RSA INSURANCE GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2022

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INTERIM MANAGEMENT REPORT

For the 6 month period ended 30 June 2022

RSA Insurance Group Limited (the Company) is incorporated and domiciled in England and Wales. The Company's immediate parent company is Regent Bidco Limited. The Company's ultimate parent company and controlling party is Intact Financial Corporation.

Principal activity

The principal activity of the Company, its subsidiaries and associates (together the Group or RSA) remains the transaction of insurance and related financial services predominantly in the United Kingdom and Internationally in Ireland, Europe and the Middle East. The Middle East operation was sold on 7 July 2022.

Business review

For the six month period ended 30 June 2022, the Group reports a profit before tax from continuing operations of £107m (six month period ended 30 June 2021: £249m loss).

Continuing profit before tax of £107m consisted of £31m underwriting profit (2021: £143m loss), investment result income £61m (2021: £57m), £10m central costs (2021: £6m) and £25m of other income and charges (2021: (£157m)).

The underwriting result was impacted by a £18m de-recognition of software assets (refer to note 15 Goodwill and intangible assets). In addition other income and charges includes £27m of acquisition and integration costs (2021: £104m).

Net written premiums for the six month period ended 30 June 2022 were £1,533m (six month period ended 30 June 2021: £1,717m).

Net assets of the Group as at 30 June 2022 are £2,972m (31 December 2021: £3,091m).

In 2021 the Group made a profit from discontinued operations of £4,528m, which included a £4,388m gain on the disposal of the Group's operations in Scandinavia and Canada (refer to note 8 Discontinued operations).

Related party transactions

The Group received a capital injection from Regent Bidco Limited of £294m (six month period ended 30 June 2021: £1,021m) which was used to fund the repurchase of its Tier 1 notes. The Group has not declared a dividend in the period (six month period ended 30 June 2021: £6,914m). Refer to note 24 for further information on all related party transactions.

Key performance indicators (KPIs)

The Group use both IFRS and non-IFRS financial measures (alternative performance measures, APMs) to assess performance, including common insurance industry metrics.

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

- net written premiums for continuing operations £1,533m (2021: £1,717m): premiums incepted in the period, irrespective of whether they have been paid, less the amount shared with reinsurers. They represent how much premium the Group gets to keep for assuming risk. The Group targets growth - that is without compromising underwriting performance - with the reduction compared to the prior period due to a reduction in premiums receivable from other Intact Financial Corporation Group companies.
- underwriting result[1] for continuing operations £31m profit (2021: £143m loss): net earned premium and other operating income less net claims and underwriting and policy acquisition costs. The Group aims to achieve an underwriting result that is as sustainably high as possible – that is without uncompetitive pricing or compromising reserves. The Group targets further improvements to its underwriting result.
- profit before tax for continuing operations £107m (2021: £249m loss): net loss/profit generated before taxes have been deducted. This is a key statutory measure of the earnings performance of the Group. The impact of tax can vary from company to company, therefore excluding this enhances comparability. The Group seeks to maximise its profit before tax.

[1]The underwriting result is an Alternative Performance Measure (APM). Refer to note 28 for reconciliation to the nearest IFRS measure.

Principal risks and uncertainties

The Group continues to assess its principal risks and uncertainties and how these are managed. An update to that disclosed in the Risk Management information in note 6 in the 2021 Annual Report and Accounts is provided in note 6.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 month period ended 30 June 2022

	Note	**(Unaudited) 6 months 30 June 2022 £m**	(Unaudited) 6 months 30 June 2021 £m
Continuing operations			
Income			
Gross written premiums		**2,131**	2,327
Less: reinsurance written premiums		**(598)**	(610)
Net written premiums	**9**	**1,533**	1,717
Change in the gross provision for unearned premiums		**(87)**	(155)
Change in provision for unearned reinsurance premiums		**131**	127
Change in provision for net unearned premiums		**44**	(28)
Net earned premiums		**1,577**	1,689
Net investment return	**10**	**80**	58
Other operating income		**71**	41
Total income		**1,728**	1,788
Expenses			
Gross claims incurred		**(1,322)**	(1,657)
Less: claims recoveries from reinsurers		**309**	430
Net claims		**(1,013)**	(1,227)
Underwriting and policy acquisition costs		**(571)**	(645)
Unwind of discount and change in economic assumptions		**2**	(3)
Other operating expenses		**(41)**	(131)
Total expenses		**(1,623)**	(2,006)
Finance costs		**(5)**	(31)
Profit on disposal of businesses		**7**	-
Profit/(loss) before tax from continuing operations	**9**	**107**	(249)
Income tax expense	**11**	**(32)**	(20)
Profit/(loss) after tax from continuing operations		**75**	(269)
Profit from discontinued operations, net of tax	**8**	**-**	4,528
Profit for the period		**75**	4,259
Attributable to:			
Owners of the Parent Company from continuing operations		**80**	(272)
Owners of the Parent Company from discontinued operations		**-**	4,528
Total Owners of the Parent Company		**80**	4,256
Non-controlling interests		**(5)**	3
		75	4,259

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 month period ended 30 June 2022

	Note	**(Unaudited) 6 months 30 June 2022 £m**	(Unaudited) 6 months 30 June 2021 £m
Profit/(loss) for the year from continuing operations		**75**	(269)
Profit for the year from discontinued operations		**-**	4,528
Profit for the period		**75**	4,259
Items from continuing operations that may be reclassified to the income statement:			
Exchange gains net of tax on translation of foreign operations		**29**	(19)
Fair value gains on available for sale financial assets net of tax		**(264)**	(39)
		(235)	(58)
Items from continuing operations that will not be reclassified to the income statement:			
Pension – remeasurement of defined benefit asset/liability net of tax		**32**	(123)
		32	(123)
Other comprehensive expense for the period from continuing operations		**(203)**	(181)
Other comprehensive expense for the period from discontinued operations	8	**-**	(129)
Total other comprehensive expense for the period		**(203)**	(310)
Total comprehensive (expense)/income for the period		**(128)**	3,949
Attributable to:			
Owners of the Parent Company from continuing operations		**(139)**	(450)
Owners of the Parent Company from discontinued operations		**-**	4,399
Total owners of Parent Company		**(139)**	3,949
Non-controlling interests		**11**	-
		(128)	3,949

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 month period ended 30 June 2022

(Unaudited)

	Ordinary share capital	Ordinary share premium	Preference shares	Tier 1 notes	Revaluation reserves	Capital redemption reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	**1,269**	**282**	**125**	**297**	**105**	**-**	**53**	**804**	**2,935**	**156**	**3,091**
Total comprehensive income											
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**80**	**80**	**(5)**	**75**
Other comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(263)**	**-**	**12**	**32**	**(219)**	**16**	**(203)**
	-	**-**	**-**	**-**	**(263)**	**-**	**12**	**112**	**(139)**	**11**	**(128)**
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**	**(2)**	**(10)**
Shares issued for cash	**294**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**294**	**-**	**294**
Tier 1 note redemption (note 14)	**-**	**-**	**-**	**(297)**	**-**	**-**	**-**	**22**	**(275)**	**-**	**(275)**
	294	**-**	**-**	**(297)**	**-**	**-**	**-**	**14**	**11**	**(2)**	**9**
Balance at 30 June 2022	**1,563**	**282**	**125**	**-**	**(158)**	**-**	**65**	**930**	**2,807**	**165**	**2,972**
Balance at 1 January 2021	1,035	1,095	125	297	371	389	20	1,232	4,564	166	4,730
Total comprehensive income											
Profit for the period	-	-	-	-	-	-	-	4,256	4,256	3	4,259
Other comprehensive (expense)/income for the period	-	-	-	-	(228)	-	32	(111)	(307)	(3)	(310)
	-	-	-	-	(228)	-	32	4,145	3,949	-	3,949
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 12)	-	-	-	-	-	-	-	(6,926)	(6,926)	(10)	(6,936)
Shares issued for cash	1,023	7	-	-	-	-	-	-	1,030	-	1,030
Share-based payments	11	-	-	-	-	-	-	17	28	-	28
Transfers	-	-	-	-	1	-	-	(1)	-	-	-
Other	(800)	(1,095)	-	-	-	(389)	-	2,284	-	-	-
	234	(1,088)	-	-	1	(389)	-	(4,626)	(5,868)	(10)	(5,878)
Changes in shareholders' interests in subsidiaries	-	-	-	-	-	-	-	-	-	(2)	(2)
Balance at 30 June 2021	1,269	7	125	297	144	-	52	751	2,645	154	2,799

