | 13 | 5,362 | |
| N-6 | R0190 | 441 | 2,859 | 1,000 | 126 | 27 | (11) | 15 | | | | R0190 | 15 | 4,457 | |
| N-5 | R0200 | 3,367 | 8,463 | 3,612 | 265 | 565 | 43 | | | | | R0200 | 43 | 16,315 | |
| N-4 | R0210 | 5,450 | 11,132 | 2,622 | 715 | 1,116 | | | | | | R0210 | 1,116 | 21,035 | |
| N-3 | R0220 | 2,209 | 3,805 | 3,977 | 3,020 | | | | | | | R0220 | 3,020 | 13,011 | |
| N-2 | R0230 | 3,667 | 4,309 | (1,187) | | | | | | | | R0230 | (1,187) | 6,789 | |
| N-1 | R0240 | 2,323 | 6,428 | | | | | | | | | R0240 | 6,428 | 8,751 | |
| N | R0250 | 3,988 | | | | | | | | | | R0250 | 3,988 | 3,988 | |
| | | | | | | | | | | | | Total | R0260 | 13,333 | 110,295 |

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

| Year | Development year | | | | | | | | | | | Year end (discounted data) | | |
|-------|------------------|--------|---------|--------|--------|-------|-------|-------|-------|-------|--------|-------------------------------|--------------|---------------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | C0360 | |
| | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Prior | R0100 | | | | | | | | | | | R0100 | 949 | |
| N-9 | R0160 | - | - | - | - | 929 | 740 | 340 | 205 | 196 | 5 | R0160 | 5 | |
| N-8 | R0170 | - | - | - | 371 | 722 | 97 | 24 | (349) | (198) | | R0170 | (195) | |
| N-7 | R0180 | - | - | 217 | 38 | 218 | 31 | (335) | (364) | | | R0180 | (358) | |
| N-6 | R0190 | - | 1,214 | 105 | 240 | 385 | 327 | 208 | | | | R0190 | 205 | |
| N-5 | R0200 | 18,706 | 1,438 | 2,196 | 504 | 1,929 | 1,845 | | | | | R0200 | 1,831 | |
| N-4 | R0210 | 14,807 | 5,573 | 5,222 | 5,056 | 4,668 | | | | | | R0210 | 4,624 | |
| N-3 | R0220 | 11,542 | 29,904 | 29,399 | 24,840 | | | | | | | R0220 | 24,657 | |
| N-2 | R0230 | 10,334 | 8,912 | 4,885 | | | | | | | | R0230 | 4,816 | |
| N-1 | R0240 | 10,806 | (4,025) | | | | | | | | | R0240 | (4,001) | |
| N | R0250 | 15,630 | | | | | | | | | | R0250 | 15,461 | |
| | | | | | | | | | | | | Total | R0260 | 47,979 |

The Marine Insurance Company Limited

S.22.01.21

Impact of long term guarantees measures and transitionals

| | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|--------------|---|---|--|--|--|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 54,211 | - | - | 109 | - |
| Basic own funds | R0020 | 62,066 | - | - | (3) | - |
| Eligible own funds to meet Solvency Capital Requirement | R0050 | 62,066 | - | - | (3) | - |
| Solvency Capital Requirement | R0090 | 3,956 | - | - | - | - |
| Eligible own funds to meet Minimum Capital Requirement | R0100 | 62,053 | - | - | (3) | - |
| Minimum Capital Requirement | R0110 | 3,124 | - | - | - | - |

The Marine Insurance Company Limited
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares
 Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets
 Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions
Total basic own funds after deductions

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|--------|-----------------------|---------------------|--------|--------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| R0010 | 16,312 | 16,312 | | - | |
| R0030 | 6,022 | 6,022 | | - | |
| R0040 | - | - | | - | |
| R0050 | - | | - | - | - |
| R0070 | - | - | | | |
| R0090 | - | | - | - | - |
| R0110 | - | | - | - | - |
| R0130 | 39,719 | 39,719 | | | |
| R0140 | - | | - | - | - |
| R0160 | 13 | | | | 13 |
| R0180 | - | - | - | - | - |
| | | | | | |
| R0220 | - | | | | |
| | | | | | |
| R0230 | - | - | - | - | - |
| R0290 | 62,066 | 62,053 | - | - | 13 |

The Marine Insurance Company Limited

S.23.01.01

Own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive

Supplementary members calls under first subparagraph of Article 96(3) of the Directive

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

| | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|-------|-----------|-----------------------|---------------------|--------|--------|
| | C0010 | C0020 | C0030 | C0040 | C0050 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| R0300 | - | | | - | |
| R0310 | - | | | - | |
| R0320 | - | | | - | - |
| R0330 | - | | | - | - |
| R0340 | - | | | - | |
| R0350 | - | | | - | - |
| R0360 | - | | | - | |
| R0370 | - | | | - | - |
| R0390 | - | | | - | - |
| R0400 | - | | | - | - |
| R0500 | 62,066 | 62,053 | - | - | 13 |
| R0510 | 62,053 | 62,053 | - | - | |
| R0540 | 62,066 | 62,053 | - | - | 13 |
| R0550 | 62,053 | 62,053 | - | - | |
| R0580 | 3,956 | | | | |
| R0600 | 3,124 | | | | |
| R0620 | 1,568.72% | | | | |
| R0640 | 1,986.37% | | | | |

