Aviva Insurance Limited

Registered in Scotland No. SC002116

Annual Report and Financial Statements 2023

Contents

Directors and officer

Directors

C J Clark
I E Clark
F C Fry
C Jones
C W M Scott
J P Storah

Officer – Company Secretary

Aviva Company Secretarial Services Limited
80 Fenchurch Street
London
EC3M 4AE

Please note that the Company Secretary address changed on 27 March 2024, and was previously:

Aviva Company Secretarial Services Limited
St Helen's
Undershaft
London
EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

Pitheavlis
Perth
Scotland
PH2 0NH

Company number

Registered in Scotland no. SC002116

Other information

Aviva Insurance Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Company is a member of the Aviva plc group of companies ("the Group").

Strategic report

The directors present their strategic report for the Company for the year ended 31 December 2023.

Review of the Company's business

Principal activities

The principal activity of the Company is the transaction of general and health (non-life) insurance business in the United Kingdom ("UK"). This includes underwriting foreign risks arising from an inwards reinsurance arrangement with the Company's immediate subsidiary, Aviva Insurance Ireland Designated Activity Company ("AIIDAC") and from the Company's Global Corporate Specialty business. The major classes of business underwritten are personal lines (motor, home and other), health and commercial lines (property, liability, motor and other).

The Company's strategy focusses on its customers, with customer service at the heart of its business. The Company offers personal lines insurance through a wide range of distribution channels and commercial lines insurance to a wide range of businesses from micro through small and mid-market to large, multinational corporates. Capabilities in distribution, claims, underwriting and digital are clear differentiators.

The Company's strategy is supported by the aim to continue to deliver profitable growth and improve cash generation. The Group is also firmly committed to sustainability and is prioritising leading on Climate Action, stronger communities and sustainable business.

Significant events

The company's financial results are affected by a number of external factors, including weather events, trends in claims developments, general economic and market conditions, government policy and legislation and exchange rate fluctuations. The impact of these events on IFRS performance and Solvency II may differ due to their different measurement and recognition criteria.

The following significant events impacted our business during the year:

- Total dividends of £333 million were declared and settled during 2023 (*2022: £849 million*). Full details can be seen in note 10.
- In December 2023, the Company's investment in its subsidiary Aviva Canada increased by £285 million. This was part of an agreed loan restructuring, whereby a C$480 million loan from the Company to Aviva Canada was converted to equity, with the overall net impact to the Company's net assets being £nil. See note 12 for details.
- On 4 March 2024, Aviva plc announced the acquisition of Probitas for total consideration of £242 million. Full details can be seen in note 38.

Financial position and performance

The financial position of the Company at 31 December 2023 is shown in the statement of financial position on page 30, with the trading results shown in the income statement on page 28 and the statement of cash flows on page 31.

The Company adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position has been produced as at that date. The Company has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. Full details are shown within note 1.

The Company's net assets have decreased by £46 million *(2022 restated: decreased by £514 million*) due to profit after tax for the year of £287 million offset by dividends paid of £333 million.

The profit before tax for the year was £352 million *(2022 restated: £287 million*). The Insurance Service Result of £226 million (*2022 restated: £235 million*) was broadly stable, as the £685 million increase in insurance revenue from profitable business growth was offset by increases in claims frequency (as activity levels trend back to pre-COVID-19 norms), increased reinsurance costs and continued inflationary pressures. The Net Financial Result at £110 million (*2022 restated: £173 million*) reflects higher investment return due to asset re-risking and higher yields is offset by an increase in unwind of discounting on incurred claims. Non-insurance profits were up considerably year on year, mainly as a result of foreign exchange gains in 2023, compared with losses in 2022. A tax charge for the year of £65 million (*2022 restated: £48 million tax credit*) was broadly in line with the prevailing corporation tax rate, whereas 2022 benefited from favourable movements in deferred taxes of £64 million.

Section 172 Statement

The directors report here on how they have discharged their duties under section 172 ("S172") of the Companies Act 2006.

S.172 sets out a series of matters which the directors must have regard to when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders.

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our business falls short of the standards we expect.

The Board is also focussed on the wider social context within which the Company's businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

The Company's culture

The Company's culture is shaped, in conjunction with its immediate parent company, Aviva Group Holdings Limited ("AGH"), and its ultimate shareholder, Aviva plc, by a clearly defined purpose - with you today for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. The Company looks to build relationships with all its stakeholders based on openness and transparency, and by valuing diversity and inclusivity in the workplace and beyond.

Key strategic decisions in 2023

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

Strategic report (continued)

The Board approved the payment of interim ordinary dividends of £333 million during the year to the Company's immediate parent company AGH. The Directors considered all relevant matters set out under the Companies Act 2006 concerning the payment of dividends, including reviewing the Company's distributable reserves and its ability to pay its debts as they fall due, having regard to the entirety of the Company's business and the actual and contingent liabilities.

The Board approved the acquisition of Probitas, a fully-integrated Lloyd's platform, encompassing its Corporate Member, Managing Agent, international distribution entities and tenancy rights to Syndicate 1492, giving Aviva greater access to underwriting commercial lines business in line with its existing underwriting capabilities. The Board considered the key risks arising as a result of the acquisition and felt these were appropriately mitigated through the integration plan and discussions with the parties involved.

Stakeholder Engagement

This section provides insight into how the Board engages with our stakeholders. The Board recognises that stakeholders have diverse interests and that these interests need to be heard. Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions.

The Board has established its awareness of the likely consequences of its long-term decisions as part of its consideration of Aviva's strategy. The Board held a strategy day in August 2023 to consider the long-term strategic direction of the Group. As part of these strategic discussions, the Board considered the industry and market and the potential impact to stakeholders. The table below sets out the Board's approach to stakeholder engagement during 2023:

Our people **Our people's wellbeing and commitment to serving our customers are the foundations for our performance.**	
How we have engaged - The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them. - The Board always aims to provide an inclusive working environment where talent is developed, performance is rewarded, support is provided and our differences are valued. - The Board engaged with representatives of the Aviva Community at an offsite visit to Perth. - The Board, together with the Audit Committee, reviewed reports on the Speak Up Service.	**Focus during the year** - The Board focused on attracting and retaining the best people in the industry. - The Board monitored and responded to the impact that inflationary pressures exerted on our people. - The Board were given corporate culture updates with a focus on embedding diversity and inclusion. - The outcome of the Voice of Aviva survey was used to assess employee comfort and confidence in the whistleblowing process (Speak Up). **Outcomes and actions during the year** - High potential employees event in Perth. - Perth office Fireside chat with members of the Board. - Launch of our Aviva Group 2023 early career programme, with over 200 graduates and apprentices attending. - Launch of Workvivo, the Aviva Group internal colleague communication and engagement platform, with over 19,500 colleagues active on Workvivo with over 10,000 daily users.
Customers **Understanding what's important to our customers is key to our long-term success.**	
How we have engaged - The Board, and the Conduct Committee, received regular reporting on customer outcomes and strategic initiatives throughout the year. - The Board attended customer showcases in UKGI Personal Lines and on Motor Claims during the Board offsite visits. - The Board engaged with colleagues working directly with our customers through visits to our operating offices and meeting with customer facing teams to better understand their roles and challenges they face. During 2023 the Board visited teams in the Perth office.	**Focus during the year** - The Board monitored and responded to the impact that inflationary pressures exerted on our customers. - The Board focussed on our digital customer journeys, making it easier and more convenient for customers to interact with us. **Outcomes and actions during the year** - The Board, together with the Conduct Committee and Risk Committee, monitored and received regular updates on the progress of Phase 1 of the implementation of Consumer Duty framework. - The Company fulfilled its COVID-19 pledge payments and offered quotemehappy essential care insurance to give greater flexibility to more cost conscious customers. - The Board engaged with colleagues working directly with our customers through visits to our operating offices and meeting with customer facing teams to better understand their roles and challenges they face. During 2023 the Board visited teams in the Perth office.
Shareholders **Our ultimate shareholder is Aviva plc**	
How we have engaged - The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the Board through the Chair to its parent. Additionally, members of the Aviva plc board can attend the Company's Board meetings by invitation.	**Focus during the year** - Ensuring shareholders understand our strategy and business model. **Outcomes and actions during the year** - On 21 November 2023, the Board approved the appointment of Jason Storah as Chief Executive Officer of the Company. - During 2023, Amanda Blanc (Group Chief Executive Officer), George Culmer (Aviva plc Chair), and Charlotte Jones (Group Chief Financial Officer) attended AIL Board and/or Committee meetings.

Strategic report (continued)

<table>
<tr><td colspan="2">Regulators
As an insurance company, we are subject to financial services regulation and approvals in all the markets we operate in.</td></tr>
<tr><td>How we have engaged
- The Company has maintained a constructive and open relationship with its regulators and the Board has regular meetings with its UK regulators.
- Regulators engaged with us to discuss their objectives, priorities and concerns, and how they affect our business.</td><td>Focus during the year
- Continued focus on Consumer Duty with training provided to the Group and subsidiary Boards.

Outcomes and actions during the year
- Regulatory priorities were regularly discussed at Board, Conduct, Audit and Risk Committee meetings.</td></tr>
<tr><td colspan="2">Communities
We recognise the importance of contributing to our communities through volunteering, community investment, and long term partnerships</td></tr>
<tr><td>How we have engaged
- The Company supported the communities in which we operate, through investment in business and infrastructure, paying tax revenues and community support activity.
- At Aviva Group level, the Customer and Sustainability Committee received regular updates on the progress of Aviva's Sustainability Ambition throughout 2023 with the Committee Chair providing an update on matters discussed at each Board meeting.</td><td>Focus during the year
- Our Board supports the community activities of the Aviva Group including the wellbeing proposition for UK employees, the Aviva Communities to help drive greater diversity and inclusivity throughout the organisation and to support colleagues to volunteer in their communities.
- The Company limits its exposure to the most carbon intensive elements of the economy through the Company's underwriting boundaries. These include restrictions on toxic waste companies that present a significant hazard to the environment, and carbon intensive industries such as mining, offshore oil and gas extraction. More broadly, the Company aims to use its underwriting insight to support its investment decisions, to ensure a consistent view of climate-related risks is taken.
- Our Aviva Zero product in the UK, offering customers the opportunity to offset emissions, was launched in 2022 and sold around 466,000 policies during 2023 (51,000 policies in 2022).
- Sustainability and inclusive behaviours training was provided for the Group and subsidiary Boards.

Outcomes and actions during the year
- Employees across the Company were offered the opportunity to volunteer their time to support charities and organisations.
- During the year, the Aviva Group provided £2.7 million funding to Citizens Advice and £0.75 million to the Money Advice Trust to help build their capacity to tackle the cost of living crisis. This is part of an overall Group commitment of £7 million to Citizens Advice and £2 million to Money Advice Trust (the majority of which was distributed in 2022).
- The Aviva Foundation committed just under £2 million funding to organisations delivering public benefit focused on financial resilience.</td></tr>
<tr><td colspan="2">Suppliers
We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.</td></tr>
<tr><td>How we have engaged
- The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance. The Risk Committee receives regulate reporting on Key Suppliers.
- The Board normally delegates engagement with suppliers and oversight to senior management.
- All supplier related activity is managed in line with the group procurement and outsourcing business standards. This ensures that supplier risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational and contractual issues.
- The Board, via reporting from the Audit Committee and Risk Committee, was kept updated on the development of any key supplier risk.</td><td>Focus during the year
- Understanding and highlighting risk across whole supply chain.
- The Risk Committee on behalf of the Board reviewed the Group's cyber risk and control environment including the threat posed by the risk of ransomware attacks on both the group and our material third party suppliers.

Outcomes and actions during the year
- The Board reviews the actions the Company has taken to prevent modern slavery and associated practices in any part of our supply chain and approves the Aviva Group Modern Slavery Act statement each year.</td></tr>
</table>

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Aviva plc 2023 Annual Report and Accounts. The Company will work with the Group to support the implementation of the strategies for general and health insurance business in the UK.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

The Company is well positioned to compete in its key markets by leveraging the power of Aviva’s breadth of offering within the UK to deliver compelling propositions to meet our customer needs, alongside driving digitisation through customer services, propositions and ensuring we are easy for customers to do business with, however they chose.

Strategic report (continued)

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 33 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- General Insurance risk: including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.
- Market risk: the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices.
- Credit risk: the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements.
- The Company views climate change as a significant risk to its strategy and business model. Despite national and corporate efforts to reduce emissions to align with the Paris Agreement, $CO2$ emissions continue to rise, and rising temperature increases the potential for more severe weather events. The Company has been actively mitigating these risks for a number of years, including setting targets to reduce carbon intensities in investments, lowering operational emissions by using more renewable electricity, transitioning our fleet to Plug-in Hybrid Electric Vehicles ("PHEVs"), installing electric car charging points, launching renewable insurance products, and insuring more Electric Vehicles ("EVs").
- The Company closely monitors the potential impacts of geopolitical tensions like the Russia/ Ukraine and Israel/ Palestine conflicts. The Company does not conduct operations in the affected regions and does not have material direct underwriting exposure or investment holdings there. The Company may experience adverse impacts due to wider economic implications, affecting investments and regional economies in the UK, Ireland, and the rest of Europe. These conflicts exacerbate existing risks like cyber, energy security, and supply chain.
- There continues to be various risks in the UK claims environment, particularly in relation to business interruption claims arising from COVID-19 and on-going test case litigation and in respect of pollution and other environmental hazards, professional negligence and injuries suffered participating in sporting activities, which the Company continues to closely monitor. Claims inflation, especially on motor damage, due to rising cost of parts, labour, and vehicle values, remains a concern and under regular review and monitoring.

Key performance indicators

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows:

	2023	Restated[1] 2022
Capital Metrics		
Solvency II capital surplus £m	**802**	676
Solvency II cover ratio	**182%**	167%
Financial Performance Metrics		
Insurance revenue £m	**6,626**	5,941
Profit for the year after tax £m	**287**	335
Decrease in shareholders equity £m	**46**	514
Alternative Performance Metrics		
Combined operating ratio - undiscounted	**95.6%**	97.2%
Combined operating ratio - discounted	**94.4%**	95.2%

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

As per the table above, the Company's Solvency II capital surplus of £802 million *(2022: £676 million)* increased by £126 million during the year, leading to an increase in the Solvency II cover ratio. The increase in the overall surplus position was driven by strong underlying performance in the Company and its principal subsidiaries, as well as the benefits of reforms to the Solvency II risk margin implemented during 2023.

Combined Operating Ratio (COR) is a financial measure of performance and is calculated as total underwriting costs expressed as a percentage of net insurance revenue. The Company considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed. Undiscounted COR decreased by (1.6)pp to 95.6% in 2023 *(2022 restated:* 97.2%*)*.

The claims, commissions and expenses included in the COR calculations exclude a number of non-operating IFRS expenses, mainly consisting of £2 million *(2022 restated: £6 million)* of impairment of subsidiaries, £19 million of losses *(2022 restated: £187 million gains)* due to changes in economic assumptions related to claims provisions, £42 million of foreign exchange gains *(2022: £44 million of losses),* and net £7 million expense relating to other non-underwriting income *(2022 restated: £5 million expense)*.

By order of the Board on 24 April 2024

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

24 April 2024

Directors' report

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2023.

Directors

The names of the current directors of the Company are shown on page 3. Details of Board appointments and resignations during the year and since the year end are shown below:

N D Rochez resigned as a director of the Company on 30 April 2023;

A C Winslow resigned as a director of the Company on 30 August 2023;

J P Storah was appointed as a director of the Company on 21 November 2023;

M Strobel resigned as a director of the Company on 11 March 2024;

C Toner resigned as director of the Company on 31 March 2024;

C Jones was appointed as a director of the Company on 1 April 2024;

J C Poole resigned as a director of the Company on 9 April 2024.

Company Secretary

The name of the company secretary of the Company is shown on page 3.

Dividends

Interim ordinary dividends of £104 million on the Company's ordinary shares were declared and settled in cash in August 2023. Further interim dividends of £229 million were declared and settled in December 2023 *(2022: dividends of £329 million were declared and settled in September 2022, £222 million in November 2022 and £298 million were declared and settled in December 2022)*.

The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2023 *(2022: £nil)*.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on: the Company's payables and other financial liabilities (note 27); its contingent liabilities and other risk factors (note 29); its capital structure (note 32); management of its major risks including market, credit and liquidity risk (note 33); and derivative financial instruments (note 34).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. The directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Important events since the financial year end

Details of significant post balance sheet events that have occurred subsequent to 31 December 2023 are disclosed in note 38.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 6.

Stakeholder engagement

Statements summarising the Company's employee engagement, and its engagement with suppliers, customers and its other stakeholders are included in the strategic report on pages 5 to 6.

Statement of Corporate Governance Arrangements

For the year ended 31 December 2023, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). Application of the Principles by the Company during 2023 is set-out below:

Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. The Group's purpose is to be 'with you today, for a better tomorrow' and we include our customers, employees and our other stakeholders in this. To live up to that purpose, the Group has a vision to be 'the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong businesses in Ireland and Canada' and has a clear strategy and plan to achieve this vision:

- **Customer:** Powering up the Aviva brand, building engaging customer experience, and leading with customer-centric innovation
- **Growth:** Targeted growth capitalising on the structural opportunities across Insurance, Wealth, Retirement Solutions and Bulk Purchase Annuities ("BPA")
- **Efficiency:** Simplifying and transforming our cost base, and working towards top quartile efficiency for all businesses
- **Sustainability:** Delivering on our market leading commitments across Climate Champion, Stronger Communities and Sustainable Business.

The delivery of the Group's strategy and plan is guided by the Aviva Group values:

- **Care:** We care deeply about the positive difference we can make in our customers' lives
- **Commitment:** We understand the impact we have on the world and take the responsibility that comes with it
- **Community:** We recognise the strength that comes from working as one team, built on trust and respect
- **Confidence:** We believe the best is yet to come for our customers, our people and society.

The Board has made a number of strategic decisions through the year which are aligned to this purpose, as detailed in the Strategic Report.

Directors’ report (continued)

The Board monitors the culture of the Company and raises any concerns during meetings and the Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board’s annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours and are focussed on doing the right thing for the customer. The Company complies with the Senior Managers’ Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

The Board is responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into account other stakeholders as defined by Section 172 of the Companies Act 2006 and the Articles of Association and including but not limited to; setting the Company’s strategic aims, monitoring performance of the Company and management against those aims, setting the Company’s risk appetite and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles.