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	(Unaudited) 30 June 2022 £m	(Audited) 31 December 2021 £m
Assets			
Goodwill and other intangible assets	**15**	**303**	312
Property and equipment		**93**	91
Investment property		**411**	371
Financial assets	**16**	**5,277**	5,530
Total investments		**5,688**	5,901
Reinsurers' share of insurance contract liabilities	**20**	**2,426**	2,291
Insurance and reinsurance debtors		**1,921**	1,916
Deferred tax assets	**18**	**154**	148
Current tax assets		**2**	2
Other debtors and other assets		**827**	737
Other assets		**983**	887
Cash and cash equivalents	**22**	**296**	500
		11,710	11,898
Assets of operations classified as held for sale	**7**	**501**	-
Total assets		**12,211**	11,898
Equity and liabilities			
Equity			
Equity attributable to owners of the Parent Company		**2,807**	2,935
Non-controlling interests		**165**	156
Total equity		**2,972**	3,091
Liabilities			
Issued debt	**19**	**166**	165
Insurance contract liabilities	**20**	**7,348**	7,185
Insurance and reinsurance liabilities		**887**	842
Borrowings		**17**	8
Current tax liabilities		**3**	4
Provisions		**36**	50
Other liabilities		**531**	553
Provisions and other liabilities		**570**	607
		8,988	8,807
Liabilities of operations classified as held for sale	**7**	**251**	-
Total liabilities		**9,239**	8,807
Total equity and liabilities		**12,211**	11,898

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

The condensed consolidated financial statements were approved on 2 August 2022 by the Board of Directors and are signed on its behalf by:

Ken Anderson

UK&I Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 month period ended 30 June

	Note	(Unaudited) 6 months 30 June 2022 £m	(Unaudited) 6 months 30 June 2021 £m
Cash flows from operating activities			
Cash generated from operating activities	**23**	**103**	289
Tax paid		**(2)**	(93)
Net cash flows from operating activities		**101**	196
Cash flows from investing activities			
Proceeds from sales or maturities of:			
Financial assets		**936**	1,115
Sale of subsidiaries (net of cash disposed of)		**7**	6,559
Purchase of:			
Financial assets		**(1,170)**	(1,411)
Property and equipment		**(6)**	(8)
Intangible assets		**(49)**	(53)
Purchase of subsidiaries (net of cash disposed of)		**-**	(1)
Net cash flows from investing activities		**(282)**	6,201
Cash flows from financing activities			
Proceeds from issue of share capital		**294**	1,029
Dividends paid to ordinary shareholders		**-**	(6,914)
Coupon payment on Tier 1 notes		**(3)**	(7)
Dividends paid to preference shareholders		**(5)**	(5)
Dividends paid to non-controlling interests		**(2)**	(10)
Redemption of long-term borrowings		**(275)**	(350)
Payment of lease liabilities		**(8)**	(17)
Movement in other borrowings		**-**	(71)
Interest paid		**(1)**	(24)
Net cash flows from financing activities		**-**	(6,369)
Net increase in cash and cash equivalents		**(181)**	28
Cash and cash equivalents at beginning of the period		**492**	1,083
Effect of exchange rate changes on cash and cash equivalents		**8**	(10)
Cash and cash equivalents at end of the period	**22**	**319**	1,101

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

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

RSA Insurance Group Limited (the Company) is incorporated and domiciled in England and Wales and, through its subsidiaries and associates (together the Group or RSA), provides personal and commercial insurance products to its global customer base, principally in the UK and Internationally in Ireland and Europe.

2. Basis of preparation

These interim financial statements for the six month period ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for the next twelve months and beyond. The Board's assessment included the review of Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with Intact Financial Corporation. These assessments include stress and scenario testing and consider significant areas of risk and uncertainty for the Group in the current challenging economic environment. Scenarios considered include the impacts and uncertainty as a result of the Covid-19 pandemic and associated reinsurance.

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

These condensed consolidated financial statements have been prepared by applying the accounting policies used in the 2021 Annual Report and Accounts (see note 5 and Appendix A therein), with the addition of the following held for sale accounting policy that was not disclosed as it was not relevant to the 2021 Annual Report and Accounts.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if it is considered highly probable that the carrying amount of the assets and directly associated liabilities will be recovered principally through a sale, rather than through continuing operations. This includes the expectation that the sale will be completed within twelve months of the classification date as held for sale, subject to extension in certain circumstances, including where disposals have been committed to subject to regulatory and legal approval.

Assets and liabilities held for sale are each presented as a single line in the statement of financial position, at the lower of the carrying amount and fair value less costs to sell.

Where the asset or liability comprises a separate business operation (e.g. a subsidiary, an associate or a branch), the assets (including any goodwill allocated to the business) and the directly associated liabilities of the business are considered together as one disposal group. In the period when assets are recognised as held for sale on the face of the consolidated statement of financial position for the first time, the comparative prior period is not re-presented.

3. Adoption of new and revised accounting standards

There are a small number of narrow scope amendments to standards that are applicable to the Group for the first time in 2022, none of which have had a significant impact on the condensed consolidated financial statements.

4. Accounting standards issued but not yet effective

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

The Group will adopt IFRS 17 'Insurance Contracts' (IFRS 17) in conjunction with IFRS 9 'Financial Instruments' (IFRS 9) on the required effective date of 1 January 2023, which replace IFRS 4 'Insurance Contracts' (IFRS 4) and IAS 39 'Financial instruments: recognition and measurement' (IAS 39) respectively.

IFRS 17 will be applied retrospectively as of 1 January 2022 to each group of insurance contracts, as a result comparative information will be restated. If full retrospective application is impracticable, the modified retrospective approach or the fair value approach could be applied. The Group will recognise any IFRS 9 measurement differences by adjusting its consolidated statement of financial position on 1 January 2023, as a result comparative information will not be restated.

Implementation update

The Group has finalised its accounting policies and continues its efforts towards documenting detailed requirements and designing new business processes and controls. The Group has nearly finalised the development, testing, and implementation of the new technology solutions that will enable it to meet the requirements of the standards. The implementation is progressing well, and the Group is on schedule to generate the IFRS 17 opening balance sheet in the second half of the year. The Group will continue its change management processes with a priority being placed on trainings to various stakeholders throughout the organisation.

Financial impact

The Group is currently evaluating the impact that IFRS 17, in conjunction with IFRS 9, will have on its consolidated financial statements. The Group's business is mostly short tail and the current accounting practices of claims liabilities are fairly aligned with IFRS 17. As a result, the Group does not anticipate that the IFRS 17 transition adjustment will have a major impact in proportion to shareholders' equity based on its preliminary assessment which is subject to change. This preliminary estimate was determined based on current working assumptions and the main accounting policies described below; it was not determined using the technological solutions that continue to be implemented as the Group transitions to IFRS 17.

IFRS 9 will result in reclassification differences as certain equity instruments that are currently classified as available for sale (AFS) are expected to be classified as fair value through profit and loss (FVTPL) which will result in a reclassification of the unrealised gains or losses in revaluation reserve to retained earnings at transition date and in increased volatility in the consolidated income statement after the transition date. Based on a preliminary assessment, the expected credit loss (ECL) model is not expected to have a significant impact due to the high quality of the Group's investment portfolio as well as the voluntarily designation of a portion of debt securities as FVTPL. The Group estimates an insignificant negative impact on retained earnings on adoption of IFRS 9, corresponding to the ECL on financial instruments measured at amortised cost.