C0060
£'000

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

| | | |
|-------|--------|--|
| R0700 | 62,066 | |
| R0710 | - | |
| R0720 | - | |
| R0730 | 22,347 | |
| R0740 | - | |
| R0760 | 39,719 | |
| R0770 | - | |
| R0780 | - | |
| R0790 | - | |

The Marine Insurance Company Limited

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|--|---|
| C0010 | C0020 | C0030 |
| | | £'000 |
| 5151ZA | Other Underwriting Risk - Expectation | 88 |
| 5151ZB | Other Underwriting Risk - Movement from Expectation | 152 |
| 502IZA | Other Reserving Risks - Expectation | (335) |
| 502IZB | Other Reserving Risks - Movement from Expectation | 120 |
| 10300A | Market Risk: interest rate risk - Expectation | (68) |
| 10300B | Market Risk: interest rate risk - Movement from Expectation | 410 |
| 1071AA | Market Risk: spread risk AAA - Expectation | - |
| 1071AB | Market Risk: spread risk AAA - Movement from Expectation | - |
| 1071BA | Market Risk: spread risk AA - Expectation | - |
| 1071BB | Market Risk: spread risk AA - Movement from Expectation | - |
| 1071CA | Market Risk: spread risk A - Expectation | - |
| 1071CB | Market Risk: spread risk A - Movement from Expectation | - |
| 1071DA | Market Risk: spread risk below A - Expectation | - |
| 1071DB | Market Risk: spread risk below A - Movement from Expectation | - |
| 10900A | Market Risk: Group Currency Risk - Expectation | (178) |
| 10900B | Market Risk: Group Currency Risk - Movement from Expectation | 2,740 |
| 19900I | Diversification within Market Risk | (381) |
| 20100A | Credit Risk - Expectation | 29 |
| 20100B | Credit Risk - Movement from Expectation | 293 |
| 70100B | Operational Risk - Movement from Expectation | 1,084 |
| 80140A | Other Risks: Tax - Expectation | 143 |
| 80140B | Other Risks: Tax - Movement from Expectation | (143) |

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

Solvency capital requirement excluding capital add-on

Capital add-ons already set

Solvency capital requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

| | C0100 |
|--------------|-------|
| | £'000 |
| R0110 | 3,954 |
| R0060 | 2 |
| R0160 | - |
| R0200 | 3,956 |
| R0210 | - |
| R0220 | 3,956 |
| R0300 | - |
| R0310 | - |
| R0410 | - |
| R0420 | - |
| R0430 | - |
| R0440 | - |

The Marine Insurance Company Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCR_{NL} Result

C0010

£'000

R0010 263

| | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|--|---|---|
| | C0020 | C0030 |
| | £'000 | £'000 |

Medical expense insurance and proportional reinsurance
 Income protection insurance and proportional reinsurance
 Workers' compensation insurance and proportional reinsurance
 Motor vehicle liability insurance and proportional reinsurance
 Other motor insurance and proportional reinsurance
 Marine, aviation and transport insurance and proportional reinsurance
 Fire and other damage to property insurance and proportional reinsurance
 General liability insurance and proportional reinsurance
 Credit and suretyship insurance and proportional reinsurance
 Legal expenses insurance and proportional reinsurance
 Assistance and proportional reinsurance
 Miscellaneous financial loss insurance and proportional reinsurance
 Non-proportional health reinsurance
 Non-proportional casualty reinsurance
 Non-proportional marine, aviation and transport reinsurance
 Non-proportional property reinsurance

| | | |
|--------------|-------|---|
| R0020 | - | - |
| R0030 | - | - |
| R0040 | - | - |
| R0050 | - | - |
| R0060 | - | - |
| R0070 | 1,366 | - |
| R0080 | 1,259 | - |
| R0090 | 39 | - |
| R0100 | - | - |
| R0110 | - | - |
| R0120 | - | - |
| R0130 | - | - |
| R0140 | - | - |
| R0150 | - | - |
| R0160 | - | - |
| R0170 | - | - |

The Marine Insurance Company Limited

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

MCR_L Result

| | |
|--------------|---|
| C0040 | |
| £'000 | |
| R0200 | - |

| | |
|---|--|
| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
| C0050 | C0060 |
| £'000 | £'000 |

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

| | | |
|--------------|---|---|
| R0210 | - | - |
| R0220 | - | - |
| R0230 | - | - |
| R0240 | - | - |
| R0250 | - | - |

Overall MCR calculation

Linear MCR
 SCR
 MCR cap
 MCR floor
 Combined MCR
 Absolute floor of the MCR

| | |
|--------------|-------|
| C0070 | |
| £'000 | |
| R0300 | 263 |
| R0310 | 3,956 |
| R0320 | 1,780 |
| R0330 | 989 |
| R0340 | 989 |
| R0350 | 3,124 |

Minimum Capital Requirement

| | |
|--------------|-------|
| R0400 | 3,124 |
|--------------|-------|