Principle 2 - Board composition

The Company's Board has a separate Independent Non-Executive Chair and Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All directors have access to the advice and services of the Company Secretary.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the Board composition remains appropriate.

The Board is comprised of both Non-Executive Directors, the majority of whom are Independent Non-Executive Directors, and Executive Directors. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholders as a whole and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

The Board undertook an independent effectiveness review of its performance, the results of which were discussed by the Board at its meeting on 29th November 2023. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2023 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The next independent assessment will take place in 2026. The 2023 Board Effectiveness Review assessed that overall, the Company was operating effectively with a number of areas prioritised for focus during the coming year.

Principle 3 - Director responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between its purpose, culture, values; its reporting and escalation structures and their alignment with legal and regulatory duties and its risk management framework. The core elements are the legal and regulatory flow of accountability and decision making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company’s 2nd and 3rd lines of defence which ensure effective Board oversight.

Within the Aviva Group, accountability is formally delegated by the Board of the Company to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Board’s Terms of Reference. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime responsibilities. These roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework and which are submitted to the PRA and the FCA on a quarterly basis. The Company must also adhere to the Group's Subsidiary Governance Principles which are a set of internal governance principles.

The Board held four quarterly meetings this year, plus a further 8 meetings to discuss specific items and one additional strategy session. The Board’s key areas of focus in 2023 were implementation of Consumer Duty, key strategic projects and monitoring market volatility.

The Board has established an Audit Committee, a Risk Committee and a Conduct Committee. The Terms of Reference for these committees are aligned to those of Aviva plc and its committees, and are approved annually by the Board. The committees also undertake annual effectiveness reviews. The results are discussed by the committee and an action plan is agreed, with the actions tracked by the Company Secretary.

The Audit Committee is responsible for reviewing the effectiveness of the Company’s financial reporting systems and controls and receive regular updates on the work of the Company's internal audit function and from its external auditors. The Board also receives reports from the CFO at each meeting. The Company's financial reporting is currently externally audited by PricewaterhouseCoopers (PwC) LLP on an annual basis.

The Risk Committee is responsible for oversight of risk, reviewing the Company’s risk appetite and risk profile, reviewing the effectiveness of the Company’s risk management framework, reviewing the methodology used in determining the Company’s capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company’s regulatory activities, as appropriate.

The Conduct Committee is responsible for assisting the Board in its oversight of conduct issues. This includes oversight of the Company’s conduct framework including product design, live selling practices, claims practices, and conduct oversight of third parties. The Committee’s responsibilities include reviewing the Company’s conduct and financial crime risk profile, and overseeing the brand and reputation of the Company, ensuring that reputational risk is consistent with the risk tolerance approved by the Board and the creation of long-term shareholder value.

Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the company, generating value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group’s risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report risks, including the use of risk models and stress and scenario testing.

The Company’s position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

More detail on the Company's principal risks and uncertainties can be found in the Strategic Report.

Directors' report (continued)

Principle 5 - Remuneration

The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.

Under the Aviva Group Reward Governance Framework, the Global Remuneration Policy is approved by the Aviva plc Remuneration Committee and applies to all employees in entities within the Aviva Group. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually. Details of Directors Remuneration is included in note 7.

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual Report and Accounts which is available at www.aviva.com/investors/reports. Aviva plc also reports on its gender pay gap, and on the steps it is taking in relation to this which can be found at www.aviva.com/about-us/uk-pay-gap-report.

The Board held a private session on 29 November 2023 to discuss 2023 performance and conduct of key individuals of the Company's management and provided input into their 2023-2024 remuneration reviews.

Principle 6 - Stakeholders

Details about stakeholders can be found in the section 172 statement in the Strategic Report.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including to those relating to foreign currency exchange and interest rates. Details of the objectives and management of these instruments are contained in note 33 on risk management.

Employees

The Company has no employees. The majority of employees engaged in the activities of the Company are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of that company. The Company is recharged with the costs of the staff provided by Aviva Employment Services Limited.

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditors, PwC LLP, are unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PwC LLP are aware of that information.

Independent auditors

Under the Competition and Markets Authority Regulations, the Company is required to tender for the provision of the external audit every 10 years. PwC was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The audit tender process was initiated during 2020 but COVID-19 restrictions caused delays and Aviva sought a two year extension from the Financial Reporting Council ("FRC") which was granted. Following a full and rigorous competitive tender process, which was overseen by the Group's Audit Committee, the selection of Ernst & Young LLP from the year ending 31 December 2024 was approved by the Aviva plc Board.

Qualifying indemnity provisions

In 2004, Aviva plc, the Company's ultimate parent, granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of section 309A to section 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

By order of the Board on 24 April 2024

V. Dekary

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

24 April 2024

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Insurance Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements 2023 (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2023; the Income statement, the Statement of changes in equity, the Statement of cash flows for the year then ended; the Accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 8. Auditors' remuneration, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items.

Key audit matters

- Valuation of insurance liabilities and reinsurance assets
- Implementation of IFRS 17 and restatement of comparatives

Materiality

- Overall materiality: £66,252,500 (2022: £54,140,000) based on 1% of insurance revenue.
- Performance materiality: £49,689,375 (2022: £40,610,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matter 'Valuation of insurance liabilities and reinsurance assets' has been updated to reflect the impacts from the adoption of IFRS 17 in the year. This new standard changes the way in which general insurance contract liabilities are measured, introduces new concepts and language, and changes a range of judgements that insurers must make. 'Implementation of IFRS 17 and restatement of comparatives' is a new key audit matter this year. Disclosure of the estimated impact of adopting to IFRS 17 'Insurance Contracts', which was a key audit matter last year, is no longer included because of this risk being relevant to a specific disclosure made within the prior year financial statements.

Independent auditors' report to the member of Aviva Insurance Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance liabilities and reinsurance assets Refer to item K in the Accounting policies and to note 23 to the Company's financial statements for disclosures of related policies and balances. Insurance contract liabilities and reinsurance assets are highly uncertain and require considerable judgement and interpretation relevant to the valuation of insurance contract liabilities and reinsurance assets. As at 31 December 2023 the value of the Company's insurance contract liabilities and reinsurance assets are £8,392m and £1,498m respectively. We focused on the following: • The risk of inappropriate methodologies and assumptions being used to estimate the undiscounted best estimate liabilities for future claims cash flows, which now forms part of the liability for incurred claims ("LIC"), and the associated reinsurers' share, which form part of the assets for incurred claims ("AIC"); • The determination of the bottom up discount rates (including choice of illiquidity premium); • The determination of payment patterns used to derive the cash flows for incurred claims; • The appropriateness of significant judgements applied to the selection of the Premium Allocation Approach ("PAA") measurement model for groups of contracts that are not automatically eligible, including the selection of "reasonably expects" assumptions; • The appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with Adverse Development Covers ("ADC") and internal quota share ("IQS") arrangements measured under the General Measurement Model ("GMM"); and • The appropriateness of methodologies and assumptions adopted to calculate the amount of the risk adjustment to reflect the entity's view of the compensation that it requires for bearing risk.	We performed the following procedures to address the risks identified in relation to general insurance and reinsurance contracts: • Understood and evaluated the process and the design and implementation of controls in place. This included testing the operating effectiveness of the relevant controls in place; • Independently estimated the undiscounted best estimate liabilities (for the LIC) on selected classes of business, particularly focusing on the largest and those with the most uncertain estimated cashflows. For these classes we compared our estimated cashflows to those booked by management, and understood the reasoning behind any significant differences; • For the remaining lines of business, evaluated the appropriateness of the actuarial claims projection techniques and the reasonableness of the methodology and significant assumptions; • Understood the actuarial assumptions impacting the forecast future claims cash flows and evaluated for reasonableness. This includes assumptions related to payment patterns and the rates used to discount future claims cash flows; • Assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA measurement model; • Assessed the appropriateness of the methodology and assumptions involved in the recognition of reinsurance assets associated with ADC and IQS contracts by reviewing the inputs to, and outputs from management's model including assessing any manual adjustments made to the output of the model; and • Assessed the appropriateness of the methodology and assumptions applied to determine the risk adjustment and testing of the derivation of the risk adjustment. Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the general insurance liabilities and reinsurance assets to be appropriate.
Implementation of IFRS 17 and restatement of comparatives IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. As a result, Aviva has adopted IFRS 17 in these financial statements. The transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation. New systems, data flows, interfaces, processes and models have been developed and introduced, giving rise to increased risks of material misstatement. International Accounting Standard 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*' ("IAS 8") requires that when the impact of adopting a new accounting standard is material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated. In particular, we consider the key risks in relation to the adoption of IFRS 17 and restatement of comparatives to be as follows: • The determination of the transition approach adopted for each group of insurance contracts; • The judgments involved in the determination of the measurement model to apply under the standard, in particular, management's use of the PAA measurement model for groups of contracts that are not automatically eligible; • The methodology and assumptions in respect of determining the risk adjustment; • The methodology applied to the amortisation of the CSM where the fully retrospective approach is being applied; • The implementation of new models to produce the IFRS 17 results, which include the CSM calculation engine; • The new data flow and interfaces arising from the implementation of IFRS 17 from new systems; and • The presentation of new required financial statement disclosures, specifically in relation to analysis of movement of insurance and reinsurance contract assets and liabilities, the confidence level of determining the risk adjustment and sensitivities with regard to the assumptions.	In performing our audit work over the transition to IFRS 17, and restatement of comparative financial statements (including the opening balance sheet), the procedures we performed included the following: • Assessed the design and tested the operating effectiveness of controls in place; • Assessed the appropriateness of the transition approach adopted for each group of insurance and reinsurance contracts; • Assessed whether the judgements, methodologies and assumptions applied by management in determining their accounting policies are in accordance with IFRS 17; • Assessed the judgements and supporting estimates used to determine that the use of the PAA measurement model is appropriate for contracts not automatically eligible; • Assessed key judgements and conclusions made within accounting policy papers as well as compliance of management's accounting principles with IFRS 17 to calculate the amount of risk adjustment; • Assessed the appropriateness of the methodology to derive the discount rate; • Performed validation of certain new models by evaluating the testing performed by management to assess their appropriateness and, where necessary, performing independent validation testing using sample scenarios and comparing the output between our calculations and those produced by management's models and relevant IT applications; • Tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives; • Performed testing over key data flows within the IFRS 17 business processes; and • Tested the accuracy of new required financial statement disclosures, including their compliance with the requirements of IFRS 17. Based on the work performed and the evidence obtained, we consider the approaches adopted and resulting measurements and disclosures in the financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Using the outputs from our risk assessment, along with our understanding of the Company's structure, we scoped our audit based on the significance of the results and financial position of individual components relevant to the total Company result and financial position. In doing so, we also considered qualitative factors and ensured we had obtained sufficient coverage across all financial statement line items at a total Company level.

Based on the outputs of our audit scoping exercise, we identified the Company's components to be the individual reporting units that comprise the Company's results and financial position.

We performed a full scope audit of the UK General Insurance operations and the Company's quota share reinsurance arrangement with Aviva International Insurance Limited, as they had the most significant impact on the Company financial statements.

For the remaining components, such as the UK Health insurance operations and the Company's quota share reinsurance arrangement with Aviva Insurance Ireland Designated Activity Company, we identified certain account balances which were considered to be significant in size or audit risk and scoped the audit to include detailed testing of these account balances.

We determined the level of involvement required by other auditors to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We exercised oversight over the work performed by other auditors by maintaining regular and timely communication, including:

- Attending regular meetings and discussions;
- Attending meetings with local management;
- Performing site visits; and
- Review of working papers and written communications.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management (both within and outside of the Company's finance function) to gain an understanding of the potential impact of climate risk on the Company's financial statements and the accompanying disclosures in the notes.

Management considers climate change as a significant risk to its strategy and business model. Specifically, they have identified physical risks, transition risks, and litigation risks as the key areas where climate risk could impact the business. These potential impacts have been detailed in notes 33 (e) (ii) and (g).

Using our knowledge of the business we have evaluated management's risk assessment and determined that the risk of material misstatement to the Company's financial statements as a result of climate change for the year ended 31 December 2023 has been effectively addressed. As a result, there is no material impact on our key audit matters.

Finally, we have assessed the consistency of the disclosures in relation to climate change in the Company's financial statements based on the knowledge obtained from our audit and concluded they meet the necessary requirements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£66,252,500 (2022: £54,140,000).
How we determined it	1% of insurance revenue
Rationale for benchmark applied	Insurance revenue is a key financial performance related benchmark used by the Directors and is central to the Company's communications to the public on the performance of the business.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £49,689,375 (2022: £40,610,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,312,625 (2022: 2,707,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the member of Aviva Insurance Limited

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and assessing the reasonableness of the Directors' assessment, taking into consideration the Company's year-end investment portfolio and its exposure to certain types of assets, cash flows and liquidity analysis and operational resilience;
- Considering management's assessment of the regulatory Solvency coverage and liquidity position;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Considering management's assessment of the impact of the acquisition of Probitas Holdings (Bermuda) Limited, including its subsidiaries, on the Company's Solvency coverage and liquidity position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the member of Aviva Insurance Limited

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements as shown in our Key Audit Matters. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management, internal audit, senior management involved in the Risk and Compliance functions and the Legal function, including consideration of known or suspected instances of non- compliance with laws and regulations and fraud;
- Making enquiries of the Group Investigations team who are responsible for independently reviewing fraudulent activity across the group, performing activities including, but not limited to, whistle-blowing hotlines and data analytics;
- Testing the operating effectiveness and reviewing the results of management's internal controls designed to prevent and detect irregularities;
- Assessing any matters reported on the Company's whistle-blowing hotline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Reserve and Projections Committee, and Board of Directors;
- Reviewing the company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Performing procedures relating to the valuation of the insurance liabilities and reinsurance assets and implementation of IFRS 17 as described in the related key audit matters above;
- Identifying and testing journal entries, in particular journals that appear to be posted outside the normal course of the Company's business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2012 to 31 December 2023.

Deepti

Deepti Vohra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 April 2024

Accounting policies

The Company, a private company limited by shares incorporated and domiciled in the United Kingdom ("UK"), transacts general insurance and health business. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 8.

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of a UK parent and is included in the consolidated financial statements for the Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

Items included in the financial statements of each of the Company's branches are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The Company's financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling ("£m").

Comparative figures have been restated following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments as detailed in note 1.

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments retrospectively from 1 January 2023. As a result, the Company has restated certain comparative amounts. IFRS 17 significantly impacts the measurement and presentation of insurance contracts and reinsurance contracts. IFRS 9 has had no impact on the measurement of the Company's financial instruments, but introduces new disclosure requirements. The nature and effects of the transition to IFRS 17 and IFRS 9 are summarised in note 1, including the financial impacts on the statement of financial position as at 1 January 2022. The Company's revised accounting policies are set out in (B), (H), (I), (K), (P), (Q), (S) and (W) below.

In addition, the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments do not have a significant impact on the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

(ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

(iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(iv) Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards and amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company. None of the amendments are expected to have a significant impact on the Company's financial statements. :

(i) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(ii) Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants

Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iii) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iv) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

Published by the IASB in May 2023. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(v) Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Published by the IASB in August 2023. The amendments are effective for annual reporting beginning on or after 1 January 2025 and have yet to be endorsed by the UK.

(vi) Amendments to IFRS 18 Presentation and Disclosure of Financial Statements

Published by the IASB in April 2024. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

Accounting policies (continued)

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

Critical accounting policies

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Item	Critical accounting judgement	Accounting policy	Note
Financial Investments	Based on the outcome of the business model assessment, the Company classifies financial investments mandatorily at fair value through profit or loss (FVTPL) as the investments are managed and their performance evaluated on a fair value basis to support the Company in managing its capital on a regulatory basis (Solvency II). The classification is determined by local management at initial recognition. These assets would otherwise be classified at amortised cost or fair value through other comprehensive income (FVOCI) depending on their cash flow characteristics.	S	17
Level of aggregation for insurance and reinsurance contracts	For measurement purposes, insurance and reinsurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups (see note K(c)), and judgement is applied to determine the profitability of contracts at initial recognition.	H & K	3, 5, 23
Premium allocation approach (PAA)	Judgement is applied to determine if the group of contracts is eligible for the premium allocation approach (PAA) for measurement.	H & K	3, 23

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below sets out those estimates considered particularly susceptible to changes in assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the relevant accounting policy and note disclosures.

Item	Critical accounting estimates	Accounting policy	Note
Measurement of insurance contract liabilities and reinsurance contract assets	Principal assumptions used in the calculation of general insurance and health liabilities include the allowance for illiquidity in the discount rates used to determine our latent claim and structured settlements liabilities, the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques) and the calibration of the risk adjustment.	K	23
Fair value of financial instruments, derivative financial instruments and investment property	Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	F, N, S, W	14, 16, 17, 34

(C) Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the Company has control. The Company controls an investee if, and only if, the Company has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement. Where investments are impaired, the impairment is reviewed annually for possible reversal.

Accounting policies (continued)

(D) Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. Generally, it is presumed that the Company has significant influence if it has between 20% and 50% of voting rights.

Investments in associates are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement. Where investments are impaired, the impairment is reviewed annually for possible reversal.

(E) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value and designated as held at fair value through profit or loss ("FVTPL") (see accounting policy S) are included in foreign exchange gains and losses in the income statement. Translation differences on assets held at amortised cost are included in foreign exchange gains and losses in the income statement.

(F) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(G) Product classifications

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

(H) Insurance service result

The insurance service result represents the Company's profits recognised on insurance and reinsurance contracts (measured in accordance with policy K) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

i. Insurance revenue

For insurance contracts applying General Measurement Model (GMM), insurance revenue is comprised of:

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss components; and
- The recovery of insurance acquisition cash flows, which offsets the amortisation included in insurance service expenses.