The Group expects to be able to disclose an estimate of the transition adjustment of IFRS 17 and IFRS 9 in its consolidated financial statements for the year ending 31 December 2022.

Insurance contracts

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

Scope and separating components

Similar to IFRS 4, under IFRS 17 the Group will evaluate if contracts are in scope of the insurance contract standard and will separate its components if necessary.

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event.

The Group issues insurance contracts in the normal course of business (gross business). The Group also holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Group. The Group does issue any investment contracts, including contracts with direct participating features.

The Group assesses its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under an IFRS other than IFRS 17. The Group's insurance policies do not include any components that require separation.

Level of aggregation of insurance contracts

IFRS 17 introduces the concept of aggregating insurance and reinsurance contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Group divides its direct and ceded business into portfolios. Management uses judgement in considering the main geographic areas, lines of business, distribution channels and legal entities in which it operates as the relevant drivers for establishing its various portfolios. Portfolios are then divided into groups of contracts based on expected profitability. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts. This is the level at which the Group will apply the requirements of IFRS 17.

Portfolios of insurance contracts issued that are assets and those that are liabilities and portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately in the consolidated statement of financial position.

Measurement models

IFRS 17 provides a general measurement model (GMM) for the recognition and measurement of insurance contracts. In addition, entities have the option to use a simplified measurement model (premium allocation approach (PAA)), for short-duration contracts or if the resulting liability for remaining coverage (LFRC), which represents insurance coverage to be provided after the reporting period, is not expected to materially differ from the LFRC measured using the GMM. The accounting under the PAA is similar to current approach under IFRS 4.

The Group does not have any significant contracts with coverage periods that are greater than one year and has developed a methodology for determining whether those contracts are eligible to apply the PAA. Based on its models the PAA will be applicable to all the insurance and reinsurance contracts except in limited circumstances where the GMM is required as described below.

The GMM is required for a limited number of contracts including retroactive insurance and reinsurance contracts that cover adverse development of existing claims. The GMM requires measuring insurance and reinsurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance and reinsurance contracts. Under this model the LFRC is the sum of discounted future cash flows, risk adjustment and contractual service margin (CSM) representing the unearned profit the Group will recognise as it provides service under the insurance contracts in the group

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. Under the PAA, the Group assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information on planning information, forecast information and historic experience. Models for measuring potential onerous contract losses have been developed by the Group and are within final stages of testing.

For onerous contracts, a loss component based on estimated fulfilment cash flows will be recognised in the consolidated income statement when insurance contracts are issued with a counterparty included in LFRC in the Consolidated balance sheets. The loss component will be reversed to the consolidated income statement over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Discounting incurred claims

Under IFRS 4 liabilities for incurred claims (LFIC) are discounted where there is a long period (an average period of settlement of six years or more) using a rate that reflects the estimated market yield of the underlying assets backing these LFIC at the reporting date. IFRS 17 requires all estimates of future cash flows, including those under six years, to be discounted to reflect the time value of money and financial risk related to those cash flows but does not prescribe a methodology for determining the discount rate. The Group will establish discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts.

Under IFRS 17 there is an accounting policy choice to record the market yield adjustment (MYA) on LFIC in either the consolidated income statement or consolidated statement of other comprehensive income. The Group will elect to record the MYA in the consolidated income statement.

The change in the LFIC from the MYA and the impact of discount unwinding will be recorded in insurance finance income and expenses outside of the insurance service result (underwriting performance).

Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment which replaces margin under IFRS 4. The IFRS 4 margin reflects the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Like margin, the risk adjustment includes the benefit of diversification.

Insurance revenue

Under IFRS 17, gross written premiums will no longer be presented in the consolidated income statement, instead insurance revenues on direct business will be allocated to the period and will include:

- Premium receipts net of cancellations, promotional returns, and sales taxes;
- Other insurance revenue including fees collected from policyholders in connection with the costs incurred for the Group's yearly billing plans and fees received for the administration of other policies.

For contracts measured under the PAA, the allocation will be based on the passage of time which is usually 12 months.

For contracts measured under the GMM, the allocation will be based on the quantity of coverage or coverage units provided which is the expected claims settlement pattern for acquired claims.

Insurance service expense

Insurance service expenses will include costs and insurance expenses directly attributable to insurance contracts, including:

- Incurred claims and other insurance service expenses (as described below);
- Amortisation of insurance acquisition cash flows (as described below); and
- Losses and reversal of losses on onerous contracts (as described above).

Incurred claims and other insurance service expenses

Incurred claims and other insurance service expenses will include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts. A portion of IFRS 4's underwriting expenses will be presented as incurred claims and other insurance service expenses, a portion will be presented as insurance acquisition cash flows (as described below) and underwriting expenses that are not directly attributable to insurance contracts will be presented as other expenses and outside of underwriting performance.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs directly attributable to selling or underwriting insurance contracts and are included in the LFRC. These cash flows include direct costs such as commissions and indirect costs such as salaries and other allocated costs. Under IFRS 17, the PAA provides the option to expense insurance acquisition cash flows as they are incurred. The Group will elect to amortise these costs on a straight-line basis over the coverage period of the related groups.

Presentation and disclosures

IFRS 17 introduces significant changes to the disclosure and presentation of insurance items in the financial statements including:

- Changes in presentation in the consolidated statement of financial position where the insurance debtors, insurance contract liabilities, insurance liabilities and other related assets and liabilities will be presented together by portfolio on a single line called insurance contract liabilities or assets. Reinsurers' share of insurance contract liabilities, reinsurance debtors, reinsurance liabilities and other related assets and liabilities will be presented together by portfolio on a single line called reinsurance contract assets or liabilities;
- Changes in presentation in the consolidated income statement where gross results will be presented separately from reinsurance results;

- Underwriting performance will be presented in the consolidated income statement under insurance service result which will be composed of:
  - Insurance revenue which includes revenues related to gross business as described above;
  - Insurance service expenses which include expenses related to gross business as described above; and
  - net income/expenses from reinsurance contracts held which includes revenues and expenses related to ceded business.
- Insurance service results will be presented without the impact of discount unwinding and MYA which will be shown separately under insurance finance income and expenses;
- Extensive disclosures are required on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Financial instruments

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

Classification and measurement

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

The Group's primary business model will be held-to-collect and sell because debt securities (except non-rated investments that are not liquid) are held to collect contractual cash flows and sold when required to fund insurance contract liabilities. These financial assets will be classified as fair value through other comprehensive income (FVTOCI) with changes in fair value reported in the consolidated statement of comprehensive income (when unrealised) or in the consolidated income statement when realised or impaired.

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

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

Equity shares will be classified as FVTPL.

Solely payments of principal and interest assessment

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

Information required by IFRS 4 when applying the temporary exemption can be found in note 16.

Impairment model - Expected credit losses

This new impairment model is forward looking. A loss allowance will be established on certain financial assets based on expected credit losses rather than incurred credit losses as described below. The ECL applies only to financial assets classified as amortised cost and debt securities classified as FVTOCI.

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

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

Hedge accounting

The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. IFRS 9 includes an accounting policy choice to continue applying existing hedge accounting rules until the Dynamic Risk Management (macro hedging) project is finalised, which the Group will elect to apply.

Other pronouncements

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

5. Significant accounting estimates and judgements

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

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant estimates described below, including the underlying estimation techniques and assumptions, remain consistent with those reported in the 2021 Annual Report and Accounts (see note 2 for more information).