For insurance contracts applying the premium allocation approach (PAA), insurance revenue is based upon the earning of expected premium receipts. Premium receipts are earned over the contract's coverage period based upon the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

ii. Insurance service expenses

For insurance contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition of losses on onerous contracts;
- Other non-financial assumption changes which do not adjust the CSM, including those which affect the valuation of the liability for incurred claims;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

Accounting policies (continued)

For contracts not measured under the PAA, recovery of insurance acquisition cash flows is included in insurance revenue, as described above, and an equal and opposite amount for the amortisation of insurance acquisition cash flows is included in insurance service expenses. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

iii. Net income and expenses from reinsurance contracts

Net income/(expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

(I) Insurance finance result

Insurance finance income/(expenses) are calculated on insurance and reinsurance contracts, comprising:

- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the insurance finance result are discussed in greater detail in policy H.

(J) Other investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments (as defined in accounting policy S). Dividends on equity securities are recorded as revenue on the ex-dividend date. Dividends from investments in subsidiaries are recorded as revenue on the date the dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(K) Insurance and reinsurance contract liabilities

Insurance and reinsurance contracts are accounted for in accordance with IFRS 17. The key measurement principles are outlined below.

(a) IFRS 17 measurement models

The Company applies two measurement models to its insurance and reinsurance contracts as follows:

Model	Applicable business
PAA	– Short duration insurance and health contracts – Longer duration non-life insurance contracts which are eligible for PAA – Reinsurance contracts issued or held which meet PAA eligibility requirements
GMM	– Intra-group reinsurance contracts issued that are not eligible for PAA – Contracts reinsuring the adverse development of incurred claims, including the reinsurance of structured settlements to Aviva Life and Pensions UK Limited

The Company applies judgement when determining eligibility criteria for the PAA measurement models (see Accounting policy H).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e. the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM). The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

i. General measurement model (GMM)

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

ii. Premium allocation approach (PAA)

The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to all of the Company's insurance and reinsurance contracts except for contracts that reinsure adverse development of incurred claims and intra-group reinsurance contracts issued by the Company.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the expected timing of incurred claims. In almost all circumstances, the expected timing of incurred claims does not differ significantly from the passage of time and a straight-line earning pattern is being used.

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the LRC with a separate financial asset recognised for the amounts due from intermediaries. Commissions due to intermediaries are treated as paid within the LRC with a separate financial liability recognised. Variable commissions which are not yet due and which are dependent upon underwriting performance are measured within the liability for remaining coverage, until the coverage period expires and the liability amount is known, at which point they are reclassified as financial liabilities.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For most contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected cash flows. For Health contracts a PAA exemption is applied to measure the LIC on an undiscounted basis, allowable because claims are settled within 12 months of their incurred date.

(b) Choice of measurement model

PAA eligibility

The vast majority of the Company's business has a duration of one year or less and is automatically eligible for the PAA model. For the remainder, financial modelling is performed to compare the value of the LRC measured under GMM and PAA. Where the LRC does not materially differ between the two measurement models (over the duration of the contract and in a range of reasonably foreseeable scenarios) the contract group is PAA eligible.

The Company has multiple reinsurance contracts which are greater than one year in duration. These are assessed for PAA eligibility by applying the same financial modelling approach and are all PAA eligible except for treaties reinsuring the adverse development of incurred claims.

(c) Level of aggregation

The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

The Company has not identified any insurance contract groups that have no significant possibility of becoming onerous.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The Company has not identified any reinsurance contract groups that have no significant possibility of a net gain arising subsequently.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

Accounting policies (continued)

(d) Recognition and derecognition

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides insurance contract services in respect of any premiums within the boundary of the contract);
- the date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- the date when facts and circumstances indicate that the contract is onerous.

Reinsurance contracts are recognised on the following dates:

- Reinsurance contracts that provide proportionate coverage: the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts: the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company excess of loss and catastrophe cover reinsurance contracts.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(e) Estimate of future cash flows

The estimate of future cash flows is assessed at the level of profitability groups and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

i. Contract boundaries

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks (insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

ii. Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of the insurance and reinsurance fulfilment cashflows use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques). Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

iii. Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Company uses a bottom-up discount rate for all insurance contracts.

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for periodic payment orders with a lower percentage applied for other types of business that are considered partially liquid.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to claims payments that are directly linked to an inflation index.

Presentation of financial assumption changes

The Company has elected to recognise the impact of financial assumption changes in the income statement.

(f) Risk Adjustment

The risk adjustment reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Company pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM and PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

(g) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance related services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h) below. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service;
- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss recovery component set out in (h); and
- Currency exchange differences.

Changes in fulfilment cash flows that relate to future service include:

- Experience variances in premiums received during the period that relate to services provided from the start of the current period; and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement, including the following:

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Benefits provided included those arising from insurance related services.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided. Coverage units for adverse development cover reinsurance contracts issued are based upon the settlement profile of the underlying claims reinsured under the relevant contract.

(h) Loss components and loss offsetting

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component. A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance. Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to changes in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

(i) Insurance acquisition cash flows

Insurance acquisition cash flows are initially deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products. For contract groups applying PAA, the Company has chosen not to apply an exemption to recognise insurance acquisition cash flows as an expense at the point they are incurred.

Where insurance acquisition cash flows are allocated to contract groups applying GMM, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer. Insurance acquisition cash flows allocated to contract groups applying PAA are recognised in the income statement over the life of the contract based on the expected timing of incurred claims.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Company uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

Accounting policies (continued)

(L) Intangible assets

Intangible assets consist primarily of internally developed systems. The economic lives of these are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. These intangibles are amortised over their useful lives, which range up to 10 years, using the straight-line method. The amortisation charge for the period is included in the income statement, within other expenses within note 5.

Impairment

The carrying amount of intangible assets is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Intangible assets are written down for impairment where the recoverable amount is insufficient to support its carrying value. Further details on intangible asset impairment testing are given in note 11. Any impairments are charged as expenses in the income statement.

(M) Property and equipment

Owner-occupied properties are carried at their revalued amounts and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives.

This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. See accounting policy AA for further information.

All other items classed as property and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write down the cost of other assets to their residual values over their estimated useful lives of three to five years. The assets' residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year end, and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition of property and equipment are capitalised. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(N) Investment property

Investment property is held for long-term rental yields and is not occupied by the Company. Completed investment property is stated at its fair value, as assessed by qualified external valuers. Changes in fair values are recorded in the income statement within net investment income.

(O) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(P) Recognition and classification of financial assets

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or FVTPL based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI). The Company measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Company's management of capital on a regulatory basis. A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

The Company measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

(Q) Impairment of financial assets

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as loans to banks, other loans, and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition, except where the Company uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

Accounting policies (continued)

(R) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

A financial liability is derecognised when the obligation under the liability is extinguished (that is when the obligation is discharged, or cancelled or expires). The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

If the terms of a financial asset or financial liability measured at amortised cost are substantially modified, then the contractual rights to cash flows from the original financial asset or financial liability are deemed to have expired or extinguished. The original financial asset or financial liability is derecognised and a new financial asset or financial liability is recognised at fair value.

A financial asset measured at amortised cost is not derecognised if the contractual terms are not substantially modified and a modification gain or loss is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(S) Financial investments

The Company classifies financial investments at FVTPL using the business model assessment as described in accounting policy Q. The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Debt securities and equity securities, which the Company acquires with the intention to resell in the short term and derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values.

(T) Receivables and other financial assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on trade receivables with related parties. The amount of the provision is recognised in the income statement.

Loans due from Group operations

Loans with fixed maturities are recognised when cash is advanced to borrowers. These loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method. Loans with indefinite future lives are carried at unpaid principal balances.

To the extent that a loan is considered to be uncollectable, it is written down as impaired through the income statement. Any subsequent recoveries are credited to the income statement.

(U) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are recognised initially at cost, being fair value and are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are carried at fair value (see accounting policy W).

(V) Financial guarantees

Financial guarantees are recognised initially at their fair value and are subsequently amortised over the duration of the contract. A liability is recognised for amounts payable under the guarantee if it is more likely than not that the guarantee will be called upon.

(W) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit or equity indices, commodity values or equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. The Company has not designated any derivatives as hedging instruments for accounting purposes and they are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment income.

Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (“OTC”). Exchange-traded derivatives are standardised and include certain futures and option contracts and foreign exchange contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Company’s exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 34.

The Company has collateral agreements in place with relevant counterparties. Accounting policy Y below covers collateral, both received and pledged, in respect of these derivatives.

Interest rate, inflation rate and currency swaps

Interest rate and inflation rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate amounts by means of periodic payments, calculated on a specified notional amount and defined interest or inflation rates. Most interest and inflation rate swap payments are netted against each other, with the difference between the fixed and floating rate interest or inflation payments paid by one party.

Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Both types of swap contracts may include the net exchange of principal. Exposure to gain or loss on these contracts will increase or decreased over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

Foreign exchange contracts

Foreign exchange contracts, which include spot, forward, and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Foreign exchange option contracts are similar to interest rate option contracts, except that they are based on currencies, rather than interest rates. Exposure to gain or loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

(X) Loans

The impairment policy is described in accounting policy R for loans measured at amortised cost.

(Y) Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities (note 27). However, where the Company has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Company either (a) sells or re-pledges these assets in the absence of a default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash, which is legally segregated from the Company, is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Company defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of financial position within financial investments.

(Z) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months’ maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of investment property, loans and financial investments, and related investment income, are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(AA) Leases

Where the Company is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Company has made use of the election available under IFRS 16 to not recognise any amounts on the statement of financial position associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis.

Where the Company is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Company has not entered into any material finance lease arrangements as lessor.

Accounting policies (continued)

(BB) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure. Provisions are not recognised for future operating losses.

Restructuring provisions include lease termination penalties and employee termination payments. They comprise only the direct expenses arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

(CC) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement.

Deferred tax related to any fair value re-measurement of investments, held at fair value through other comprehensive income, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(DD) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

(EE) Pensions

The Company has no employees, however, it is one of a number of companies in the Group being charged for staff participating in pension schemes in the UK and Ireland, and its contributions are affected by the financial position of these schemes. In the absence of any contractual arrangements to allocate the net defined benefit cost for these schemes, measured in accordance with IAS 19, to individual businesses, it is the Group policy to allocate this cost fully to the main trading companies. Full disclosure of the Group's pension schemes is given in the Annual report and accounts of the Group.

Income statement

For the year ended 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m
Insurance revenue	3	**6,626**	5,941
Insurance service expense	5	**(5,870)**	(5,364)
Net expense from reinsurance contracts	5	**(530)**	(342)
Insurance service result		**226**	235
Investment return	4	**241**	(9)
Net finance (expense)/income from insurance contracts	4	**(374)**	855
Net finance income/(expense) from reinsurance contracts	4	**243**	(673)
Net financial result	4	**110**	173
Fee and commission income		**48**	42
Loss on the disposal and remeasurement of subsidiaries, joint ventures and associates		**—**	(1)
Other operating expenses	5	**(74)**	(118)
Other net foreign exchange gains/(losses)	5	**42**	(43)
Other finance costs		**—**	(1)
Profit before tax		**352**	287
Tax (expense)/credit	9	**(65)**	48
Profit for the year		**287**	335

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The Company has no recognised income and expenses other than that included in the results above and therefore a separate statement of comprehensive income has not been presented.

The accounting policies (identified alphabetically) on pages 17 to 27 and notes (identified numerically) on pages 32 to 81 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2023

	Note	Ordinary Share Capital £m	Capital contribution reserve £m	Special Reserve £m	Retained earnings £m	2023 Total equity £m
Balance at 1 January		**204**	**233**	**111**	**1,453**	**2,001**
Profit for the year		—	—	—	**287**	**287**
Total comprehensive income for the year		**—**	**—**	**—**	**287**	**287**
Dividends paid	10	**—**	**—**	**—**	**(333)**	**(333)**
Balance at 31 December		**204**	**233**	**111**	**1,407**	**1,955**

	Note	Ordinary Share Capital £m	Capital contribution reserve £m	Special Reserve £m	Retained earnings £m	Restated[1] 2022 Total equity £m
Balance at 1 January		204	233	111	1,910	2,458
IFRS 17 transition impacts	1	—	—	—	57	57
Balance at 1 January - restated		204	233	111	1,967	2,515
Profit for the year		—	—	—	335	335
Total comprehensive income for the year		—	—	—	335	335
Dividends paid	10	—	—	—	(849)	(849)
Balance at 31 December		204	233	111	1,453	2,001

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The accounting policies (identified alphabetically) on pages 17 to 27 and notes (identified numerically) on pages 32 to 81 are an integral part of the financial statements.

Statement of financial position
As at 31 December 2023

	Note	**2023** £m	Restated[1] 2022 £m	Restated[1] 1 January 2022 £m
Assets				
Intangible assets	L & 11	**148**	77	99
Investments in subsidiaries	C & 12	**2,075**	1,726	1,732
Investments in associates		**—**	—	34
Property and equipment	M & 13	**11**	14	28
Investment property	N & 14	**223**	202	271
Financial investments	S & 17	**5,118**	4,669	3,914
Reinsurance contract assets	K & 23	**1,498**	1,150	1,605
Deferred tax assets	CC & 24	**146**	137	102
Current tax assets	CC	**18**	32	2
Receivables	T & 18	**2,542**	2,711	2,669
Prepayments and accrued income	19	**236**	229	164
Cash and cash equivalents	Z & 31	**842**	1,124	2,057
Total assets		**12,857**	12,071	12,677
Equity				
Ordinary share capital	DD & 20	**204**	204	204
Other reserves	21	**344**	344	344
Retained earnings	22	**1,407**	1,453	1,967
Total equity		**1,955**	2,001	2,515
Liabilities				
Insurance contract liabilities	K & 23	**8,392**	7,418	7,868
Other provisions	BB & 25	**7**	14	21
Payables and other financial liabilities	U & 27	**2,153**	2,336	2,012
Other liabilities	U & 28	**350**	302	261
Total liabilities		**10,902**	10,070	10,162
Total equity and liabilities		**12,857**	12,071	12,677

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The financial statements on pages 28 to 81 were approved and signed on behalf of the Board of Directors on 24 April 2024 by:

C Jones

Director

24 April 2024

The accounting policies (identified alphabetically) on pages 17 to 27 and notes (identified numerically) on pages 32 to 81 are an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m
Cash flows used in operating activities			
Cash generated from/(used in) operating activities	31(a)	**320**	(69)
Tax paid		**(61)**	(17)
Total net cash generated from/(used in) operating activities		**259**	(86)
Cash flows (used in)/generated from investing activities			
Additions to subsidiary undertakings	12(a)	**(351)**	—
(Costs)/proceeds of disposals of subsidiary undertakings	12(b)(ii)	**—**	(1)
Loan repayment received from Aviva Canada	12(b)(i)	**285**	—
Acquisition of intangible assets		**(25)**	—
Capitalised costs relating to internally generated intangible assets under development		**(61)**	(29)
Acquisition of property and equipment	13	**(7)**	—
Total net cash used in investing activities		**(159)**	(30)
Cash flows used in financing activities			
Dividends paid to ordinary shareholders	10	**(333)**	(849)
Payment of principal on lease liabilities	15(i)	**(17)**	(16)
Payment of interest on lease liabilities	15(i)	**—**	(1)
Total net cash used in financing activities		**(350)**	(866)
Total net decrease in cash and cash equivalents		**(250)**	(982)
Cash and cash equivalents net of bank overdrafts at 1 January		**676**	1,658
Cash and cash equivalents net of bank overdrafts at 31 December	31(b)	**426**	676

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The accounting policies (identified alphabetically) on pages 17 to 27 and notes (identified numerically) on pages 32 to 81 are an integral part of the financial statements.

1. Changes to comparative amounts on transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position has been produced as at that date.

IFRS 17 Insurance Contracts provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies.

The Company has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Company had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted on any measurement differences on adoption by the Company, but does impact the disclosure of financial instruments as described in note 1(b).

Accounting policies that have been revised as a result of adoption of IFRS 17 and IFRS 9 are presented in Accounting Policies. Significant methods, judgements and assumptions applied in measurement of insurance contracts are set out in note 23(g). This note focuses on the changes made on transition to IFRS 17 and IFRS 9.

(a) IFRS 17 Insurance Contracts

(i)Transition to IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows) and a contractual service margin (CSM), representing the unearned profit to be recognised in profit or loss over the service period (coverage period).

Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the general measurement model (GMM), supplemented by the variable fee approach (VFA) which is a specific adaptation for contracts with direct participation features, and the premium allocation approach (PAA) which is a simplified model for short duration contracts. The Company has no contracts under the VFA and the majority of its contracts are measured using PAA.

The application of IFRS 17 significantly impacts the measurement and presentation of the Company's insurance and reinsurance contracts. The financial impact of measurement changes is more significant for life insurance than non-life insurance contracts, however, there are significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participation features are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance services provided during the period. Extensive disclosures provide information on the recognised amounts from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts. The Company's disclosures will be aligned to the following major groupings which broadly align with the Company's management structures and reporting of results:

PAA disclosure tables disaggregated by:
- Personal lines contracts
- Commercial lines contracts
- Health contracts
- External reinsurance excluding adverse deterioration cover contracts (ADCs)

GMM disclosure tables disaggregated by:

- Intra-group reinsurance contracts issued (including with Aviva Insurance Ireland Designated Activity Company ("AIIDAC", AIL's Irish subsidiary) and Gresham Insurance Company Limited (an entity which underwrites Home insurance contracts).
- ADC reinsurance contracts held (the reinsurance of adverse development on incurred claims to Aviva International Insurance Limited ("AIIL").

Further details of these groupings are provided in note 23.

Changes in accounting policies resulting from the implementation of IFRS 17 have been applied in accordance with the transitional provisions of the standard, which impact the measurement of the CSM at the transition date. The CSM represents a liability for unearned profit, hence will be recognised in the income statement over the remaining life of the contract as insurance and investment related services are provided to the customer.

The fully retrospective approach (FRA) has been used where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts there is a choice to apply the modified retrospective approach (MRA) to the extent that reasonable and supportable information exists, or the fair value approach (FVA).

For business in scope of the PAA, the FRA has been used in all cases.

For adverse development reinsurance, the Company has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. For this business the following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The FVA has been used for all other business written prior to 2016.

Application of the FVA

Under the FVA, the CSM recognised at the transition date has been determined as the fair value of the group of contracts less the fulfilment cash flows at the transition date. Unlike the FRA, no pre-transition information is required to calculate the FVA CSM. The Company has only applied FVA to reinsurance contracts reinsuring the adverse development of incurred claims and which are measured using the GMM, for which the net cost of the reinsurance is required to be recognised within the Income statement immediately, without recognising a CSM balance. For such contracts, their measurement upon transition is comprised only of their discounted future cashflows and the risk adjustment.