The areas where management has applied judgement are as follows:

- Valuation of intangible assets: Following the acquisition of the Group by Intact Financial Corporation there has been an ongoing strategic reassessment of programme plans for certain internally generated software assets and as a result certain assets were identified for which there are no future economic benefits expected. As a result of this the Group has derecognised assets with a net book value of £18m (six month period to 30 June 2021: £61m). Refer to note 15 for additional information.
- Valuation of insurance contract liabilities: the assumptions used in the estimation of the ultimate outcome of the claim events that have occurred but remain unsettled at the end of the reporting period. Key assumptions include business segmentation, prior experience and trends to the extent they are a reliable guide to future outcomes, changes in various key areas such as pricing, underwriting, claims, reinsurance, inflation and the wider economic and legislative environment, all of which could affect claims experience, and Covid-19 estimates which remain a heightened area of uncertainty with respect to the valuation of the insurance contract liabilities. Covid-19 business interruption (BI) gross claims cost uncertainty remains high but reduces over time as initial estimates are replaced with maturing claims and case information, updates for which have been included in the claims estimates at 30 June 2022. The ultimate Covid-19 BI claims liability could be materially different from the current estimate as claims information develops further, as legal and regulatory interpretations throughout the industry evolve and clarify the criteria for eligible claims and the level of cover available and as claims information matures given the complexity. Whilst the Group has considerable reinsurance protection against changes in gross estimate, the net estimate is dependent on the extent to which losses are recoverable under the reinsurance contracts and how this compares to the Group's expectations. Aside from direct BI losses, Covid-19 has increased the level of estimation uncertainty for many classes of business and loss types with key assumptions impacted such as frequency, severity and claims development patterns. Many of the drivers of the uncertainty in these areas are external factors and require estimation to assess the impact.
  In addition, management continually monitors claims experience, emerging trends and changes in the business or in the external environment to help ensure the key assumptions and estimation techniques used to determine best estimate provisions reflect up-to-date information and remain appropriate.
  Reserve estimates have been revised in 2022 as a result of management's review of key issues including the latest updates on Covid-19 BI losses, the current uncertain economic environment and significant increases in claims inflation trends which have been observed across many types of claim during the six month period to 30 June 2022.
  Refer to note 20 for additional information.

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

RISK MANAGEMENT

6. Risk management

Details of the principal risks and uncertainties of the Group and the management of these risks were included in the 2021 Annual Report and Accounts; Risk Management information in note 5. Except for the risks detailed below, the principal risks and uncertainties of the Group and the management of these risks have not materially changed.

Insurance risk: reserving

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

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

There is a risk to the Group from the inherent uncertainty in estimating provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. This is especially true due to the heightened uncertainty arising since 2020 as the direct and indirect impacts of the Covid-19 pandemic evolve, including the post-pandemic economic environment, exacerbated by the geo-political environment which has disrupted the global supply chain and energy costs. There is also uncertainty in the level of future costs of handling and settling the outstanding claims.

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

- The actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. These risks and developments include: the possibility of future legislative change having a retrospective effect on open claims or changes in interpretation or regulatory application of existing legislation; changes in claims settlement practice or procedures potentially leading to future claims payment patterns differing from historical experience; changes in external factors that can impact claims development experience; the possibility of new types of claim arising either from changes in business mix, or, such as disease claims emerging from historical business; general uncertainty in the claims environment and emerging claims trends; the emergence of latent exposures; the outcome of litigation on claims received; failure to recover reinsurance as the Group expects and unanticipated changes in claims inflation.
- How previous actuarial indications have developed as claims experience has evolved.
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers.
- The outcome from independent assurance reviews performed by both external actuarial consultants and the Intact Financial Corporation Group Actuarial Function to assess the reasonableness of regional actuarial indication estimates.
- Emerging trends where Covid-19 has caused changes in experience along with analysis to demonstrate the impact on reserving estimates. Some areas such as business interruption have observed direct claims, whereas other lines have seen indirect changes in policyholder behaviour such as reduced motor frequency during lockdown which can change the mix of claims.
- Changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development. The distortions in data caused by the various issues means identification of trends is more difficult than normal. Claims experience may exhibit different characteristics and runoff trends compared to historic experience, resulting in increased uncertainty relating to actuarial indications of ultimate losses.
- A particular area of consideration during 2021 and 2022 has been the emergence of increased inflationary trends. The Group has observed inflation driven increases to the assessed cost of claims across many different lines of business and types of claim, consistent with the general economic environment and the wider insurance industry. The Reserving Committee has reviewed changes in inflation assumptions, updated methodologies to project the ultimate cost of claims given the changing trends, consistency of reserving assumptions to other areas of the business, and sensitivity testing to understand the impact of alternative assumptions in order to get comfort with selections made for half-year 2022. Claims inflation is likely to remain as a key area of risk and uncertainty for the purpose of estimating the ultimate cost of claims for the foreseeable future.
- Covid-19 claims experience, which continues to be monitored closely and the Group is engaging with its reinsurers as payment and settlement activity grows following the increased clarity brought by the Supreme Court judgment on 15 January 2021 and subsequent key industry judgements in both the UK and Ireland during 2022. Whilst experience has tracked in line with the

Groups expectations to this stage and we remain satisfied our assumptions are appropriate and well supported, many key areas of uncertainty remain such as the value of eligible claims and the extent to which reinsurance will ultimately respond compared to how the Group expects. The Group considers and seek legal advice on the implications of all open legal cases and judgments across the industry relating to the interpretation of policy wordings in Covid-19 claims however it may take many months before clarity increases on these gross and reinsurance uncertainties as claims details and consideration of these evolve. The Group expects updates on relevant and significant industry cases to emerge during the second half of 2022 which, alongside continued discussions with our reinsurers, should provide further clarity on the assessed ultimate costs ahead of 2022 year-end.

- Given the Covid-19 pandemic, the evolving and uncertain economic environment, increased inflation, increased geo-political tensions and the subsequent impact on issues such as supply chains, and other changes such as Brexit, there is considerable risk and uncertainty in the claims environment in 2022. The Reserving Committee monitors these heightened uncertainties and considers sensitivity testing to monitor, assess and understand potential impacts should the risks around our existing actuarial indication manifest.

SIGNIFICANT TRANSACTIONS AND EVENTS

7. Held for sale disposal groups

On 4 April 2022, the Group announced the sale of its 50% shareholding in Royal & Sun Alliance Insurance (Middle East) BSC to National Life & General Insurance Company, with the sale completing on 7 July 2022. The assets and liabilities of the businesses have been classified as held for sale and are shown below.

	30 June 2022	31 December 2021
	£m	£m
Assets classified as held for sale		
Goodwill and other intangible assets	**20**	-
Property and equipment	**4**	-
Total investments	**317**	-
Reinsurers' share of insurance contract liabilities	**38**	-
Insurance and reinsurance debtors	**54**	-
Other assets	**28**	-
Cash and cash equivalents	**40**	-
Total assets	**501**	-
Liabilities directly associated with assets classified as held for sale		
Insurance contract liabilities	**162**	-
Insurance and reinsurance liabilities	**31**	-
Provisions and other liabilities	**58**	-
Total liabilities	**251**	-
Net assets of operations classified as held for sale	**250**	-

The results for Royal & Sun Alliance Insurance (Middle East) BSC are included in continuing operations as it does not represent a separate major line of business or geographical area of operation.

8. Discontinued operations

On 1 June 2021, the Group disposed of its operations in Scandinavia and Canada. These have been classified as discontinued operations in the condensed consolidated income statement and condensed consolidated statement of comprehensive income.

Income statement of discontinued operations

For the 6 month period ended 30 June 2022

	6 months 30 June 2022 £m	6 months 30 June 2021 £m
Income		
Gross written premiums	-	1,269
Less: reinsurance written premiums	-	(88)
Net written premiums	-	1,181
Change in the gross provision for unearned premiums	-	(97)
Change in provision for unearned reinsurance premiums	-	39
Change in provision for net unearned premiums	-	(58)
Net earned premiums	-	1,123
Net investment return	-	65
Other operating income	-	15
Total income	-	1,203
Expenses		
Gross claims incurred	-	(711)
Less: claims recoveries from reinsurers	-	2
Net claims	-	(709)
Underwriting and policy acquisition costs	-	(297)
Unwind of discount and change in economic assumptions	-	(10)
Other operating expenses	-	(19)
Total expenses	-	(1,035)
Finance costs	-	(1)
Profit on disposal of businesses	-	2
Profit before tax operating activities	-	169
Income tax expense	-	(29)
Profit after tax from operating activities	-	140
Profit from disposal of discontinued operations	-	4,388
Profit for the period	-	4,528
Attributable to:		
Owners of the Parent Company from continuing operations	-	4,528
	-	4,528

Statement of comprehensive income of discontinued operations

For the 6 month period ended 30 June 2022

	6 months 30 June 2022 £m	6 months 30 June 2021 £m
Profit for the period	**-**	4,528
Items that may be reclassified to the income statement:		
Exchange gains net of tax on translation of foreign operations	**-**	42
Fair value gains on available for sale financial assets net of tax	**-**	(183)
	-	(141)
Items that will not be reclassified to the income statement:		
Pension – remeasurement of defined benefit asset/liability net of tax	**-**	12
	-	12
Other comprehensive expense for the period	**-**	(129)
Total comprehensive income for the period	**-**	4,399
Attributable to:		
Owners of the Parent Company	**-**	4,399
	-	4,399

Cash flows from discontinued operations

For the 6 month period ended 30 June 2022

	6 months 30 June 2022 £m	6 months 30 June 2021 £m
Net cash flows from operating activities	**-**	54
Net cash flows from investing activities	**-**	6,562
Net cash flows from financing activities	**-**	(81)
Net increase in cash and cash equivalents	**-**	6,535

Gain on disposal of discontinued operations

	6 months 30 June 2021 £m
Consideration	6,913
Net assets disposed of:	
Assets	
Goodwill and other intangible assets	521
Property and equipment	123
Investments in associates	4
Financial assets	6,603
Reinsurers' share of insurance contract liabilities	1,073
Insurance and reinsurance debtors	1,194
Deferred tax assets	18
Current tax assets	47
Other debtors and other assets	182
Cash and cash equivalents	357
Total assets	10,122
Liabilities	
Insurance contract liabilities	6,659
Insurance and reinsurance liabilities	159
Borrowings	46
Deferred tax liabilities	79
Current tax liabilities	16
Provisions	91
Other liabilities	500
Total liabilities	7,550
Total net assets disposed of	2,572
Net assets disposed of attributable to non-controlling interests	(2)
Net assets disposed of attributable to owners of the Parent Company	2,570
Gain on disposal of discontinued operation before recycling of items from other comprehensive	4,343
Gains/(losses) recycled to income statement:	
Fair value gains on available for sale financial assets	114
Exchange losses on translation of foreign operations	(69)
Total gains recycled to income statement	45
Gain on disposal of discontinued operation	4,388

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

9. Operating segments

The Group's primary operating segments comprise UK, International and Central Functions. The primary operating segments are based on geography and are all engaged in providing personal and commercial general insurance services. International comprises operating segments based in Middle East, Ireland, and Europe. Central Functions include the Group's internal reinsurance function and Group Corporate Centre.

Each operating segment is managed by individuals who are accountable to the Group Chief Executive and the Group Board of Directors, who together are considered to be the chief operating decision maker in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets.

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

Assessing segment performance

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

- Net written premiums
- Underwriting result

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

Underwriting result is the key internal measure of profitability of the operating segments.

Underwriting result and business operating result are Alternative Performance Measures (APMs). Refer to note 28 for a reconciliation to the nearest IFRS measure. A 'Jargon buster' can also be found in the RSA Insurance Group Limited Annual Report and Accounts 2021.

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

Segment revenue and results

For the 6 month period ended 30 June 2022

	UK	International	Central Functions	Total continuing operations
	£m	£m	£m	£m
Net written premiums	**975**	**362**	**196**	**1,533**
Underwriting result	**(12)**	**21**	**22**	**31**
Investment result				**61**
Central costs and other activities				**(10)**
Business operating result (management basis)				**82**
Realised losses				**(1)**
Unrealised gains, impairments and foreign exchange				**47**
Interest costs				**(5)**
Pension net interest and administration costs				**4**
Integration, acquisition and reorganisation costs				**(27)**
Profit on disposal of business				**7**
Profit before tax from continuing operations				**107**
Tax on operations				**(32)**
Profit after tax from continuing operations				**75**

For the 6 month period ended 30 June 2021

	UK	International	Central Functions	Total continuing operations
	£m	£m	£m	£m
Net written premiums	952	363	402	1,717
Underwriting result	(143)	27	(27)	(143)
Investment result				57
Central costs and other activities				(6)
Business operating result (management basis)				(92)
Realised losses				(7)
Unrealised losses, impairments and foreign exchange				(16)
Interest costs				(31)
Pension net interest and administration costs				1
Integration, acquisition and reorganisation costs				(104)
Loss before tax from continuing operations				(249)
Tax on operations				(20)
Loss after tax from continuing operations				(269)

10. Net investment return

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

	Investment income		**Net realised gains/(losses)**		**Net unrealised gains/(losses)**		**Impairments**		**Total investment return**	
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Investment property	**8**	8	**-**	-	**36**	(1)	**-**	-	**44**	7
Equity securities										
Available for sale	**7**	1	**-**	-	**-**	-	**(1)**	(2)	**6**	(1)
Debt securities										
Available for sale	**41**	45	**(1)**	(5)	**-**	-	**-**	-	**40**	40
At FVTPL	**-**	-	**-**	-	**-**	(12)	**-**	-	**-**	(12)
Other loans and receivables										
Other loans	**6**	4	**-**	-	**-**	-	**-**	-	**6**	4
Deposits, cash and cash equivalents	**-**	-	**1**	-	**-**	-	**-**	-	**1**	-
Derivatives	**-**	-	**-**	-	**(18)**	1	**-**	-	**(18)**	1
Other	**1**	21	**-**	(2)	**-**	-	**-**	-	**1**	19
Total net investment return	**63**	79	**-**	(7)	**18**	(12)	**(1)**	(2)	**80**	58

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**		**Impairments transferred to income statement**		**Net movement recognised in other comprehensive income**	
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equity securities	**(18)**	(2)	**-**	-	**1**	2	**(17)**	-
Debt securities	**(288)**	(79)	**1**	5	**-**	-	**(287)**	(74)
Other	**-**	-	**-**	2	**-**	-	**-**	2
Total	**(306)**	(81)	**1**	7	**1**	2	**(304)**	(72)

11. Income tax

The Group reported an income statement tax charge for its continuing operations for the six month ended 30 June 2022 of £32m (six month ended 30 June 2021: £20m), giving an effective tax rate of 29.6% (six month ended 30 June 2021: 8.1%).

Current and deferred tax are recognised in the consolidated income statement, except to the extent that the tax arises from a transaction or event recognised either in other comprehensive income or directly in equity. The income statement tax charge is made up of a current tax charge of £16m (six month ended 30 June 2021: £10m) and a deferred tax charge of £16m (six month ended 30 June 2021: £10m).

The main components of the Group's income statement charge (and high effective tax rate) for the continuing operations for the six month to 30 June 2022 are as follows:

- A deferred tax charge in the income statement of £23m in respect of a reduction in the UK deferred tax asset which was offsetting a UK deferred tax liability within other comprehensive income. The deferred tax liability of £23m relating to available for sale assets in other comprehensive income was derecognised at 30 June 2022 and the equivalent deferred tax asset of £23m was also unwound through the income statement. This results in no change in the net deferred tax asset on the statement of financial position.
- Cash contributions to RSA's UK pension schemes result in a tax deduction on a paid basis. The pension contributions funding the deficit arising from changes in actuarial assumptions are accounted for in other comprehensive income (OCI). The related tax credit therefore arises in OCI with an offsetting tax charge in the income statement for the use of this contribution against income statement profits. At 30 June 2022, the impact is a current tax charge of £14m (with no effective tax rate impact).
- A £7m deferred tax credit related to the increase in UK net deferred tax asset through the income statement due to the 1% UK deferred tax rate increase. 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 and a 25% deferred tax rate now results from the expected unwind pattern of the UK temporary differences (24% at 31 December 2021). See note 18.