1. Changes to comparative amounts on transition to IFRS 17 and IFRS 9 continued

(ii) Financial impacts on transition to IFRS 17

The Company's equity, as restated for the adoption of IFRS 17, is £2,515 million at the transition date of 1 January 2022, including CSM of £10 million (gross of tax). Equity reported on an IFRS 4 basis at 31 December 2021 was £2,458 million.

The financial impacts on transition to IFRS 17 are summarised in the table below, which sets out the restated statement of financial position on the transition date:

	31 December 2021 As previously reported	Reclassification and derecognition	IFRS 17 measurement	Total change	1 January 2022 Restated
	£m	£m	£m	£m	£m
Assets					
Intangible assets	99	—	—	—	99
Investments in subsidiaries	1,732	—	—	—	1,732
Investments in associates	34	—	—	—	34
Property and equipment	28	—	—	—	28
Investment property	271	—	—	—	271
Financial investments	3,914	—	—	—	3,914
Reinsurance contract assets	5,673	(4,024)	(45)	(4,069)	1,605
Deferred tax assets	115	—	(13)	(13)	102
Current tax assets	2	—	—	—	2
Receivables	3,112	(443)	—	(443)	2,669
Deferred acquisition costs	627	(627)	—	(627)	—
Prepayments and accrued income	164	—	—	—	164
Cash and cash equivalents	2,057				2,057
Total assets	17,828	(5,094)	(58)	(5,152)	12,677
Equity					
Ordinary share capital	204	—	—	—	204
Other reserves	344	—	—	—	344
Retained earnings	1,910	—	57	57	1,967
Total equity	2,458	—	57	57	2,515
Liabilities					
Insurance contract liabilities	9,463	(1,481)	(115)	(1,596)	7,868
Other provisions	21	—	—	—	21
Payables and other financial liabilities	4,986	(2,974)	—	(2,974)	2,012
Other liabilities	900	(639)	—	(639)	261
Total liabilities	15,370	(5,094)	(115)	(5,209)	10,162
Total equity and liabilities	17,828	(5,094)	(58)	(5,152)	12,677

Reclassification and derecognition in the restated opening statement of financial position

On adoption of IFRS 17, the concept of deferred acquisition costs (DAC) is no longer applied to produce separately recognised assets and liabilities in relation to insurance contracts, instead they are implicitly included in the measurement of insurance contract assets and liabilities. DAC on insurance contracts of £627 million has been presented as a reclassification to insurance contract liabilities.

There are also changes in presentation and content of the receivables, payables and other liabilities in respect of insurance contracts to which IFRS 17 applies, which are now included within insurance contract liabilities and reinsurance contract assets.

1. Changes to comparative amounts on transition to IFRS 17 and IFRS 9 continued

Remeasurement in the restated opening statement of financial position

The drivers of remeasurements in the restated opening statement of financial position include the following:

Drivers	Description	Remeasurement £m
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for non-financial risk.	138
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows is the introduction of discounting for all non-life (excluding health) insurance business (under IFRS 4 only longer duration claims were discounted). Losses on onerous groups of contracts are recognised immediately within insurance service expenses in the statement of income and a loss component is established, while subsequent re-measurement has a similar impact. The loss component is then released to the statement of income over time using a variable proportion approach. For further details on the loss component and reinsurance loss recovery component refer to accounting policy H.	14
Contractual Service Margin ("CSM")	For certain assumed reinsurance contracts issued by the Company, a CSM has been recognised to represent the unearned profit of such contracts issued. This is recognised in profit or loss over the coverage period in line with the service provided. At transition, the value of the CSM is not material to the Company's profit or loss.	(7)
Removal of unearned premium asset on reinsurance of incurred claims	Under IFRS 17, the unearned premium asset recognised on the reinsurance of structured settlements under IFRS 4 is eliminated and recognised in the income statement	(41)
Risk Adjustment	The risk adjustment is an explicit allowance for non-financial risk recognised under IFRS 17, replacing the IFRS 4 margins.	(106)
Asset for insurance acquisition cashflows	Insurance acquisition cash flows are initially deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products.	72
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 impacted current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The increase in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax liability as tax will become payable on the increase recognised which reflects profits that would have emerged later under IFRS 4.	(13)
Total		57

IFRS 17 also introduces significant changes in the presentation of the income statement:

- The insurance service result separately presents the result, before the effects of financial risks, for insurance contracts, and comprises insurance revenue and insurance service expenses.
- Insurance revenue, the composition of which is set out in accounting policy H, represents the allocation over the life of the insurance contract of premiums received. Insurance revenue replaces net earned premiums.
- Insurance service expense separately presents the claims and expenses incurred in fulfilling insurance contracts. Costs incurred in relation to other types of business continue to be presented within other operating expenses.
- The net financial result comprises investment return, the finance income/expense on insurance contracts that arise from discounting, and changes in financial risk.
- Other income and expense items are presented in a similar manner as previously reported.

IFRS profit for the year ending 31 December 2022 has been restated as follows:

31 December 2022	As previously reported £m	Change £m	As restated £m
IFRS profit before tax attributable to shareholders' profits	128	159	287
Tax	66	(18)	48
IFRS profit for the period	194	141	335

(b) IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets, resulting in the Company's financial assets being measured at FVTPL or amortised cost. The basis of classification depends on the business model for managing the cash flows from these assets and their contractual cash flow characteristics, as set out in accounting policy S. The IFRS 9 expected credit loss model for impairment is applied to any financial assets held at amortised cost and lease receivables. The outcome for financial liabilities remains unchanged as the Company has elected to recognise fair value changes attributable to own credit risk in the income statement for financial liabilities designated at FVTPL.

Changes in accounting policies as a result of adopting IFRS 9 have been implemented retrospectively with the exception of:

- Assessments that have been made on the basis of facts and circumstances that existed at the date of initial application of 1 January 2023, as follows:
  - The determination of the business model within which a financial asset is held.
  - The designation (and revocation of previous designations) of certain financial assets and financial liabilities measured at FVTPL.

The retrospective restatement of comparatives has resulted in no material adjustments to the measurement of financial instruments in the financial statements.

Notes to the financial statements (continued)

1. Changes to comparative amounts on transition to IFRS 17 and IFRS 9 continued

(b) IFRS 9 Financial Instruments *continued*

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets as at the transition date of 1 January 2022. The new measurement categories have had no impact on the Company's financial assets.

	IFRS 9			IAS 39		
	Mandatorily held at FVTPL	Amortised cost	Total carrying amount	Designated at FVTPL	Amortised cost	Total carrying amount
At 1 January 2022	£m	£m	£m	£m	£m	£m
Financial assets						
Cash and cash equivalents	—	2,057	2,057	—	2,057	2,057
Financial investments	3,914	—	3,914	3,914	—	3,914

2. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2023	2022
Euro	**1.1532**	1.1298
US Dollar	**1.2731**	1.2097
Canadian Dollar	**1.6871**	1.6386

3. Insurance Revenue

	2023	Restated[1] 2022
	£m	£m
Amounts relating to changes in liabilities for remaining coverage		
CSM recognised for the services provided	**17**	10
Change in risk adjustment for non-financial risk for risk expired	**13**	14
Expected incurred claims and other insurance service expenses	**354**	380
Contracts not measured under the PAA	**384**	404
Contracts measured under the PAA	**6,242**	5,537
Total insurance revenue	**6,626**	5,941

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

4. Net Financial Result

The following table analyses the company's net financial results in profit or loss.

	2023	Restated[1] 2022
	£m	£m
Interest and similar income	**88**	3
Dividend income	**16**	9
(Expense)/income from Group undertakings	**(100)**	712
From financial assets designated at FVTPL on inception	**237**	(733)
Total investment return	**241**	(9)
Interest accreted	**(285)**	(42)
Effect of, and changes in, interest rates and other financial assumptions	**(89)**	897
Total net finance (expense)/income from insurance contracts	**(374)**	855
Interest accreted	**174**	37
Effect of, and changes in, interest rates and other financial assumptions	**69**	(710)
Net finance income/(expense) from reinsurance contracts	**243**	(673)
Net financial result	**110**	173

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Notes to the financial statements (continued)

5. Details of expenses

	Note	2023 £m	Restated[1] 2022 £m
Claims and benefits incurred			
Claims and benefits incurred		**4,473**	4,050
Claim recoveries from reinsurers		**(2,461)**	(2,311)
Claims and benefits incurred, net of recoveries from reinsurers		**2,012**	1,739
Losses on onerous insurance contracts		**10**	61
Fee and commission expense			
Insurance acquisition cash flows		**1,096**	979
Amount attributed to insurance acquisition cash flows incurred during the year		**292**	274
Fee and commission expense		**1,388**	1,253
Other expenses			
Amortisation of intangible assets	11	**45**	45
Other expenses		**28**	73
Other net foreign exchange (gains)/losses		**(42)**	43
Total expenses		**3,441**	3,214
Represented by expenses included within the income statement:			
Insurance service expense		**5,870**	5,364
Expense recovery from reinsurance contracts		**(2,461)**	(2,311)
Other operating expenses		**74**	118
Other net foreign exchange (gains)/losses		**(42)**	43
Total expenses		**3,441**	3,214

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Expense recovery from reinsurance contracts is presented in the income statement within net expense from reinsurance contracts, which comprises an allocation of premiums paid to reinsurers of £(2,991) million (*2022 restated: £(2,653) million*) and amount recovered from reinsurers of £2,461 million (*2022 restated: £2,311 million).*

6. Employee information

The Company has no employees (*2022: none*). The majority of staff engaged in the activities of the Company are employed by Aviva Employment Services Limited, a fellow subsidiary undertaking of Aviva plc. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Aviva Employment Services Limited. The Company is recharged with the costs of the staff provided by Aviva Employment Services Limited.

7. Directors' remuneration

Mr Storah, Ms Toner, Ms Poole and Mr Winslow were remunerated by Aviva Employment Services Limited, a fellow subsidiary of Aviva plc, and all of their remuneration is disclosed within the aggregate of key management compensation in note 36(b).

The fees for Mr C J Clark, Mr I E Clark, Ms Fry, Mr Rochez, Mr Scott and Mr Strobel are paid for and borne by the Company, with the exception of additional fees paid by the ultimate parent Company Aviva Plc to Mr Strobel where they represent the Company on certain Group matters.

The emoluments in respect of Mr C J Clark, Mr I E Clark, Ms Fry, Ms Poole, Mr Rochez, Mr Scott, Mr Storah, Mr Strobel, Ms Toner and Mr Winslow are shown in the table below:

	2023 £'000	2022 £'000
Aggregate emoluments	**3,391**	3,840
Company pension contributions to a money purchase scheme	**159**	206
	3,550	4,046

Where directors had multiple directorships and their services as a director for the Company were not incidental to their roles across the Group, it is not possible to accurately apportion their emoluments to individual companies. The emoluments of these directors reported in the above table are in respect of qualifying services performed for the Group, which may also be disclosed within the financial statements of other Group companies.

Pension contributions consist of employer contributions into the money purchase section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by the employees, plus payments in lieu of pension above the lifetime or annual allowance caps.

During the year, none of the directors *(2022: none)* accrued retirement benefits under money purchase pension schemes in respect of qualifying services.

Notes to the financial statements (continued)

7. Directors' remuneration continued

During the year, none of the directors *(2022: none)* exercised share options, and four of the directors *(2022: four)* were granted share options under long term incentive schemes in relation to shares of the Company's ultimate parent company, Aviva plc.

The details of the highest paid director are as follows:

	2023	2022
	£'000	£'000
Aggregate emoluments	**1,071**	1,331
Company pension contributions to a money purchase scheme	**49**	69
	1,120	1,400

During the year the highest paid director was granted share options under long-term incentive schemes in relation to shares of the Company's ultimate parent company, Aviva plc.

8. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PwC LLP is as follows:

	2023	2022
	£'000	£'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	**3,226**	4,338
Audit related assurance services	**321**	282
	3,547	4,620

Fees payable for audit related assurance services include fees in relation to the audit of the Solvency II results, the Employers Liability Register for 2023 and 2022, and the Civil Liability Act for 2023 only.

All audit fees in 2023 (*2022: £2,609 thousand*) were paid by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies in respect of the statutory audit.

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, PwC LLP and its associates, for services other than the statutory audit and audit-related assurance services of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

9. Tax

(a) Tax (charged)/credited to the income statement

(i) The total tax (charge)/credit comprises:

		Restated[1]
	2023	2022
	£m	£m
Current tax		
For the period	**(65)**	15
Adjustments in respect of prior years	**(9)**	(2)
Total current tax	**(74)**	13
Deferred tax		
Origination and reversal of temporary differences	**(5)**	(36)
Write back of deferred tax assets	**14**	71
Total deferred tax	**9**	35
Total tax (charged)/credited to the income statement	**(65)**	48
United Kingdom tax	**(65)**	60
Overseas tax	**—**	(12)
	(65)	48

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

(ii) Unrecognised tax losses were used to reduce current tax expense and deferred tax charge by £14 million *(2022 restated): £nil)* and £nil *(2022 restated): £71 million)*, respectively.

Notes to the financial statements (continued)

9. Tax continued

(iii) Deferred tax credited to the income statement represents movements on the following items:

	2023 £m	Restated[1] 2022 £m
Insurance items	**62**	(37)
Unused losses and tax credits	**(49)**	72
Provisions and other temporary differences	**(4)**	—
Total deferred tax credited to the income statement	**9**	35

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

(b) Tax credited/(charged) to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2023 or 2022.

(c) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	Note	2023 £m	Restated[1] 2022 £m
Total profit before tax		**352**	287
Tax calculated at standard UK corporation tax rate of 23.50% (2022: 19.00%)		**(83)**	(54)
Adjustment to tax charge in respect of prior periods		**(1)**	(1)
Non-assessable income		**7**	52
Disallowable expenses		**(1)**	(1)
Different local basis of tax on overseas profits		**—**	(12)
Movement in valuation of deferred tax		**13**	64
Total tax (charged)/credited to the income statement	9(a)(i)	**(65)**	48

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2022 and 31 December 2023.

In addition, the UK government announced a reduction in the authorised surplus payments charge, applicable to withdrawing amounts from pension schemes in surplus, from 35% to 25% to take effect from 6 April 2024. This provision was not substantively enacted at the balance sheet date, however, its implementation is expected to reduce the deferred tax liabilities of the company by approximately £1 million.

During 2023, legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was enacted in the UK, to take effect from 31 December 2023. The Company (as part of the Aviva Group) has assessed its potential exposure, based on the available information, and does not anticipate any exposure to additional tax under these provisions.

10. Dividends

	Note	2023 £m	2022 £m
Ordinary dividends declared and charged to equity in the year:			
Interim dividend - £16,151 per share, declared in September 2022		**—**	329
Interim dividend - £10,899 per share, declared in November 2022		**—**	222
Interim dividend - £14,653 per share, declared in December 2022			298
Interim dividend - £5,107 per share, declared in August 2023		**104**	
Interim dividend - £11,245 per share, declared in December 2023		**229**	
	36(a)(v)	**333**	849

Interim ordinary dividends of £104 million were declared and settled in August 2023, with a further interim ordinary dividend of £229 million declared and settled in December 2023. All dividends were settled in cash in 2023.

In accordance with accounting policy DD all interim ordinary dividends settled during 2023 are recognised in the 2023 accounting period.

Notes to the financial statements (continued)

11. Intangible assets

	Note	Total[1] £m
Gross amount		
At 1 January 2022		314
Additions		23
At 31 December 2022		**337**
Additions		**116**
At 31 December 2023		**453**
Accumulated amortisation		
At 1 January 2022		(215)
Amortisation for the year	5	(45)
At 31 December 2022		**(260)**
Amortisation for the year	5	**(45)**
At 31 December 2023		**(305)**
Carrying amount		
At 1 January 2022		99
At 31 December 2022		77
At 31 December 2023		**148**

[1]Included in the intangible assets of £148 million at 31 December 2023 is £62 million relating to intangibles assets not yet ready for use (under construction). In 2022, the equivalent balance of £31 million was included within prepayments and accrued income.

Intangible assets consist primarily of costs relating to Guidewire, a policy administration and claims handling system, and intangibles recognised upon the acquisition of Azur. Costs relating to both are being amortised over 10 years.

12. Investments in subsidiaries and associates

(a) Movements in the Company's investments in its subsidiaries and associates

	Note	2023 Subsidiaries £m	2023 Associates £m	2022 Subsidiaries £m	2022 Associates £m
Cost at 1 January		**1,726**	**—**	1,732	34
Additions	12(b)(i)	**351**	**—**	—	—
Impairments	12(b)(ii)	**(2)**	**—**	(6)	—
Transfer to Financial investments		**—**	**—**	—	(34)
Cost at 31 December		**2,075**	**—**	1,726	—

(b) Material movements

(i) Additions

Additions of £351 million *(2022: £nil comprised)*:

- In August 2023, the Company made a capital contribution of £67 million in cash to its subsidiary Gresham, in consideration of the issue of ordinary shares, to support Gresham's acquisition of the renewal rights to a back-book of home insurance policies previously owned by Barclays.
- In December 2023, the Company's investment in Aviva Canada increased by £285 million. This was part of an agreed loan restructuring, whereby a C$480 million loan from the Company to Aviva Canada was converted to equity, with the overall net impact to the Company being £nil.

(ii) Impairments

In accordance with IAS 36 *Impairment of Assets,* the Company's investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. In the impairments below, the net asset value has been used as a reasonable approximation of the fair value less costs to sell.

Impairments of £2 million (*2022: £6 million*) comprise:
- In December 2023, following the annual impairment review set out above, the Company impaired its investment in its subsidiary Gresham by £2 million.
- In December 2022, following receipt by the Company of dividends from Aviva Insurance Services UK Limited of £11 million, the cost of the Company's investment in its subsidiary Aviva Insurance Services UK Limited was fully impaired by £6 million;

c) Related undertakings

See note 37 for details of all related undertakings.