NOTES TO CONDENSED CONSOLIDATED STATEMENT OF EQUITY

12. Distributions paid and declared

	30 June 2022	30 June 2021
	£m	£m
Ordinary dividend	**-**	6,914
Preference dividend	**5**	5
Tier 1 notes coupon payment	**3**	7
	8	6,926

Following the acquisition of the Group and the disposal of the Group's operations in Scandinavia and Canada, a dividend in specie of £6,914m was paid to Regent Bidco Limited in 2021. The dividend was settled with highly liquid financial instruments, classified as cash equivalents.

13. Share capital

The issued share capital of the Parent Company is fully paid and is summarised in the following table:

	30 June 2022		30 June 2021	
	Number	**£m**	Number	£m
Ordinary Shares of £1 each	**1,563,286,790**	**1,563**	1,269,414,568	1,269
Preference shares of £1 each	**125,000,000**	**125**	125,000,000	125
	1,688,286,790	**1,688**	1,394,414,568	1,394

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

	Number of shares	**Nominal value £m**	**Share premium £m**
At 1 January 2022	**1,269,484,814**	**1,269**	**7**
Capital injection from Regent Bidco Limited	**293,801,976**	**294**	**-**
At 30 June 2022	**1,563,286,790**	**1,563**	**7**

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2021	1,035,267,610	1,035	1,095
Issued in respect of employee share schemes	13,146,958	13	7
Capital injection from Regent Bidco Limited	1,021,000,000	1,021	-
Capital reduction	(800,000,000)	(800)	(1,095)
At 30 June 2021	1,269,414,568	1,269	7

14. Tier 1 notes

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

The redemption of the Tier 1 notes was financed by a capital injection from the Group's parent company (see note 13).

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. Goodwill and intangible assets

	30 June 2022	31 December 2021
	£m	£m
Goodwill	**41**	39
Externally acquired software	**1**	3
Internally generated software	**281**	269
Customer related intangibles	**-**	1
Total goodwill and other intangible assets	**323**	312
Less: goodwill and other intangible assets classified as held for sale	**(20)**	-
Total goodwill and other intangible assets net of held for sale	**303**	312
Intangible assets not yet available for use	**101**	99

Following the acquisition of the Group by Intact Financial Corporation there has been an ongoing strategic reassessment of programme plans for certain internally generated software assets and as a result certain assets were identified for which there are no future economic benefits expected. As a result of this the Group has derecognised assets with a net book value of £18m, with the cost recognised in Underwriting and policy acquisition costs.

16. Financial assets

The following tables analyse the Group's financial assets by classification as at 30 June 2022 and 31 December 2021.

	30 June 2022	31 December 2021
	£m	£m
Equity securities	**335**	358
Debt securities	**4,855**	4,813
Financial assets measured at fair value	**5,190**	5,171
Loans and receivables	**404**	359
Total financial assets	**5,594**	5,530
Less: financial assets classified as held for sale	**317**	-
Total financial assets net of held for sale	**5,277**	5,530

IFRS 9 'Financial Instruments'

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

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

As at 30 June 2022

	SPPI financial assets	**Other financial assets**	**Total**
	£m	**£m**	**£m**
Available for sale equity securities	**-**	**332**	**332**
Available for sale debt securities	**4,088**	**453**	**4,541**
Loans and receivables	**404**	**-**	**404**
Derivative assets held for trading	**-**	**45**	**45**
Total net of held for sale	**4,492**	**830**	**5,322**

As at 31 December 2021

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

The fair value losses of SPPI financial assets and other financial assets during the six month period to 30 June 2022 are £288m losses (12 months to 31 December 2021: £141m losses) and £36m losses (12 months to 31 December 2021: £11m losses) respectively.

17. Fair value measurement

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

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

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

Derivative financial instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

Issued debt

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

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

Fair value hierarchy

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

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

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

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

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

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

Private fund structures

Loan funds are principally valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 30 June 2022 range from 1.5% to 10.28% (31 December 2021: 0.2% to 4.8%). If necessary the Group will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

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

Fair value hierarchy as at 30 June 2022:

	Level 1	**Level 2**	**Level 3**	**Less: Assets of operations classified as held for sale**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Available for sale financial assets:					
Equity securities	**221**	**-**	**114**	**(3)**	**332**
Debt securities	**1,018**	**3,474**	**363**	**(314)**	**4,541**
Derivative assets	**-**	**45**	**-**	**-**	**45**
Total assets measured at fair value	**1,239**	**3,519**	**477**	**(317)**	**4,918**
Derivative liabilities	**-**	**38**	**-**	**-**	**38**
Total liabilities measured at fair value	**-**	**38**	**-**	**-**	**38**

Fair value hierarchy as at 31 December 2021:

	Level 1	Level 2	Level 3	Less: Assets of operations classified as held for sale	Total
	£m	£m	£m	£m	£m
Available for sale financial assets:					
Equity securities	246	1	111	-	358
Debt securities	1,453	3,110	250	-	4,813
Derivative assets	-	47	-	-	47
Total assets measured at fair value	1,699	3,158	361	-	5,218
Derivative liabilities:	-	58	-	-	58
Total liabilities measured at fair value	-	58	-	-	58
Issued debt	-	187	-	-	187
Total liabilities not measured at fair value	-	187	-	-	187

A reconciliation of Level 3 fair value measurements of financial assets is shown in the table below. There are no Level 3 financial liabilities.

	Available for sale investments		Debt securities at fair value through the income statement	
	Equity securities	Debt securities		Total
	£m	£m	£m	£m
Level 3 financial assets at 1 January 2021	309	422	12	743
Total gains/(losses) recognised in:				
Income statement	(4)	(4)	(12)	(20)
Other comprehensive income	4	(7)	-	(3)
Purchases	19	160	-	179
Disposals	(208)	(319)	-	(527)
Exchange adjustment	(9)	(2)	-	(11)
Level 3 financial assets at 1 January 2022	**111**	**250**	**-**	**361**
Total gains/(losses) recognised in:				
Income statement	**(1)**	**-**	**-**	**(1)**
Other comprehensive income	**8**	**(1)**	**-**	**7**
Purchases	**16**	**109**	**-**	**125**
Disposals	**(21)**	**(12)**	**-**	**(33)**
Exchange adjustment	**1**	**17**	**-**	**18**
Level 3 financial assets at 30 June 2022	**114**	**363**	**-**	**477**

Unrealised losses of £nil (2021: £12m losses) attributable to FVTPL debt securities recognised in the condensed consolidated income statement relate to those still held at the end of the period.

The following table shows the Level 3 available for sale financial assets carried at fair value as at the balance sheet date, the main assumptions used in the valuation of these instruments and reasonably possible decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions			
		30 June 2022		31 December 2021	
		Current fair value	**Decrease in fair value**	Current fair value	Decrease in fair value
	Main assumptions	**£m**	**£m**	£m	£m
Available for sale financial assets:					
Equity securities	Cash flows; discount rate	**114**	**-**	111	(1)
Debt securities	Cash flows; discount rate	**363**	**(3)**	250	(2)
Total		**477**	**(3)**	361	(3)

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

18. Deferred tax

	Asset		Liability	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
	£m	£m	**£m**	£m
Deferred tax position	**154**	148	**-**	-
Deferred tax position relating to the UK	**152**	146	**-**	-

The £6m increase in deferred tax assets during the period is due to a 1% increase in the UK deferred tax rate at 30 June 2022.

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 impacted the UK deferred tax rate and a 25% deferred tax rate now results from the expected unwind pattern of the UK temporary differences (24% at 31 December 2021). This 1% change in tax rate increased the valuation of the Group's UK deferred tax assets and has been reflected in the period to 30 June 2022.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The recognition approach is consistent with that applied at 31 December 2021.

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 (31 December 2021: 1.9% per annum) and no overseas premium growth where relevant to UK profit projections. The forecasts incorporate a contingency of £35m per annum (31 December 2021: £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 potential impacts of downward movements in key assumptions on the deferred tax modelling are summarised below. As the relationship between the UK deferred tax asset and the sensitivities below is not always linear, the potential cumulative impact of combined sensitivities or longer extrapolations based on the table below will be indicative only.