Notes to the financial statements (continued)

13. Property and equipment

	Owner-occupied properties Freehold £m	Owner-occupied properties Leasehold £m	Other assets £m	Total £m
Cost or valuation				
1 January 2022[1]	23	394	2	419
Disposals	(18)	(2)	—	(20)
31 December 2022[1]	**5**	**392**	**2**	**399**
Additions	**—**	**—**	**7**	**7**
31 December 2023	**5**	**392**	**9**	**406**
Depreciation and impairment				
At 1 January 2022	(12)	(378)	(1)	(391)
Depreciation charge for the year	—	(6)	—	(6)
Disposals	11	2	—	13
Impairment charge for the year	—	(1)	—	(1)
At 31 December 2022	**(1)**	**(383)**	**(1)**	**(385)**
Depreciation charge for the year	**—**	**(6)**	**(1)**	**(7)**
Impairment charge for the year	**—**	**(3)**	**—**	**(3)**
At 31 December 2023	**(1)**	**(392)**	**(2)**	**(395)**
Carrying amount				
At 1 January 2022	11	16	1	28
At 31 January 2022[1]	4	9	1	14
At 31 December 2023	**4**	**—**	**7**	**11**

1.The 2022 comparative results for Leasehold owner-occupied properties have been restated from those previously published in the Company's 2022 Annual Report and Financial Statements.

The impairment of leasehold properties by £3 million during 2023 and £1 million during 2022 arose from the planned reduction in the Group's property footprint.

Owner-occupied properties are stated at their revalued amounts, as assessed by qualified external valuers. These valuations are assessed in accordance with the relevant parts of the current Royal Institute of Charted Surveyors Appraisal and Valuation Standards in the UK, and with current local valuation practices in other countries. This assessment is in accordance with UK Valuations Standards ("Red book") and is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, on the basis of the highest and best use of the asset that is physically possible, legally permissible and financial feasible. The valuation assessment adopts market-based evidence and is in line with guidance from the International Valuation Standards Committee and the requirements of IAS 16, *Property, Plant and Equipment*.

Owner-occupied properties held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term. For further information on the Company's lease arrangements see note 15.

If owner-occupied properties were stated on a historical cost basis, the carrying amount would be £26 million *(2022: £26 million)*.

14. Investment property

(a) Carrying amounts

	2023 £m	2022 £m
Carrying value		
At 1 January	**202**	271
Additions	**32**	—
Capitalised expenditure on existing properties	**1**	—
Fair value losses	**(12)**	(38)
Disposals	**—**	(28)
Loss on disposal of investment properties	**—**	(3)
At 31 December	**223**	202

See accounting policy F "Fair value measurement" for further information on the fair value measurement and valuation techniques of investment property.

The fair value of investment properties leased to third parties under operating leases at 31 December 2023 was £223 million *(2022: £202 million)*. Further contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 15.

15. Lease assets and liabilities

The Company's leased assets primarily consist of properties occupied by the Company carried at amortised cost (see note 13) and leasehold investment properties carried at fair value (see note 14) which are sublet to third parties. Leasehold investment properties are measured in accordance with IAS 40 Investment Property (see accounting policy N).

Although the Company is exposed to changes in the residual value at the end of the current leases to third parties on investment property, the Company typically enters into new operating leases and therefore is not expected to immediately realise any reduction in residual value at the end of these leases. Expectations of the future residual values are reflected in the fair value of the properties.

(i) Total interest expense included in the income statement in respect of lease liabilities is £nil million *(2022: £1 million)*. Total cash outflows recognised in the year in relation to leases were £17 million *(2022: £17 million)*. Expenses recognised in the Company income statement in relation to short-term and low-value leases were £nil *(2022: £nil)*. Variable lease payments not included in the measurement of lease liabilities were £nil *(2022: £nil)*.

(ii) The following table analyses the right of use assets relating to leased properties occupied by the Company.

	2023 £m	2022 £m
Balance at 1 January	**9**	16
Impairment of right of use assets	**(3)**	(1)
Depreciation	**(6)**	(6)
Balance at 31 December	**—**	9

Included within the income statement is income of £2 million *(2022: £3 million)* in respect of sublets of right of use assets.

(iii) Discounted lease liabilities included within note 27 are £6 million (*2022: £22 million).* Future undiscounted contractual aggregate minimum lease payments are as follows:

	2023 £m	2022 £m
Within 1 year	**6**	17
Later than 1 year and not later than 5 years	**—**	6
Total undiscounted lease liabilities	**6**	23

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(iv) Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Within 1 year	**13**	12
Later than 1 year and not later than 5 years	**38**	35
Later than 5 years	**58**	55
Total lease rentals receivable	**109**	102

16. Fair value methodology

This note explains the methodology for valuing the Company's assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs. Fair value methodology used to support the fair value approach to IFRS transition is set out in Note 1.

(a) Basis for determining fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

16. Fair value methodology continued

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in an active market;
- quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads); and
- market-corroborated inputs.

Where broker quotes are used and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- where the broker price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability. Examples are certain private equity investments and private placements.

The majority of the Company's assets and liabilities measured at fair value are based on quoted market information or observable market data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation techniques

No changes were made to the valuation techniques during the year compared to those described in the Company's 2022 annual report and financial statements.

(c) Carrying amounts and fair value of financial instruments

The carrying amounts of financial assets and financial liabilities are set out in the following table:

					31 December 2023				Restated[1] 31 December 2022
	Notes	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount
		£m	£m	£m	£m	£m	£m	£m	£m
Financial assets									
Receivables	18	—	—	2,542	2,542	—	—	2,669	2,669
Prepayments and accrued income	19	—	—	236	236	—	—	164	164
Cash and cash equivalents	31	—	—	842	842	—	—	1,124	1,124
Financial investments	17	—	5,118	—	5,118	—	4,669	—	4,669
Debt securities		—	2,935	—	2,935	—	2,771	—	2,771
Equity securities		—	9	—	9	—	111	—	111
Other investments (including derivative assets)		—	2,174	—	2,174	—	1,786	—	1,786
Financial liabilities									
Payables and other financial liabilities	27	—	—	1,845	1,845	—	—	1,616	1,616
Other liabilities	28	—	—	350	350	—	—	261	261
Derivative liabilities	34	—	308	—	308	—	396	—	396

1.The 2022 comparative results have been restated from those previously published recognising that IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments had always applied as described in note 1.

Fair values of the following financial assets and financial liabilities approximate to their carrying amounts:

- Receivables
- Prepayments and accrued income
- Cash and cash equivalents
- Payables and other financial liabilities
- Other liabilities

16. Fair value methodology continued

(d) Fair value hierarchy

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below:

	Fair value hierarchy					
	Level 1	Level 2	Level 3	Sub-total Fair value	Amortised cost	Total carrying value
31 December 2023	£m	£m	£m	£m	£m	£m
Recurring fair value measurements						
Receivables	—	—	—	—	2,542	2,542
Prepayments and accrued income	—	—	—	—	236	236
Cash and cash equivalents	—	—	—	—	842	842
Financial investments measured at fair value						
Debt securities	1,310	1,625	—	2,935	—	2,935
Equity securities	—	—	9	9	—	9
Other investments (including derivative assets)	1,673	282	219	2,174	—	2,174
Total	2,983	1,907	228	5,118	3,620	8,738
Financial liabilities measured at fair value						
Payables and other financial liabilities	—	—	—	—	1,845	1,845
Other liabilities	—	—	—	—	350	350
Derivative liabilities	—	308	—	308	—	308
Total	—	308	—	308	2,195	2,503

	Fair value hierarchy					
Restated[1]	Level 1	Level 2	Level 3	Sub-total fair value	Amortised cost	Total carrying value
31 December 2022	£m	£m	£m	£m	£m	£m
Recurring fair value measurements						
Receivables	—	—	—	—	2,669	2,669
Prepayments and accrued income	—	—	—	—	164	164
Cash and cash equivalents	—	—	—	—	1,124	1,124
Financial investments measured at fair value						
Debt securities	1,186	1,585	—	2,771	—	2,771
Equity securities	109	—	2	111	—	111
Other investments (including derivative assets)	1,036	536	216	1,787	—	1,787
Total	2,331	2,121	218	4,670	3,957	8,627
Financial liabilities measured at fair value						
Payables and other financial liabilities	—	—	—	—	1,616	1,616
Other liabilities	—	—	—	—	261	261
Derivative liabilities	6	390	—	396	—	396
Total	6	390	—	396	1,877	2,273

1.The 2022 comparative results have been restated from those previously published recognising that IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments had always applied as described in note 1.

(e) Valuation approach for fair value assets and liabilities classified as Level 2

See note 16(a) for a description of typical Level 2 inputs.

Fixed maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, sale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers. Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit Trusts and other investment funds included under the other investments category are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

16. Fair value methodology continued

(f) Transfers between levels of the fair value hierarchy

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

There were no material transfers between levels of the fair value hierarchy following the assessment made at the end of 2023 and 2022.

(g) Further information on Level 3 financial instruments

The table below shows movements in the Level 3 assets and liabilities measured at fair value:

	Equity securities	Investment property	Other investments
	£m	£m	£m
Balance at 1 January 2023	**2**	**202**	**216**
Total net losses recognised in the income statement	**2**	**(12)**	**(11)**
Purchases	**—**	**33**	**21**
Disposals	**—**	**—**	**(2)**
Other movements[1]	**5**	**—**	**(5)**
Balance at 31 December 2023	**9**	**223**	**219**

1. £5 million of private equity investments have been reclassified from Other investments to Equity securities in the year.

	Equity securities	Investment property	Other investments
	£m	£m	£m
Balance at 1 January 2022	2	271	98
Total net losses recognised in the income statement	—	(41)	(2)
Purchases	—	—	86
Disposals	—	(28)	—
Transfers into level 3	—	—	34
Balance at 31 December 2022	2	202	216

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

Investment in property

Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. The Company's methodology requires external valuers in the UK to apply the 'Sustainability and ESG in commercial property valuation and strategic advice' guidance note issued by The Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable.

Other investments (including derivatives)

Unit Trusts and other investment funds including property funds are valued based on external valuation reports received from fund managers.

Sensitivities

The valuation of level 3 assets involves a high degree of judgement and estimation uncertainly due to the reliance of valuation models on unobservable inputs. Where possible, the Company tests the sensitivity of the fair values of Level 3 assets and liabilities to changes in unobservable inputs to reasonable alternatives. Level 3 valuations are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Company undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally-modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, net asset value multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

Notes to the financial statements (continued)

16. Fair value methodology continued

The table below shows the sensitivity of the fair value of Level 3 investments to changes in unobservable inputs to a reasonable alternative:

	Fair value	Most significant unobservable inputs	Reasonable change	Positive impact	2023 Negative impact
	£m			£m	£m
Investment property	223	Estimated rental yields	+/- 10%	+22	-22
Equity securities	9	Market multiples applied to net asset values	+30% / -20%	+3	-2
Other Investments:					
Property funds	121	Market multiples applied to net asset values	'+/-6-15%[1]	+3	-9
Other investments	98	Market multiples applied to net asset values	+30% / -20%	+29	-20

	Fair value	Most significant unobservable inputs	Reasonable change	Positive impact	2022 Negative impact
	£m			£m	£m
Investment property	202	Estimated rental yields	+/- 10%	+22	-22
Other Investments:					
Property funds	126	Market multiples applied to net asset values	'+/-6-15%[1]	+3	-12
Other investments	90	Market multiples applied to net asset values	+30% / -20%	+26	-18

1. Dependent on investment category

17. Financial investments

This note analyses our financial investments by type and shows their cost and fair value. These will change from one period to the next as a result of new business written, claims paid and market movements.

Carrying amount

Financial investments comprise:

	2023 £m	2022 £m
Fixed maturity securities		
Debt securities		
UK Government	**959**	884
Non-UK Government	**525**	542
Corporate	**1,451**	1,345
	2,935	2,771
Equity securities	**9**	111
Other investments		
Unit trusts and other investment vehicles	**1,883**	1,224
Derivative financial instruments	**291**	563
	2,174	1,787
Total financial investments	**5,118**	4,669

	2023 £m	2022 £m
Expected to be recovered in less than one year	**2,098**	1,542
Expected to be recovered in more than one year	**3,020**	3,127
	5,118	4,669

Financial investments are held mandatorily at fair value through profit or loss (FVTPL) as the investments are managed and their performance evaluated on a fair value basis to support the Company in managing its capital on a regulatory basis (Solvency II).

Financial investments include £51 million (*2022: £30 million*) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Company.

Notes to the financial statements (continued)

17. Financial investments continued

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments.

	2023				2022			
	Cost/ amortised cost	**Unrealised gains**	**Unrealised losses and impairments**	**Fair value**	Cost/ amortised cost	Unrealised gains	Unrealised losses and impairments	Fair value
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Fixed maturity securities	**3,187**	**—**	**(252)**	**2,935**	3,135	—	(364)	2,771
Equity securities	**8**	**1**	**—**	**9**	127	—	(16)	111
Unit trusts and other investment vehicles	**1,772**	**115**	**(4)**	**1,883**	1,216	53	(45)	1,224
Derivative financial instruments	**(20)**	**311**	**—**	**291**	98	525	(60)	563
	4,947	**427**	**(256)**	**5,117**	4,576	578	(485)	4,669

All unrealised gains and losses and impairments on financial investments classified as FVTPL have been recognised in the income statement.

Unrealised gains and losses on financial investments classified as at FVTPL, recognised in the income statement in the year, were a net gain of £171 million (*2022: net gain of £93 million*).

The movement in the unrealised gain/loss position reported in the statement of financial position during the year, shown in the table above, includes transfer due to the realisation of gains and losses on disposal and the recognition of impairment losses.

18. Receivables

	Note	2023	Restated[1] 2022
		£m	£m
Amounts owed by contract holders		**18**	25
Amounts owed by intermediaries		**836**	757
Amounts due from reinsurers		**97**	90
Group relief receivable		**142**	142
Amounts due from parent	36(a)(v)	**27**	19
Amounts due from subsidiaries and associates	36(a)(v)	**585**	645
Amounts due from other Group companies	36(a)(v)	**67**	12
Loans due from parent	36(a)(i)	**500**	500
Loans due from subsidiaries	36(a)(i)	**207**	508
Other receivables		**63**	13
Total at 31 December		**2,542**	2,711
Expected to be recovered in less than one year		**1,693**	1,561
Expected to be recovered in more than one year		**849**	1,150
		2,542	2,711

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Concentrations of credit risk with respect to receivables, external to the Company, are limited due to the size and spread of the Company's trading base. No further credit risk provision is therefore required in excess of provisions already recognised for doubtful receivables.

19. Prepayments and accrued income

Prepayments and accrued income of £236 million (*2022: £229 million*) are expected to be recovered within one year of the statement of financial position date.

During 2023, prepayments of £31 million relating to intangibles under construction were reclassified to intangibles assets.

20. Ordinary share capital

	2023	2022
	£m	£m
Allotted, called up and fully paid		
20,364 (2022: 20,364) ordinary shares of £10,000 each	**204**	204

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

Notes to the financial statements (continued)

21. Other reserves

	Capital contribution reserve	Special reserve	Total other reserves
	£m	£m	£m
Balance at 1 January 2022	233	111	344
Balance at 31 December 2022	233	111	344
Balance at 31 December 2023	**233**	**111**	**344**

Capital contribution reserve

In December 2019, the Company acquired the remaining 69% of the share capital of Aviva UK Digital Limited, that the Company did not already hold from its immediate parent Aviva Group Holdings Limited ("AGH") by way of a capital contribution received from AGH of £233 million.

Special reserve

On 31 December 2007, the Company's parent at the time, AIIL transferred its entire shareholding in Aviva Insurance UK Limited at its fair value of £1,348 million to the Company. The consideration was satisfied by the issue of new shares in the Company with the nominal value of £1,237 million to AIIL, and the establishment of a special reserve of £111 million under the group reconstruction relief provisions of section 611 of the Companies Act 2006.

22. Retained earnings

	Note	2023	Restated[1] 2022
		£m	£m
At 1 January		**1,453**	1,967
Profit for the year		**287**	335
Dividends paid	10	**(333)**	(849)
Balance at 31 December		**1,407**	1,453

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies imposed by the PRA. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital requirements.

23. Insurance and reinsurance contracts

The Company has presented the information about insurance contracts issued using the following product groups.

Reportable product group	Products and services	Measurement model
Personal lines	General insurance products such as Home and Motor issued to retail policyholders by the Company.	Measured using the PAA
Commercial lines	General insurance products such a Property, Motor, Liability and Specialty issued to commercial policyholders by the Company.	Measured using the PAA
Assumed reinsurance	General insurance business assumed from subsidiaries of the Company from intra-group reinsurance contracts.	Measured using the GMM
Health	Private medical insurance contracts issued by the Company.	Measured using the PAA

The Company has presented the information about reinsurance contracts held as follows:

Reportable product group	Products and services	Measurement model
Adverse development cover ("ADC")	External and internal reinsurance contracts reinsuring against the risk of adverse development on incurred claims.	Measured using the GMM
Other reinsurance	All other reinsurance contracts held.	Measured using the PAA

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

For each product group, a table is presented that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement.

A second reconciliation is presented for contracts measured under the GMM, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(a) Carrying amount

Insurance contracts at 31 December comprised:

	2023					Restated[1] 2022				
	Personal Lines	Commercial Lines	Assumed Reinsurance	Health	Total	Personal Lines	Commercial Lines	Assumed Reinsurance	Health	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contract liabilities:										
Insurance contract balances	**2,025**	**5,702**	**672**	**105**	**8,504**	1,825	4,926	609	136	7,496
Assets for insurance acquisition cashflows	**(55)**	**—**	**—**	**(57)**	**(112)**	(42)	—	—	(36)	(78)
Total insurance contract liabilities	**1,970**	**5,702**	**672**	**48**	**8,392**	1,783	4,926	609	100	7,418

Reinsurance contracts at 31 December comprised:

	2023			Restated[1] 2022		
	ADC	Other reinsurance	Total	ADC	Other reinsurance	Total
	£m	£m	£m	£m	£m	£m
Reinsurance contract assets	**(1,106)**	**(392)**	**(1,498)**	(1,064)	(86)	(1,150)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note 1.

At 31 December 2023, the maximum exposure to credit risk from insurance contracts is £1,169 million (*2022 restated: £966 million*), which primarily relates to premiums receivable for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts is £1,498 million (*2022 restated: £1,150 million*).

(b) Movements - Insurance and reinsurance contracts

The following movements have occurred in the carrying amount for gross insurance contract balances in the period:

	2023	Restated[1] 2022
	£m	£m
Carrying amount at 1 January	**7,496**	7,939
Insurance revenue	**(6,626)**	(5,941)
Insurance service expenses	**5,870**	5,364
Insurance finance expense/(income)	**374**	(855)
Movements in exchange rates and other changes	**(9)**	45
Premiums received	**6,845**	6,021
Claims and expenses paid	**(4,005)**	(3,580)
Acquisition cash flows	**(1,442)**	(1,380)
Other movements[2]	**—**	(117)
Carrying amount at 31 December	**8,504**	7,496

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).
2.Other movements in 2022 relate to the reduction in inwards quota share reinsurance arrangement with AIIDAC from 85% to 70%, as described in note 36(a)(iii).

Included within the carrying amounts of insurance and reinsurance contracts are: the present value of expected future cashflows, representing a best estimate, the risk adjustment for non-financial risk; and the CSM, representing the unearned profit on future service.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in following tables.

23. Insurance and reinsurance contracts continued

The following summarises movements in CSM that have occurred on assumed reinsurance contracts during the period:

	2023 £m	Restated[1] 2022 £m
CSM in respect of insurance contracts		
At 1 January	**9**	**7**
CSM recognised for services provided	**(17)**	**(10)**
Other movements in CSM	**19**	**12**
At 31 December	**11**	**9**

Other movements in CSM include:

- Recognition of additional CSM in respect of new insurance and reinsurance contracts recognised in the year;
- Remeasurement of existing contracts (covering non-financial assumption changes and experience variances for all contracts); and
- For contracts in scope of the GMM, interest accretion on the CSM balance which is recognised within net finance expense/income from insurance contracts.

The CSM in respect of insurance contracts has increased as the recognition of new contracts and remeasurement of future service on existing contracts (both included within other movements in CSM) is larger than the CSM recognised for services provided. The CSM recognised in the period of £17 million (*2022: £10 million*) is a component of insurance revenue.

No CSM has been recognised on reinsurance contracts held by the company.

The following summarises movements in the gross risk adjustment that have occurred during the period:

	2023 Personal Lines £m	2023 Commercial Lines £m	2023 Health £m	2023 Assumed Reinsurance £m	2023 Total £m	Restated[1] 2022 Personal Lines £m	2022 Commercial Lines £m	2022 Health £m	2022 Assumed Reinsurance £m	2022 Total £m
Risk adjustment in respect of insurance contracts										
At 1 January	**89**	**216**	**2**	**26**	**333**	100	223	2	32	357
Change in risk adjustment for risk expired	**—**	**—**	**—**	**(13)**	**(13)**	—	—	—	14	14
Other movements in risk adjustment	**(19)**	**3**	**—**	**17**	**1**	(11)	(7)	—	(20)	(38)
Gross risk adjustment at 31 December	**70**	**219**	**2**	**30**	**321**	89	216	2	26	333

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

The following summarises movements in the reinsurance risk adjustment that have occurred during the period:

	2023 ADC £m	2023 Other reinsurance £m	2023 Total £m	Restated[1] 2022 ADC £m	2022 Other reinsurance £m	2022 Total £m
Risk adjustment in respect of reinsurance contracts						
At 1 January	**(129)**	**(100)**	**(229)**	(151)	(100)	(251)
Change in risk adjustment for risk expired	**6**	**—**	**6**	6	—	6
Other movements in risk adjustment	**(17)**	**14**	**(3)**	16	—	16
Reinsurance risk adjustment at 31 December	**(140)**	**(86)**	**(226)**	(129)	(100)	(229)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

The risk adjustment has decreased in the period due to higher interest rates and Solvency II risk margin reforms (see note 32 for more information).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

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

(i) Personal Lines insurance contracts

The following tables show personal lines insurance contracts analysed by remaining coverage and incurred claims:

		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2023	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		**80**	**15**	**1,641**	**89**	**1,825**
Changes in comprehensive income						
Insurance revenue	3	**(2,483)**	**—**	**—**	**—**	**(2,483)**
Insurance service expenses	5	**615**	**(15)**	**1,758**	**(22)**	**2,336**
Incurred claims and other insurance service expenses		**—**	**(15)**	**1,707**	**26**	**1,718**
Losses on onerous contracts and reversal of those losses		**—**	**—**	**—**	**—**	**—**
Amortisation of insurance acquisition cash flows		**615**	**—**	**—**	**—**	**615**
Adjustments to liabilities for incurred claims		**—**	**—**	**51**	**(48)**	**3**
Insurance service result		**(1,868)**	**(15)**	**1,758**	**(22)**	**(147)**
Net finance expenses from insurance contracts	4	**—**	**—**	**108**	**3**	**111**
Effect of movements in exchange rates		**—**	**—**	**—**	**—**	**—**
Total changes in comprehensive income		**(1,868)**	**(15)**	**1,866**	**(19)**	**(36)**
Cash flows						
Premiums received		**2,632**	**—**	**—**	**—**	**2,632**
Claims and other insurance service expenses paid		**—**	**—**	**(1,740)**	**—**	**(1,740)**
Insurance acquisition cash flows		**(656)**	**—**	**—**	**—**	**(656)**
Total cash flows		**1,976**	**—**	**(1,740)**	**—**	**236**
Carrying amount at 31 December		**188**	**—**	**1,767**	**70**	**2,025**

Restated[1]		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2022	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		225	6	2,038	100	2,369
Changes in comprehensive income						
Insurance revenue	3	(2,204)	—	—	—	(2,204)
Insurance service expenses	5	563	9	1,434	7	2,013
Incurred claims and other insurance service expenses		—	(25)	1,567	16	1,558
Losses on onerous contracts and reversal of those losses		—	34	—	—	34
Amortisation of insurance acquisition cash flows		563	—	—	—	563
Adjustments to liabilities for incurred claims		—	—	(133)	(9)	(142)
Insurance service result		(1,641)	9	1,434	7	(191)
Net finance expenses from insurance contracts	4	—	—	(362)	(18)	(380)
Effect of movements in exchange rates		3	—	8	—	11
Total changes in comprehensive income		(1,638)	9	1,080	(11)	(560)
Cash flows						
Premiums received		2,136	—	—	—	2,136
Claims and other insurance service expenses paid		—	—	(1,477)	—	(1,477)
Insurance acquisition cash flows		(643)	—	—	—	(643)
Total cash flows		1,493	—	(1,477)	—	16
Carrying amount at 31 December		80	15	1,641	89	1,825

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(ii) Commercial Lines insurance contracts

The following tables show commercial lines insurance contracts analysed by remaining coverage and incurred claims:

		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2023	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		**1,263**	**—**	**3,446**	**217**	**4,926**
Changes in comprehensive income						
Insurance revenue	3	**(3,122)**	**—**	**—**	**—**	**(3,122)**
Insurance service expenses	5	**713**	**—**	**1,932**	**(3)**	**2,642**
Incurred claims and other insurance service expenses		**—**	**—**	**1,745**	**64**	**1,809**
Amortisation of insurance acquisition cash flows		**713**	**—**	**—**	**—**	**713**
Adjustments to liabilities for incurred claims		**—**	**—**	**187**	**(67)**	**120**
Insurance service result		**(2,409)**	**—**	**1,932**	**(3)**	**(480)**
Net finance expenses from insurance contracts	4	**—**	**—**	**229**	**7**	**236**
Effect of movements in exchange rates		**(3)**	**—**	**(4)**	**—**	**(7)**
Total changes in comprehensive income		**(2,412)**	**—**	**2,157**	**3**	**(252)**
Cash flows						
Premiums received		**3,272**	**—**	**—**	**—**	**3,272**
Claims and other insurance service expenses paid		**—**	**—**	**(1,530)**	**—**	**(1,530)**
Insurance acquisition cash flows		**(714)**	**—**	**—**	**—**	**(714)**
Total cash flows		**2,558**	**—**	**(1,530)**	**—**	**1,028**
Carrying amount at 31 December		**1,409**	**—**	**4,073**	**220**	**5,702**

		Liabilities for remaining coverage		Liabilities for incurred claims		
Restated[1]		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2022	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		1,043	—	3,392	223	4,658
Changes in comprehensive income						
Insurance revenue	3	(2,775)	—	—	—	(2,775)
Insurance service expenses	5	624	—	1,924	23	2,571
Incurred claims and other insurance service expenses		—	—	1,553	28	1,581
Amortisation of insurance acquisition cash flows		624	—	—	—	624
Adjustments to liabilities for incurred claims		—	—	371	(5)	366
Insurance service result		(2,151)	—	1,924	23	(204)
Net finance expenses from insurance contracts	4	—	—	(379)	(32)	(411)
Effect of movements in exchange rates		—	—	—	3	3
Total changes in comprehensive income		(2,151)	—	1,545	(6)	(612)
Cash flows						
Premiums received		3,037	—	—	—	3,037
Claims and other insurance service expenses paid		—	—	(1,491)	—	(1,491)
Insurance acquisition cash flows		(666)	—	—	—	(666)
Total cash flows		2,371	—	(1,491)	—	880
Carrying amount at 31 December		1,263	—	3,446	217	4,926

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(iii) Health insurance contracts

The following tables show health insurance contracts analysed by remaining coverage and incurred claims:

		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2023	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		**83**	**—**	**51**	**2**	**136**
Changes in comprehensive income						
Insurance revenue	3	**(637)**	**—**	**—**	**—**	**(637)**
Insurance service expenses	5	**73**	**—**	**509**	**—**	**582**
Incurred claims and other insurance service expenses		**—**	**—**	**516**	**—**	**516**
Amortisation of insurance acquisition cash flows		**73**	**—**	**—**	**—**	**73**
Adjustments to liabilities for incurred claims		**—**	**—**	**(7)**	**—**	**(7)**
Insurance service result		**(563)**	**—**	**509**	**—**	**(54)**
Effect of movements in exchange rates		**—**	**—**	**—**	**—**	**—**
Total changes in comprehensive income		**(563)**	**—**	**509**	**—**	**(54)**
Cash flows						
Premiums received		**588**	**—**	**—**	**—**	**588**
Claims and other insurance service expenses paid		**—**	**—**	**(497)**	**—**	**(497)**
Insurance acquisition cash flows		**(68)**	**—**	**—**	**—**	**(68)**
Total cash flows		**520**	**—**	**(497)**	**—**	**23**
Carrying amount at 31 December		**40**	**—**	**63**	**2**	**105**

		Liabilities for remaining coverage		Liabilities for incurred claims		
Restated[1]		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2022	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		136	—	55	2	193
Changes in comprehensive income						
Insurance revenue	3	(558)	—	—	—	(558)
Insurance service expenses	5	64	—	370	—	434
Incurred claims and other insurance service expenses		—	—	358	—	358
Amortisation of insurance acquisition cash flows		64	—	—	—	64
Adjustments to liabilities for incurred claims		—	—	12	—	12
Insurance service result		(494)	—	370	—	(124)
Effect of movements in exchange rates		1	—	—	—	1
Total changes in comprehensive income		(493)	—	370	—	(123)
Cash flows						
Premiums received		508	—	—	—	508
Claims and other insurance service expenses paid		—	—	(374)	—	(374)
Insurance acquisition cash flows		(68)	—	—	—	(68)
Total cash flows		440	—	(374)	—	66
Carrying amount at 31 December		83	—	51	2	136

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(iv) Intra group reinsurance assumed

The following tables show intra group reinsurance assumed contracts analysed by remaining coverage and incurred claims:

2023	Note	Liabilities for remaining coverage: Excluding loss component £m	Liabilities for remaining coverage: Loss component £m	Liabilities for incurred claims: Estimates of present value of future cash flows £m	Liabilities for incurred claims: Risk adjustment for non-financial risk £m	Total £m
Carrying amount at 1 January		**71**	**60**	**462**	**16**	**609**
Changes in comprehensive income						
Insurance revenue	3	**(384)**	**—**	**—**	**—**	**(384)**
Insurance service expenses	5	**4**	**(12)**	**316**	**3**	**311**
Incurred claims and other insurance service expenses		**—**	**(22)**	**275**	**3**	**256**
Losses on onerous contracts and reversal of those losses		**—**	**10**	**—**	**—**	**10**
Amortisation of insurance acquisition cash flows		**4**	**—**	**—**	**—**	**4**
Adjustments to liabilities for incurred claims		**—**	**—**	**41**	**—**	**41**
Insurance service result		**(380)**	**(12)**	**316**	**3**	**(73)**
Net finance expenses from insurance contracts	4	**9**	**—**	**19**	**—**	**28**
Effect of movements in exchange rates		**—**	**(1)**	**(3)**	**—**	**(4)**
Total changes in comprehensive income		**(371)**	**(13)**	**332**	**3**	**(49)**
Cash flows						
Premiums received		**353**	**—**	**—**	**—**	**353**
Claims and other insurance service expenses paid		**—**	**—**	**(238)**	**—**	**(238)**
Insurance acquisition cash flows		**(3)**	**—**	**—**	**—**	**(3)**
Total cash flows		**350**	**—**	**(238)**	**—**	**112**
Carrying amount at 31 December		**50**	**47**	**556**	**18**	**672**

Restated[1] 2022	Note	Liabilities for remaining coverage: Excluding loss component £m	Liabilities for remaining coverage: Loss component £m	Liabilities for incurred claims: Estimates of present value of future cash flows £m	Liabilities for incurred claims: Risk adjustment for non-financial risk £m	Total £m
Carrying amount at 1 January		180	70	453	17	720
Changes in comprehensive income						
Insurance revenue	3	(447)	—	—	—	(447)
Insurance service expenses	5	4	(1)	392	(6)	389
Incurred claims and other insurance service expenses		1	(28)	360	5	338
Losses on onerous contracts and reversal of those losses		—	27	—	—	27
Amortisation of insurance acquisition cash flows		3	—	—	—	3
Adjustments to liabilities for incurred claims		—	—	32	(11)	21
Insurance service result		(443)	(1)	392	(6)	(58)
Net finance income from insurance contracts	4	(17)	—	(46)	—	(63)
Effect of movements in exchange rates		6	4	9	5	24
Total changes in comprehensive income		(454)	3	355	(1)	(97)
Cash flows						
Premiums received		384	—	—	—	384
Claims and other insurance service expenses paid		—	—	(279)	—	(279)
Insurance acquisition cash flows		(2)	—	—	—	(2)
Total cash flows		382	—	(279)	—	103
Other movements[2]		(37)	(13)	(67)	—	(117)
Carrying amount at 31 December		71	60	462	16	609

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).
2.Other movements in 2022 relate to the reduction in inwards quota share reinsurance arrangement with AIIDAC from 85% to 70%, as described in note 36(a)(iii).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(iv) Intra group reinsurance assumed continued

The following table shows intra-group reinsurance assumed analysed by measurement component (contracts measured under the GMM):

								Restated[1]	
					2023				2022
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Opening liabilities at 1 January		**574**	**26**	**9**	**609**	681	32	7	720
Changes in comprehensive income									
CSM recognised for services provided		**—**	**—**	**(17)**	**(17)**	—	—	(10)	(10)
Change in risk adjustment for risk expired		**—**	**(13)**	**—**	**(13)**	—	(15)	—	(15)
Experience adjustments		**(57)**	**4**	**—**	**(53)**	(61)	1	—	(60)
Changes that relate to current services		**(57)**	**(9)**	**(17)**	**(83)**	(61)	(14)	(10)	(85)
Contracts initially recognised in the year		**(37)**	**11**	**26**	**—**	(20)	13	7	—
Changes in estimates that adjust the CSM		**7**	**2**	**(9)**	**—**	(2)	(1)	3	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		**10**	**—**	**—**	**10**	27	—	—	27
Changes that relate to future services	5	**(20)**	**13**	**17**	**10**	5	12	10	27
Insurance service result	4	**(77)**	**4**	**—**	**(73)**	(56)	(2)	—	(58)
Net finance expenses from insurance contracts		**26**	**—**	**2**	**28**	(62)	(2)	1	(63)
Effect of movements in exchange rates		**(4)**	**—**	**—**	**(4)**	23	1	—	24
Total changes in comprehensive income		**(55)**	**4**	**2**	**(49)**	(95)	(3)	1	(97)
Cash flows									
Premiums received		**353**	**—**	**—**	**353**	384	—	—	384
Claims and other insurance service expenses paid		**(238)**	**—**	**—**	**(238)**	(279)	—	—	(279)
Insurance acquisition cashflows		**(3)**	**—**	**—**	**(3)**	(2)	—	—	(2)
Total cash flows		**112**	**—**	**—**	**112**	103	—	—	103
Other movements[2]		**—**	**—**	**—**	**—**	(115)	(3)	1	(117)
Closing liabilities at 31 December		**631**	**30**	**11**	**672**	574	26	9	609

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).
2.Other movements in 2022 relate to the reduction in inwards quota share reinsurance arrangement with AIIDAC from 85% to 70%, as described in note 36(a)(iii).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(v) Adverse development cover reinsurance contracts held

The following tables show ADC reinsurance contracts analysed by remaining coverage and incurred claims:

							Restated[1]
				2023			2022
		Assets for remaining coverage	Assets for incurred claims	Total	Assets for remaining coverage	Assets for incurred claims	Total
	Note	£m	£m	£m	£m	£m	£m
Opening assets at 1 January		**1,064**	**—**	**1,064**	1,479	—	1,479
Changes in the income statement							
Amounts recoverable from reinsurers		**(60)**	**41**	**(20)**	115	71	186
Allocation of reinsurance premiums paid		**(66)**	**—**	**(66)**	(78)	—	(78)
Recoveries of incurred claims and other insurance service expenses		**6**	**41**	**46**	193	71	264
Effect of changes in non-performance risk of reinsurers		**(1)**	**—**	**(1)**	(2)	—	(2)
Net expenses from reinsurance contracts	4	**(61)**	**41**	**(21)**	113	71	183
Net finance income from reinsurance contracts		**103**	**—**	**103**	(525)	—	(525)
Effect of movements in exchange rates		**—**	**—**	**—**	(2)	—	(2)
Total changes in the income statement		**42**	**41**	**83**	(415)	71	(344)
Cash flows							
Amounts received		**—**	**(41)**	**(41)**	—	(71)	(71)
Total cash flows		**—**	**(41)**	**(41)**	—	(71)	(71)
Closing assets at 31 December		**1,106**	**—**	**1,106**	1,064	—	1,064