	30 June 2022	31 December 2021
	£m	£m
1% increase in combined operating ratio[1] across all 7 years	**(43)**	(40)
1 year reduction in the forecast modelling period	**(47)**	(47)
50 basis points decrease in bond yields	**(19)**	(18)
No annual premium growth[2]	**(4)**	(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.

19. Issued debt

	30 June 2022	31 December 2021
	£m	£m
Subordinated guaranteed US$ bonds	**7**	6
Guaranteed subordinated notes due 2045	**159**	159
Total issued debt	**166**	165

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

The dated guaranteed subordinated notes were issued on 10 October 2014 at a fixed rate of 5.125%. The nominal bonds, with a £160m nominal value, have a redemption date of 10 October 2045. The Group has the right to repay the notes on specific dates from 10 October 2025. If the bonds are not repaid on that date, the applicable rate of interest would be reset at a rate of 3.852% plus the appropriate benchmark gilt for a further five year period.

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

The Group has the option to defer interest payments on the bonds and notes, but has to date not exercised this right.

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

20. Insurance contract liabilities

Estimation techniques and uncertainties

Estimation methodologies and reserving processes remained consistent and are discussed in note 39 of the 2021 Annual Report and Accounts. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the Covid-19 pandemic and increasing inflationary trends. Materially different outcomes to those we assume are possible. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- Frequency, based on different levels of reported claim counts observed thus far during the six months to 30 June 2022 and how these compare to prior experience

- Severity, based on different average claims costs observed in recent periods combined with assumptions on future inflationary trends
- Claims development patterns, taking into account both internal operations and external impacts
- Direct Covid-19 ultimate claims costs, including the outcome of legal proceedings and reinsurance recoveries

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

Details of the Group accounting policies in respect of insurance contract liabilities can be found in note 5 of the 2021 Annual Report and Accounts.

Gross insurance contract liabilities and the reinsurers' share of insurance contract liabilities

The gross insurance contract liabilities and the reinsurers' (RI) share of insurance contract liabilities presented in the condensed consolidated statement of financial position comprise the following:

	30 June 2022			31 December 2021		
	Gross	**RI**	**Net**	Gross	RI	Net
	£m	**£m**	**£m**	£m	£m	£m
Provision for unearned premiums	**2,015**	**(779)**	**1,236**	1,909	(643)	1,266
Provision for losses and loss adjustment expenses	**5,495**	**(1,685)**	**3,810**	5,276	(1,648)	3,628
Total insurance contract liabilities	**7,510**	**(2,464)**	**5,046**	7,185	(2,291)	4,894
Less: insurance contract liabilities held for sale	**(162)**	**38**	**(124)**	-	-	-
Total insurance contract liabilities net of held for sale	**7,348**	**(2,426)**	**4,922**	7,185	(2,291)	4,894

Discount assumptions

The total value of provisions for losses and loss adjustment expenses less related reinsurance recoveries before discounting at 30 June 2022 is £4,023m (31 December 2021: £3,844m).

Claims on certain classes of business have been discounted as follows:

		Discount rate		**Average number of years to settlement from reporting date**	
		30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
	Category	%	%	Years	Years
UK	Periodic Payment Orders	**4**	4	**19**	18

Sensitivities

Sensitivities in the table below show the impact on the net claims reserves of changes to key assumptions in relation to reserving risk and underwriting and claims risk. Whilst the range on the sensitivities was wider in the 2021 Annual Report and Accounts, the new set of metrics shown below are more tailored to the increased uncertainties and more aligned to the key risks as described in note 6.

	30 June 2022	30 June 2021
Impact on net claims reserves	**£m**	£m
Current year attritional loss ratios frequency or severity assumptions +5%	**35-40**	25-35
Current year large loss ratios frequency or severity assumptions +5%	**7-12**	5-15
	30 June 2022	31 December 2021
	£m	£m
Inflation being 1% higher than expected for the next 2 years	**45-55**	50-60
UK Annuities (PPOs) discount rate being 0.5% lower than expected	**10-15**	10-15

21. Retirement Benefit Obligations

Defined benefit pension schemes and other post-retirement benefits

The amounts recognised in the condensed consolidated statement of financial position are as follows:

	30 June 2022			31 December 2021		
	UK	**Other**	**Total**	UK	Other	Total
	£m	**£m**	**£m**	£m	£m	£m
Present value of funded obligations	**(6,224)**	**(58)**	**(6,282)**	(8,583)	(83)	(8,666)
Present value of unfunded obligations	**(5)**	**(9)**	**(14)**	(5)	(8)	(13)
Fair value of plan assets	**7,121**	**75**	**7,196**	9,310	100	9,410
Other net surplus remeasurements	**(314)**	**-**	**(314)**	(254)	-	(254)
Net IAS 19 surplus in the schemes	**578**	**8**	**586**	468	9	477
Less: net IAS 19 deficit in the schemes held for sale	**-**	**9**	**9**	-	-	-
Net IAS 19 surplus in the schemes net of held for sale	**578**	**17**	**595**	468	9	477
Defined benefit pension schemes	**578**	**17**	**595**	468	17	485
Other post-retirement benefits	**-**	**(9)**	**(9)**	-	(8)	(8)
Schemes in surplus	**583**	**17**	**600**	473	17	490
Schemes in deficit	**(5)**	**(9)**	**(14)**	(5)	(8)	(13)

Movement during the period:

	30 June 2022			
	Present value of obligations	**Fair value of plan assets**	**Other net surplus remeasurements**	**Net surplus / (deficit)**
	£m	**£m**	**£m**	**£m**
At 1 January	**(8,679)**	**9,410**	**(254)**	**477**
Current service costs	**(1)**	**-**	**-**	**(1)**
Interest (expense)/income	**(79)**	**86**	**-**	**7**
Administration costs	**-**	**(4)**	**-**	**(4)**
Total (expenses)/income recognised in income statement	**(80)**	**82**	**-**	**2**
Return on scheme assets less amounts in interest income	**-**	**(2,221)**	**-**	**(2,221)**
Effect of changes in financial assumptions	**2,401**	**-**	**-**	**2,401**
Experience gains	**(93)**	**-**	**-**	**(93)**
Investment expenses	**-**	**(5)**	**-**	**(5)**
Other net surplus remeasurements	**-**	**-**	**(60)**	**(60)**
Remeasurements recognised in other comprehensive income	**2,308**	**(2,226)**	**(60)**	**22**
Employer contribution	**-**	**83**	**-**	**83**
Benefit payments	**155**	**(155)**	**-**	**-**
Exchange adjustment	**-**	**2**	**-**	**2**
At 30 June	**(6,296)**	**7,196**	**(314)**	**586**
Deferred tax				**(1)**
IAS 19 net surplus net of deferred tax				**585**

	31 December 2021			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus / (deficit)
	£m	£m	£m	£m
At 1 January	(9,401)	9,855	(179)	275
Current service costs	(3)	-	-	(3)
Termination payments	(1)	-	-	(1)
Interest (expense)/income	(126)	134	-	8
Administration costs	-	(6)	-	(6)
Total (expenses)/income recognised in income statement	(130)	128	-	(2)
Return on scheme assets less amounts in interest income	-	(4)	-	(4)
Effect of changes in financial assumptions	367	-	-	367
Effect of changes in demographic assumptions	(45)	-	-	(45)
Experience losses	(237)	-	-	(237)
Investment expenses	-	(10)	-	(10)
Other net surplus remeasurements	-	-	(75)	(75)
Remeasurements recognised in other comprehensive income	85	(14)	(75)	(4)
Employer contribution	-	164	-	164
Benefit payments	340	(340)	-	-
Increase/(decrease) due to disposals	428	(383)	-	45
Exchange adjustment	(1)	-	-	(1)
At 31 December	(8,679)	9,410	(254)	477
Deferred tax				(1)
IAS 19 net surplus net of deferred tax				476