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

The following table shows ADC reinsurance contracts analysed by measurement component (contracts measured under the GMM):

							Restated[1]
				2023			2022
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	Note	£m	£m	£m	£m	£m	£m
Opening assets at 1 January		**981**	**83**	**1,064**	1,364	115	1,479
Changes in comprehensive income							
Change in risk adjustment for risk expired		**—**	**(6)**	**(6)**	—	(6)	(6)
Experience adjustments		**(18)**	**(5)**	**(23)**	68	—	68
Changes that relate to current services		**(18)**	**(11)**	**(29)**	68	(6)	62
Changes in estimates for adverse development cover		**9**	**1**	**10**	107	15	122
Effect of changes in non-performance risk of reinsurers		**(1)**	**—**	**(1)**	(2)	—	(2)
Net expenses from reinsurance contracts		**(10)**	**(10)**	**(20)**	174	9	183
Net finance income from reinsurance contracts	4	**95**	**8**	**103**	(484)	(41)	(525)
Effect of movements in exchange rates		**—**	**—**	**—**	(2)	—	(2)
Total changes in comprehensive income		**85**	**(2)**	**83**	(312)	(32)	(344)
Cash flows							
Amounts received		**(41)**	**—**	**(41)**	(71)	—	(71)
Total cash flows		**(41)**	**—**	**(41)**	(71)	—	(71)
Closing assets at 31 December		**1,025**	**81**	**1,106**	981	83	1,064

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

23. Insurance and reinsurance contracts continued

(vi) Other reinsurance contracts held

The following tables show other reinsurance contracts held analysed by remaining coverage and incurred claims:

						2023
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component	Loss Component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	Note	£m	£m	£m	£m	£m
Opening assets at 1 January		**(748)**	**8**	**681**	**145**	**86**
Changes in the income statement						
Allocation of reinsurance premiums paid		**(2,927)**	**—**	**—**	**—**	**(2,927)**
Amounts recoverable from reinsurers		**—**	**(8)**	**2,224**	**(4)**	**2,212**
Recoveries of incurred claims and other insurance service expenses		**—**	**(8)**	**2,036**	**(2)**	**2,026**
Recoveries and reversal of recoveries of losses on onerous contracts		**—**	**—**	**—**	**—**	**—**
Adjustments to assets for incurred claims		**—**	**—**	**188**	**(2)**	**186**
Effect of changes in non-performance risk of reinsurers		**—**	**—**	**—**	**(1)**	**(1)**
Net expenses from reinsurance contracts		**(2,927)**	**(8)**	**2,224**	**(5)**	**(716)**
Net finance income from reinsurance contracts	4	**—**	**—**	**136**	**4**	**140**
Effect of movements in exchange rates		**—**	**—**	**6**	**—**	**6**
Total changes in the income statement		**(2,927)**	**(8)**	**2,366**	**(1)**	**(570)**
Cash flows						
Premiums paid		**2,939**	**—**	**—**	**—**	**2,939**
Amounts received		**—**	**—**	**(2,063)**	**—**	**(2,063)**
Total cash flows		**2,939**	**—**	**(2,063)**	**—**	**876**
Closing assets at 31 December		**(736)**	**—**	**984**	**145**	**392**

						Restated[1] 2022
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component	Loss Component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	Note	£m	£m	£m	£m	£m
Opening assets at 1 January		(731)	4	716	136	125
Changes in the income statement						
Allocation of reinsurance premiums paid		(2,576)	—	—	—	(2,576)
Amounts recoverable from reinsurers		—	4	1,841	9	1,853
Recoveries of incurred claims and other insurance service expenses		—	(13)	1,776	29	1,792
Recoveries and reversal of recoveries of losses on onerous contracts		—	16	—	—	16
Adjustments to assets for incurred claims		—	—	64	(20)	44
Effect of changes in non-performance risk of reinsurers		—	—	(2)	—	(2)
Net expenses from reinsurance contracts		(2,576)	4	1,839	9	(725)
Net finance income from reinsurance contracts	4	—	—	(152)	5	(147)
Effect of movements in exchange rates		(4)	—	17	(3)	10
Total changes in the income statement		(2,580)	4	1,704	10	(863)
Cash flows						
Premiums paid		2,562	—	—	—	2,562
Amounts received		—	—	(1,739)	—	(1,739)
Total cash flows		2,562	—	(1,739)	—	823
Closing assets at 31 December		(748)	8	681	145	86

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(c) Assets for insurance acquisition cashflows

	31 December 2023				Restated[1] 31 December 2022			
	Personal Lines	Commercial Lines	Health	Total	Personal Lines	Commercial Lines	Health	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January	**42**	**—**	**36**	**78**	43	—	29	72
Amounts incurred during the year	**642**	**664**	**83**	**1,389**	595	601	73	1,269
Amounts derecognised and included in the measurement of insurance contracts	**(629)**	**(664)**	**(62)**	**(1,355)**	(596)	(601)	(66)	(1,263)
Balance at 31 December	**55**	**—**	**57**	**112**	42	—	36	78

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

The following table sets out when the Company expects to derecognise assets for insurance acquisition cash flows after the reporting date:

	31 December 2023				Restated[1] 31 December 2022			
	Personal Lines	Commercial Lines	Health	Total	Personal Lines	Commercial Lines	Health	Total
31 December	£m	£m	£m	£m	£m	£m	£m	£m
Less than one year	**22**	**—**	**19**	**41**	17	—	12	29
One to two years	**17**	**—**	**16**	**33**	13	—	10	23
Two to three years	**11**	**—**	**12**	**23**	8	—	8	16
Three to four years	**5**	**—**	**10**	**15**	4	—	6	10
Total	**55**	**—**	**57**	**112**	42	—	36	78

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

(d) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of assumed intra-group reinsurance contracts measured under the GMM for the year:

	31 December 2023			Restated[1] 31 December 2022		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	£m	£m	£m	£m	£m	£m
Estimates of present value of cash outflows	**(310)**	**—**	**(310)**	(329)	—	(329)
Estimates of present value of cash inflows	**347**	**—**	**347**	349	—	349
Risk adjustment	**(12)**	**—**	**(12)**	(13)	—	(13)
CSM	**(25)**	**—**	**(25)**	(7)	—	(7)
Income recognised on initial recognition	**—**	**—**	**—**	**—**	**—**	**—**

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

(e) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for assumed intra-group reinsurance contracts which are measured under the GMM:

	1 year or less	1 to 2 years	Greater than 2 years	Total
	£m	£m	£m	£m
31 December 2023	**3**	**4**	**4**	**11**
31 December 2022	4	1	4	9

Notes to the financial statements (continued)

23. Insurance and reinsurance contracts continued

(f) Loss development tables

The table below illustrates how estimates of cumulative claims for the Company have developed over time on a gross and net of reinsurance basis. The table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

31 December 2023	All prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Gross of reinsurance												
Estimates of undiscounted cumulative claims		2,820	2,995	3,053	3,022	3,276	3,389	3,529	3,152	3,630	4,357	
At end of accident year		2,767	2,925	3,010	2,890	3,050	3,360	3,230	3,101	3,603	4,357	
One year		2,726	3,025	2,982	2,869	3,242	3,353	3,333	3,083	3,630		
Two years		2,843	3,041	2,968	3,023	3,324	3,394	3,445	3,152			
Three years		2,845	2,972	3,039	3,031	3,332	3,392	3,529				
Four years		2,788	3,018	3,058	3,016	3,308	3,389					
Five years		2,818	3,007	3,049	3,015	3,276						
Six years		2,820	3,004	3,057	3,022							
Seven years		2,816	3,008	3,053								
Eight years		2,815	2,995									
Nine years		2,820										
Cumulative gross claims paid		(2,798)	(2,964)	(2,939)	(2,885)	(3,097)	(3,022)	(2,686)	(2,380)	(2,561)	(2,132)	
	2,166	22	31	114	137	179	367	843	772	1,069	2,225	7,925
Effect of discounting	(944)	(3)	(4)	(12)	(12)	(14)	(26)	(45)	(58)	(86)	(141)	(1,345)
Effect of the risk adjustment for non-financial risk	60	1	1	4	5	7	15	43	33	50	95	314
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	(30)	(5)	(9)	(17)	(23)	(38)	—	—	—	—	—	(122)
Gross liabilities for incurred claims included in the statement of financial position	1,252	15	19	89	107	134	356	841	747	1,033	2,179	6,772
Net of reinsurance												
Estimates of undiscounted net cumulative claims		2,226	2,045	1,331	1,330	1,448	1,631	1,599	1,528	1,755	2,166	
At end of accident year		2,572	2,700	1,334	1,268	1,349	1,627	1,521	1,518	1,738	2,166	
One year		2,532	2,062	1,307	1,240	1,437	1,634	1,531	1,365	1,755		
Two years		2,248	2,069	1,299	1,329	1,473	1,648	1,629	1,528			
Three years		2,246	2,040	1,340	1,332	1,479	1,646	1,599				
Four years		2,217	2,066	1,340	1,324	1,471	1,631					
Five years		2,231	2,059	1,334	1,322	1,448						
Six years		2,231	2,052	1,338	1,330							
Seven years		2,225	2,040	1,331								
Eight years		2,227	2,045									
Nine years		2,226										
Cumulative net claims paid		(2,217)	(2,019)	(1,285)	(1,265)	(1,367)	(1,474)	(1,300)	(1,168)	(1,269)	(1,152)	
	305	9	26	46	65	81	157	299	360	486	1,014	2,848
Effect of discounting	(148)	(1)	(2)	(5)	(6)	(7)	(11)	(18)	(27)	(40)	(67)	(332)
Effect of the risk adjustment for non-financial risk	(9)	—	—	2	2	3	6	7	14	19	43	87
Effect of non-performance risk of reinsurers	13	—	—	—	—	1	1	3	3	—	—	21
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	1,076	(5)	(9)	(17)	(23)	(38)	—	—	—	—	—	984
Net liabilities for incurred claims included in the statement of financial position	1,237	3	15	26	38	40	153	291	350	465	990	3,608

23. Insurance and reinsurance contracts continued

The claims development tables above include information on asbestos and environmental pollution claims provisions from business written more than 10 years ago. The undiscounted claim provisions, net of reinsurance, in respect of this business at 31 December 2023 were £78 million (*2022 restated*: £86 million). The movement in asbestos and environmental pollution liabilities in the year reflects a decrease of £8 million due to favourable claims development and claims payments net of reinsurance recoveries.

(g) Significant accounting judgements and estimates

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance and reinsurance contracts. Accounting policy B sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

Significant judgements, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cashflows which are contractually linked to an index of prices or wages, the Company derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims associated costs, and administration costs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

Long term arrangements – the Company sells certain commercial policies where renewal rates are agreed alongside the issuance of the initial contract. The Company reserves the right to reprice renewals if there are material changes to claims assumptions or other risk factors; if the Company does not reprice the renewal, the policyholder is obligated to renew the policy at the agreed rate. The Company determines that cashflows related to these renewals are within the contract boundary, as the Company can compel policyholders to pay premiums unless the policy is repriced.

Health insurance contracts - Health policies issued by the Company have terms that are guaranteed to be renewable every year. The Company determines that the cash flows related to future renewals of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Company's expectation of its exposure to risk for that period and, on renewal, the Company can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the Health portfolio as a whole. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Excess of loss reinsurance - the Company's excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the contract boundary.

Risk attaching reinsurance - the Company's risk-attaching treaties have varying coverage periods, ranging from annual treaties to indefinite treaties. Such treaties provide unilateral rights to the Company and reinsurer to terminate the cession of new business by giving notice to the other party based upon notice periods defined by the treaty. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the termination notice period. Subsequently risks attaching beyond the end of the initial termination notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within subsequent termination notice periods.

23. Insurance and reinsurance contracts continued

Adverse development cover - the Company's adverse development cover treaties are deemed to expire when all uncertainty associated with the ceded claims liabilities has expired. The contract boundary is based upon the best estimate of when all obligations associated with the liabilities will be extinguished.

Claims

The Company establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claim costs, the Company takes into account estimated future recoveries from salvage and subrogation. Where contracts are onerous, the measurement of the loss component includes an estimate of future claims that are expected to occur within the remaining coverage period.

The undiscounted ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

The assumptions used in most actuarial projection techniques, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the expected outcome. The ultimate cost of outstanding claims includes provision for expenses associated with handling claims.

UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of the Company's latent claims. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees. The best estimate of the liabilities considers the latest available market information and studies and how these might impact the Company's liabilities.

Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims are influenced by the Ogden discount rate among other factors. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The Lord Chancellor's next review of the Ogden discount rate is expected to begin by summer 2024 and its impact upon the valuation of claims has been estimated on a probability weighted basis which considers a range of possible outcomes from the review.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Company generally uses the risk-free interest rate curves published by the PRA and the European Insurance Occupational Pensions Authority ("EIOPA") for regulatory reporting.

The Company uses a bottom-up discount rate for all insurance contracts.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds which represents the additional return above the risk free rate that could be generated by investing in illiquid assets.

Different percentages are applied to classes of claims liability based upon their liquidity characteristics, including the ability of claimants to expedite the claims process and realise their benefits. For example, 100% is applied to periodic payment orders as these are ordered by a court and it is impossible for claimants to realise the remaining value of their claim through a lump sum settlement. Lower factors are applied to latent claims and other claims liabilities based upon their liquidity characteristics.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

						31 December 2023						31 December 2022
Insurance contracts	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**	**40 years**	1 year	5 years	10 years	15 years	20 years	40 years
Structured settlements												
GBP	**5.37 %**	**3.99 %**	**3.92 %**	**4.03 %**	**4.07 %**	**3.79 %**	5.46 %	5.06 %	4.71 %	4.62 %	4.54 %	4.15 %
Latent claims												
GBP	**5.21 %**	**3.83 %**	**3.76 %**	**3.87 %**	**3.91 %**	**3.64 %**	5.21 %	4.81 %	4.46 %	4.37 %	4.29 %	3.90 %
EUR	**3.86 %**	**2.83 %**	**2.90 %**	**2.98 %**	**2.91 %**	**3.22 %**	3.37 %	3.32 %	3.28 %	3.21 %	2.95 %	2.98 %
Other general insurance claims												
GBP	**5.05 %**	**3.67 %**	**3.60 %**	**3.71 %**	**3.75 %**	**3.48 %**	4.96 %	4.56 %	4.21 %	4.12 %	4.04 %	3.65 %
EUR	**3.70 %**	**2.66 %**	**2.73 %**	**2.81 %**	**2.74 %**	**3.05 %**	3.37 %	3.32 %	3.28 %	3.21 %	2.95 %	2.98 %

23. Insurance and reinsurance contracts continued

Risk adjustment for non-financial risk

Risk adjustment for non-financial risk reflect the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Company's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, and includes diversification between risks within the Company. The risk adjustment includes diversification between different portfolios of insurance contracts, financial and non-financial risks using correlation matrix techniques. The diversification benefit includes diversification between different portfolios insurance contract groups, expired and unexpired insurance risks.

The risk adjustment is allocated to the individual group of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty.

Initially, the Company applies these techniques on a net of reinsurance basis before calculating gross up factors for each group of contracts and calculating the reinsurance risk adjustment as the difference between the gross and net.

The risk adjustment for non-financial risk corresponds to a 71st percentile (*2022: 71st percentile*) confidence level, net of reinsurance. This reflects the Company's confidence that the value of the liability for incurred claims, including the risk adjustment for adverse development covers being treated as incurred claims for the purpose of calculating this percentile, is sufficient to meet the ultimate cost of claims. The risk adjustment percentile is provided using an incurred claims distribution only and excludes remaining coverage (apart from adverse development covers) along with the implicit risk adjustment within the loss component. The percentile benefits from the Company's scale and diverse risk profile and is an uncertain estimate made as of 31 December which could reasonably change within 12 months. Factors which could cause it to change include variations in the Company's risk profile or quantification thereof, for example as might arise from changes in risk-free discount rates and other economic factors or changes in the composition of insurance liabilities. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

	2023	2022
	£m	£m
Movement in net risk adjustment required for 2.5pp confidence level increase	**12.0**	14.5
Movement in net risk adjustment required for 2.5pp confidence level reduction	**(12.5)**	(14.5)

This represents the confidence level that net claims liabilities recognised are sufficient to cover the ultimate cost of claims. Net claims liabilities include the liability for incurred claims, asset for incurred claims and the asset for remaining coverage on reinsurance contracts held that reinsure against adverse development on incurred claims.

(ii) Contractual service margin

Determination of coverage units

The amount of CSM recognised in profit or loss to reflect services provided in each year is determined by considering coverage units that reflect the quantity of the benefits provided in each period. The only CSM recognised by the Company is on assumed intra-group quota share reinsurance contracts, for which coverage units are determined with reference to the volume of underlying contracts attached to the quota share on which a valid claim can be made in each period. Coverage units for adverse development cover reinsurance contracts issued are based upon the settlement profile of the underlying claims reinsured under the relevant contract. The coverage units are reviewed and updated at each reporting date.

The Company does not have any reinsurance contracts with a CSM balance and therefore there are no coverage units to determine.

24. Tax assets and liabilities

(a) Current tax

Current tax assets recoverable in more than one year are £nil *(2022: £31 million).*

The Group relief asset of £142 million *(2022: £142 million)*, included in receivables (note 18), relates to potential group liabilities in respect of EU dividends. This comprises £nil expected to be receivable in less than one year *(2022: £nil)* and £142 million expected to be recoverable in more than one year *(2022: £142 million)*. Further details are included within related party transactions (note 36).

(b) Deferred tax

(i) The net deferred tax asset arises on the following items:

		Restated[1]
	2023	2022
	£m	£m
Insurance items	**—**	(62)
Unused losses and tax credits	**149**	198
Accelerated capital allowances	**2**	2
Provisions and other temporary differences	**—**	4
Pensions and other post retirement obligations	**(5)**	(5)
Net deferred tax asset	**146**	137

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

24. Tax assets and liabilities continued

The deferred tax liability in 2022 for insurance items is in respect of the transitional profits arising on adoption of IFRS 17 and taxable in 2023.