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

22. Cash and cash equivalents

	30 June 2022	31 December 2021	30 June 2021
	£m	£m	£m
Cash and cash equivalents and bank overdrafts (as reported within the condensed consolidated statement of cash flows)	**319**	492	1,101
Add: bank overdrafts reported in borrowings	**17**	8	13
Total cash and cash equivalents	**336**	500	1,114
Less: cash and cash equivalents classified as held for sale	**40**	-	-
Total cash and cash equivalents net of held for sale (as reported within the condensed consolidated statement of financial position)	**296**	500	1,114

23. Reconciliation of cash flows from operating activities

The reconciliation of net profit before tax to cash flows from operating activities is as follows:

	30 June 2022	30 June 2021
	£m	£m
Cash flows from operating activities		
Profit for the year before tax	**107**	4,308
Adjustments for non-cash movements in net profit for the year		
Amortisation of available for sale assets	**16**	24
Depreciation of tangible assets	**10**	21
Amortisation and impairment of intangible assets	**21**	100
Fair value losses on disposal of financial assets	**15**	1
Impairment charge on available for sale financial assets	**1**	13
Gain on disposal of business	**(7)**	(4,390)
Other non-cash movements	**(83)**	41
Changes in operating assets/liabilities		
Loss and loss adjustment expenses	**83**	238
Unearned premiums	**(67)**	51
Movement in working capital	**82**	7
Reclassification of investment income and interest paid	**(80)**	(101)
Pension deficit funding	**(75)**	(150)
Cash generated from investment of insurance assets		
Dividend income	**7**	12
Interest and other investment income	**73**	114
Cash flows from operating activities	**103**	289

OTHER DISCLOSURES

24. Related party transactions

Transactions with parent company

The Group's parent company is Regent Bidco Limited, a wholly owned subsidiary of Intact Financial Corporation, the ultimate controlling party.

During the six month period to 30 June 2022, the following related party transactions have taken place with Regent Bidco Limited:

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

During the six month period to 30 June 2021, the following related party transactions have taken place with Regent Bidco Limited:

- Upon acquisition, the Group received a capital injection from Regent Bidco Limited of £1,021m
- The Group 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 related party transactions

The Group has a reinsurance arrangement with Unifund Assurance Company (Unifund), a member of the Intact Financial Corporation Group. Under the terms of the arrangement the insurance risk of Unifund's business is transferred to the Group. The Group pays a reinsurance commission in relation to the quota share agreement and the agreement covers Unifund's existing insurance liabilities and new written premium for all lines of business at a rate of 60%. This transaction became a related party transaction on 1 June 2021 following the disposal of Roins Holdings Limited. The outstanding balances are secured against collateral assets, made up of assets held in trust and a letter of credit.

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

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

The Group holds ordinary shares in a company in which a Director of the Group is also a Director. The shares were purchased from a third party in the open market as part of the Group's routine investment strategy.

The amounts relating to the above related party transactions included in the condensed consolidated income statement for the six month period ended 30 June are provided in the table below:

	30 June 2022	30 June 2021
	£m	£m
Income	**181**	55
Expenses	**151**	24

The amounts relating to the above related party transactions included in condensed consolidated statement of financial position and the collateral pledged for the six month period ended 30 June are provided in the table below:

	30 June 2022	31 December 2021
	£m	£m
Assets	**52**	103
Liabilities	**736**	734
Collateral pledged	**978**	882

25. Results for the year 2021

The statutory accounts of RSA Insurance Group Limited for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The independent auditor's report on the Group accounts for the year ended 31 December 2021 is unqualified, does not draw attention to any matters by way of emphasis and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

26. Events after the reporting period

On 7 July 2022, the Group completed the sale of its 50% shareholding in Royal & Sun Alliance Insurance (Middle East) BSC to National Life & General Insurance Company. The Group received proceeds of £111m and it is estimated that the Group will recognise a gain of £33m, subject to post-closing adjustments.

27. Exchange rates

The rates of exchange used in these accounts in respect of the major overseas currency are:

Local currency/£	6 months 30 June 2022 Average	6 months 30 June 2022 Closing	6 months 30 June 2021 Average	6 months 30 June 2021 Closing	12 months 31 December 2021 Average	12 months 31 December 2021 Closing
Canadian Dollar	1.65	1.57	1.73	1.72	1.72	1.71
Danish Krone	8.84	8.64	8.56	8.66	8.65	8.86
Euro	1.19	1.16	1.15	1.16	1.16	1.19
Swedish Krona	12.44	12.45	11.67	11.81	11.80	12.26
United States Dollar	1.30	1.21	1.39	1.38	1.37	1.35

28. Alternative performance measures (APMs)

IFRS reconciliation to management P&L

For the 6 month period ended 30 June 2022

£m	IFRS	Underwriting result (Management)	Investment result (Management)	Central costs (Management)	Business operating result (Management)	Other income and charges (Management)	Profit before tax from continuing operations (Management)
Continuing operations							
Income							
Gross written premiums	**2,131**	**2,131**			**2,131**		**2,131**
Less: reinsurance written premiums	**(598)**	**(598)**			**(598)**		**(598)**
Net written premiums	**1,533**						
Change in the gross provision for unearned premiums	**(87)**	**(87)**			**(87)**		**(87)**
Change in provision for unearned reinsurance premiums	**131**	**131**			**131**		**131**
Change in provision for net unearned premiums	**44**						
Net earned premiums	**1,577**						
Net investment return	**80**		**63**		**63**	**17**	**80**
Other operating income	**71**	**38**			**38**	**33**	**71**
Total income	**1,728**						
Expenses							
Gross claims incurred	**(1,322)**	**(1,322)**			**(1,322)**		**(1,322)**
Less: claims recoveries from reinsurers	**309**	**309**			**309**		**309**
Net claims	**(1,013)**						
Underwriting and policy acquisition costs	**(571)**	**(571)**			**(571)**		**(571)**
Unwind of discount and change in economic assumptions	**2**		**2**		**2**		**2**
Other operating expenses	**(41)**		**(4)**	**(10)**	**(14)**	**(27)**	**(41)**
Total expenses	**(1,623)**						
Finance costs	**(5)**					**(5)**	**(5)**
Profit on disposal of businesses	**7**					**7**	**7**
Net share of Profit after tax of associates	**-**						
Profit before tax from continuing operations	**107**	**31**	**61**	**(10)**	**82**	**25**	**107**

For the 6 month period ended 30 June 2021

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other income and charges	Loss before tax from continuing operations
		Management					
Continuing operations							
Income							
Gross written premiums	2,327	2,327			2,327		2,327
Less: reinsurance written premiums	(610)	(610)			(610)		(610)
Net written premiums	1,717						
Change in the gross provision for unearned premiums	(155)	(155)			(155)		(155)
Change in provision for unearned reinsurance premiums	127	127			127		127
Change in provision for net unearned premiums	(28)						
Net earned premiums	1,689						
Net investment return	58		79		79	(21)	58
Other operating income	41	40			40	1	41
Total income	1,788						
Expenses							
Gross claims incurred	(1,657)	(1,657)			(1,657)		(1,657)
Less: claims recoveries from reinsurers	430	430			430		430
Net claims	(1,227)						
Underwriting and policy acquisition costs	(645)	(645)			(645)		(645)
Unwind of discount and change in economic assumptions	(3)		(3)		(3)		(3)
Other operating expenses	(131)		(19)	(6)	(25)	(106)	(131)
Total expenses	(2,006)						
Finance costs	(31)					(31)	(31)
Loss before tax from continuing operations	(249)	(143)	57	(6)	(92)	(157)	(249)

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with the UK-adopted IAS 34 ‘Interim Financial Reporting’ and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Ken Norgrove	Ken Anderson
UK&I Chief Executive Officer	UK&I Chief Financial Officer
2 August 2022	2 August 2022

INDEPENDENT REVIEW REPORT TO RSA INSURANCE GROUP LIMITED **(‘the Company’ and ‘the Group’)**

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six month period ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six month ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the latest annual financial statements of the Group were prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Thomas Tyler

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square
London
E14 5GL

2 August 2022