(ii) The movement in the net deferred tax asset was as follows:

	Note	2023 £m	Restated[1] 2022 £m
Net deferred tax asset at 1 January		**137**	102
Amounts credited to the income statement	9(a)(i)	**9**	35
Net deferred tax asset at 31 December		**146**	137

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

The Company has unrecognised losses of £224 million *(2022 restated: £283 million)* to carry forward indefinitely against future taxable income. This comprises £nil of unused trading losses *(2022 restated: £58 million)* and £224 million of capital losses *(2022: £225 million)*.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This is assessed on a five year forecast, based on the Company's Board approved Plan.

25. Provisions

(a) Carrying amounts

	2023 £m	2022 £m
Property provisions	**2**	9
Other provisions	**5**	5
Total provisions	**7**	14

Property provisions relate to provisions for dilapidations. Other provisions related to an onerous lease.

(b) Movements in restructuring and other provisions

	2023			2022			
	Property provisions £m	**Other provisions £m**	**Total £m**	Restructuring provisions £m	Property provisions £m	Other provisions £m	Total £m
At 1 January	**9**	**5**	**14**	2	12	7	21
Utilised during the year	**—**	**—**	**—**	(2)	—	(2)	(4)
Releases	**(7)**	**—**	**(7)**	—	(3)	—	(3)
At 31 December	**2**	**5**	**7**	—	9	5	14

	2023 £m	2022 £m
Expected to be settled in less than one year	**—**	—
Expected to be settled in more than one year	**7**	14
	7	14

26. Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. Staff whose costs are recharged to the Company are members of the Aviva Staff Pension Scheme. They receive benefits on either a defined benefit or a defined contribution basis. New entrants join the defined contribution section of the scheme, as the defined benefit sections of the scheme is now closed.

Full details of the Group's pension arrangements are given in note 49 of the Aviva plc Annual Report and Accounts 2023.

(b) Charges to the income statement

The total costs of pension schemes recharged to the Company gross of reinsurance were:

	2023 £m	2022 £m
Defined contribution scheme	**29**	25
Total pension costs	**29**	25

There were no significant contributions outstanding or prepaid at either 31 December 2023 or 2022. The costs of the defined contribution pension scheme are included within other expenses in note 5.

Notes to the financial statements (continued)

27. Payables and other financial liabilities

	Note	2023 £m	Restated[1] 2022 £m
Payables arising out of direct insurance		**224**	190
Payables arising out of reinsurance operations		**5**	1
Bank overdrafts	31(b)	**416**	448
Derivative liabilities	34	**308**	396
Obligations for repayment of cash collateral received		**74**	169
Amounts due to brokers for investment purchases		**78**	81
Amounts due to subsidiaries	36(a)(v)	**700**	605
Amounts due to other Group companies	36(a)(v)	**57**	130
Loans due to parent	36(a)(ii)	**285**	294
Lease liabilities		**6**	22
Total at 31 December		**2,153**	2,336
Expected to be settled within one year		**1,578**	1,684
Expected to be settled in more than one year		**575**	652
		2,153	2,336

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

28. Other liabilities

	2023 £m	Restated[1] 2022 £m
Accruals	**25**	26
Other liabilities	**325**	276
Total at 31 December	**350**	302
Expected to be settled within one year	**350**	302
Expected to be settled in more than one year	**—**	—
Total at 31 December	**350**	302

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Other liabilities includes £189 million (*2022: £154 million*) net insurance premium tax payable, interest payable of £54 million (*2022: £21 million*) and £50 million (*2022: £50 million*) of levy fees.

29. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 23 gives details of the estimation techniques used in determining the general business outstanding claims provisions and of the methodology and assumptions used in determining the long-term business provisions. These approaches are designed to allow for the appropriate cost of policy-related liabilities, with a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

(b) Business interruption

There continues to be a degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going test case litigation. On 17 October 2022, the High Court handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. The Company was not a party to the cases but is affected by the final outcome of these cases. The High Court ruled in favour of the parties on different issues, and all parties initially appealed the majority of the preliminary decisions made by Justice Butcher. Whilst the Greggs and Stonegate actions settled after the appeals on confidential terms, the Court of Appeal heard the remaining Various Eateries v Allianz appeals and, on 16 January 2024, handed down judgment dismissing both parties appeals. As a result, the decisions of the High Court by Justice Butcher stand. Legal rulings relating to Business Interruption coverage due to COVID-19 restrictions continue to be issued, with ongoing proceedings and appeals taking place.

(c) Liability claims

In the course of conducting insurance business, the Company receives general insurance liability claims, and becomes involved in actual or threatened litigation arising therefrom, including claims in respect of pollution and other environmental hazards, professional negligence and injuries suffered participating in sporting activities. Uncertainty is inherently higher in such claims due to their complex nature and protracted period of resolution. In particular, the ultimate cost of claims relating to asbestos production and handling cannot be determined with certainty given the significant delays that are experienced in the notification of these claims and the uncertainties associated with establishing liability and the availability of legacy reinsurance. The costs of such claims is estimated in part with consideration of market information published by the Institute and Faculty of Actuaries.

29. Contingent liabilities and other risk factors continued

(d) Regulatory Compliance

The FCA and the PRA regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources. The Company's regulators outside the UK typically have similar powers, but in some cases they also operate a system of 'prior product approval'.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

Any such finding could have a negative impact on the Company's reported results or on its relations with current or potential customers. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(e) Other

In the course of conducting insurance and investment business, the Company may become involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

In addition, in line with standard business practice, the Company has given guarantees, indemnities and warranties in connection with disposals in recent years of subsidiaries and associates. In the opinion of the directors, no material loss will arise in respect of these guarantees, indemnities and warranties. There are a number of charges registered over the assets of the Company in favour of other Group companies or third parties.

The Company has guaranteed the property-related obligations of certain other Group companies. In the opinion of the directors, no material loss will arise in respect of these guarantees.

The Company pays contributions to levy schemes in several countries in which it operates. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if an insurance company falls into financial difficulties. The directors continue to monitor the situation but are not aware of any need to increase provisions at the statement of financial position date.

30. Commitments

Capital commitments

This note gives details of the Company's commitment to capital expenditure which has not been recognised in the financial statements. See note 15 for information on the Company's lease commitments. In 2023, the Company committed to £96 million (*2022: £121 million*) of investments in relation to certain private equity vehicles.

31. Statement of cash flows

(a) The reconciliation of profit before tax to the net cash outflow from operating activities is:

	Note	2023 £m	Restated[1] 2022 £m
Profit before tax		**352**	287
Adjustments for:			
Loss/(profit) on the sale of:			
Subsidiaries		**—**	1
Investments		**(258)**	597
Fair value losses on:			
Investment property	14	**12**	38
Investments		**15**	104
Impairment of subsidiaries	12(a)	**2**	6
Impairment of property and equipment	13	**3**	1
Depreciation of property and equipment	13	**7**	6
Amortisation of:			
Premium on debt securities		**3**	12
Intangible assets	5	**45**	45
Change in economic assumptions on net claims reserves		**(94)**	(417)
		(265)	393
Changes in working capital:			
Increase in reinsurance contract assets		**(635)**	(560)
Increase in prepayments		**(38)**	(60)
Increase in insurance contract liabilities		**1,357**	982
Decrease in other assets and liabilities		**(259)**	(175)
		425	187
Net (purchases)/disposals of operating assets:			
Net (purchases)/disposals of investment property	14	**(33)**	31
Net purchases of financial investments		**(159)**	(967)
		(192)	(936)
Total cash used in operating activities		**320**	(69)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Purchases and sales of investment property and financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	Note	2023 £m	2022 £m
Cash at bank and in hand		**194**	136
Cash equivalents		**648**	988
		842	1,124
Bank overdrafts	27	**(416)**	(448)
Cash and cash equivalents net of bank overdrafts at 31 December		**426**	676

32. Capital structure

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

(a) General

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company measures its capital requirements under the Solvency II regime.

(b) Capital management

In managing its capital, the Company seeks to:

(i) Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
(ii) Maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;
(iii) Retain financial flexibility by maintaining strong liquidity; and
(iv) Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(c) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis

The Company is required to report its results on an IFRS basis.

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the regulatory requirements under Solvency II. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 33) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. As part of Solvency II reform in the UK, modifications were made to the calculation of the Solvency II risk margin. This regulation replaces the 6% cost of capital rate with a 4% rate and introduced a tapering factor impacting the Company's Periodic Payment Order (PPO) risk, effective from 31 December 2023.

At 31 December 2023 the Company's estimated own funds under Solvency II were £1.8 billion *(2022: £1.7 billion)*. The Company's own funds are sufficient to meets its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

(d) Company capital structure

	Note	**2023**	2022
		£m	£m
Equity shareholders' funds		**1,955**	2,001
Subordinated debt	27	**285**	294
Total capital		**2,240**	2,295

33. Risk management

Risk Environment

During the year, the global economy has continued to experience elevated inflation and interest rates coupled with low levels of economic growth. Market expectations for 2024 are that monetary policy will begin to be cautiously eased as central banks look to protect economic growth with inflation declining and the softening of the labour market, albeit remaining tight by historical standards. Economist forecasts for growth have been revised upwards and inflation is expected to continue a gradual downwards trend, although this is likely to be highly dependent on the outcome of heightened geo-political tensions with the potential for further disruption to supply chains and energy supplies. Further, the potential for material levels of regime and/or policy change across the globe are an additional source of uncertainty for financial and commodity markets. Affordability concerns due to the economic climate will continue to impact many customers and the Company continues to actively manage customer experience and outcomes.

There remains uncertainty over the legal rulings from continuing COVID-19 business interruption claims litigation, the evolution of some other claims types such as sports related head injuries and the potential for impacts from the continuing volatility and frequency of weather events.

The Company continues to maintain strong solvency and liquidity positions and is resilient to a broad range of more likely to extreme stresses to which it could become exposed to and maintains a set of plausible and timely management actions to mitigate any impacts and, where feasible, prompt pre-emptive activity or augment the understanding of the impacts of particular risks.

The Group remains committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system in line with the 2015 Paris Agreement target on climate change. In March 2021, the Group set an ambition to become a Net Zero carbon company by 2040 and actions continue to be taken to mitigate and manage the impact of climate change on the business. The Group calculates a Climate Value at Risk ("VaR") against the Intergovernmental Panel on Climate Change ("IPCC") scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators are used to assess the impact on the Company's investments.

(a) Risk Management Framework ("RMF")

The Company’s RMF has a key role in supporting the business to deliver its purpose for our customers, our people and our shareholder, helping the business discover, predict, understand and manage our risks, thereby maintaining a safe risk environment. The RMF comprises the system of governance, including Risk Policies and Business Standards, risk management processes, Risk Appetite Framework ("RAF"), risk oversight committees (both Board and Management) and clearly defined roles and responsibilities along with the processes the Company uses to Identify, Measure, Manage, Monitor and Report ("IMMMR") risks, including the use of risk models and Stress and Scenario Testing ("SST").

The Company’s RAF outlines the risks that the Company selects and manages in pursuit of return, the risks the Company accepts and retains a moderate level of and the risks the Company actively avoids or takes action to mitigate as far as practical. It comprises:

- Risk preferences: qualitative statements, that express where the business prefers to take risk (or else accept or avoid) and why, applied to individual key risk types (e.g. GI Reserving and Inflation).
- Risk appetites: overarching statements, metrics and thresholds that express the level of risk the business is willing to accept. The Company has risk appetites for Solvency, Liquidity, Operational, Climate and Conduct risk. Risk appetites are approved annually by the Board and monitored at least quarterly by relevant management committees.
- Risk tolerances: ‘hard’ limits that may constrain specific risk-taking activities for the most material (i.e. GI Catastrophe and macroeconomic risks) or volatile and unrewarded (i.e. interest rate) individual risk types or combinations of risk type. These are approved annually by the Board and monitored at least quarterly by relevant management committees. Within the Operational Risk and Control Management ("ORCM") Framework, there are operational risk tolerances which are set for individual operational risk types.
- Risk triggers: 'soft' thresholds used to monitor the capital exposure for other individual risk types (not covered by a Risk Tolerance) and are set annually by Management in line with the business planning process and monitored at least quarterly by the relevant management committees.
- Risk limits: quantify more granular limits for specific defined risk exposure (e.g. maximum credit exposure limits to particular counterparties).

To promote a consistent and rigorous approach to risk management across the business, the Company has adopted a number of Risk Policies and Business Standards. The Risk Policies set out the Board’s risk strategy appetite for risk and its expectations in respect of the management of risk while the Business Standards set out the mandated controls which together with any local controls aim to keep key operational risks within tolerance. The Chief Executive Officer ("CEO") makes an annual attestation that the system of governance and internal controls are effective and fit for purpose for the Company throughout the year and this declaration is supported by an opinion from the Chief Risk Officer ("CRO").

A variety of tools and processes are available to support risk identification; both bottom up and top down, and while run separately, these are designed to complement each other and are used to generate risk reports which are shared with the relevant Risk Committees. The Top-Down Risk Assessment ("TDRA") which is facilitated by the Risk Function, with input from Management, focuses on identifying both proximate and emerging risks from events outside the Company which are considered primarily beyond the Company’s influence and control. Conversely, the bottom-up Risk and Control Self-Assessment (“RCSA”) which is owned by Management with challenge from the Risk Function focuses on operational risks, that arise from within internal processes, systems or people and which might prevent the business from achieving its objectives.

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile with consideration to the risk management actions available. A range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests are undertaken to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being the Company’s principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency II Solvency Capital Requirement ("SCR").

Aviva staff on behalf of the Company are involved in the management and mitigation of risk, with the RMF embedded in the day-to-day management and decision-making processes. The ‘three lines of defence model’ is adopted by the Company and the Group (as required by the RMF policy). First line (the Business) is accountable for the management of all risks relevant to the business of the Company, including the implementation of the RMF and embedding of the risk culture. The second line (Risk Function) is responsible for providing independent objective quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the RMF. The third line (Internal Audit) provides an independent assessment of the RMF and internal control processes.

The Board is responsible for setting the Company’s risk preferences, risk appetites, risk tolerances and monitoring the establishment and operation of prudent and effective controls in order to assess and manage the risks associated with the Company’s operations. The Board Risk Committees assist it in carrying out these activities and in its oversight of risk and management across the Company. The Board delegate “day-to-day” management to the CEO, including risk management and responsibility for implementation of the Risk Policies and Business Standards. Management committees assist the Company’s Executive Committee in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities. The Company’s Executive Risk Committee ("ERC") provides formal oversight of all risks.

33. Risk management continued

The other management committees comprise the Asset Liability Committee ("ALCO"), which focuses on insurance and financial risks, the Reserves and Projection Committee, which monitors claims cost projections and the Insurance Committee which assists in the management of specific areas of insurance risk. These committees are sub-committees of the ERC to further support the CRO and other members of this committee in the discharge of their defined accountabilities and regulatory accountabilities.

Further information on the types and management of specific risk types and the changing risk profile is given in sections (b) to (h) below.

(b) Credit risk

Credit risk is the risk of loss or adverse outcomes due to a third-party default event or a change to third party credit standings. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholders. The Company is also exposed to third party credit quality changes through a range of activities including reinsurance and derivatives.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt securities, bank deposits, derivative and securities financing counterparties, insurance and reinsurance counterparties, and Group counterparties to inter-company loans and receivables, and indirectly by guaranteeing the obligations of certain other Group companies (see note 29(e) for further information).

The Company's credit risk management processes (including limits frameworks) comply with the Aviva Group credit limit framework. ALCO oversees financial risks including credit risk and ensures detailed reporting and monitoring of exposures against pre-established risk criteria.

(i) Financial exposures to Group companies

The Company has significant financial exposure to reinsurance assets and amounts due from fellow Group companies. The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group loans, the level of collateral provided and the fact that these loans are not traded, the Company does not provide for fluctuations in market value caused by changing perceptions of the credit worthiness of such counterparties.

(ii) Financial exposures by credit ratings

Financial assets, other than equities, are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. "Not rated" assets capture assets not rated by external ratings agencies. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings. The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. In assessing whether assets are impaired, due consideration is given to the factors outlined in accounting policy Q.

31 December 2023	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not-rated £m	Carrying value £m
Debt securities	**169**	**1,644**	**667**	**455**	**—**	**—**	**2,935**
Reinsurance contract assets	**—**	**1,310**	**138**	**47**	**1**	**2**	**1,498**
Derivative assets	**—**	**—**	**—**	**—**	**—**	**291**	**291**
Other investments	**—**	**—**	**—**	**—**	**—**	**1,883**	**1,883**

31 December 2022 - restated[1]	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not-rated £m	Carrying value £m
Debt securities	558	1,187	564	462	—	—	2,771
Reinsurance contract assets	—	842	291	4	6	6	1,150
Derivative assets	—	—	—	—	—	563	563
Other investments	—	—	—	—	—	1,224	1,224

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The Company's maximum exposure to credit risk of financial assets, without taking collateral, is represented by the carrying value of the financial instruments in the statement of financial position plus financial guarantees given to other Group companies (note 29(e)). These comprise debt securities, reinsurance assets, derivative assets, other investments, receivables and cash and cash equivalents. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 17), reinsurance assets (note 23), receivables (note 18) and cash and cash equivalents (note 31(b)). The collateral in place for these credit exposures is disclosed in note 35.

(iii) Other investments

Other investments include unit trusts and other investment vehicles; derivative financial instruments, representing positions to mitigate the impact of adverse market movements; and other assets, including deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles.

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk.

33. Risk management continued

(iv) Credit concentration risk

The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group credit policy and limits framework, which limit investments in individual assets and asset classes.

The Company is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within appetite. Exposures are actively monitored by the ALCO of which the CFO and CRO are members, with escalation to the Risk Committee as appropriate.

(v) Reinsurance credit exposures

The Company's largest intra-group reinsurance counterparty is AIIL through the quota share reinsurance ceded to AIIL. At 31 December 2023, the total reinsurance contract assets (excluding funds withheld) recoverable from AIIL, was £3,848 million *(2022 restated: £3,373 million)*. The credit exposure is partially mitigated by agreeing to withhold a significant portion of the balance due to AIIL (see note 36(a)(iii)).

The Company's largest external reinsurance counterparty is to the Swiss Reinsurance Company Limited (including its subsidiaries and affiliated companies). At 31 December 2023 the reinsurance contract asset is £664 million *(2022 restated: £655 million)*. This exposure is partially collateralised by a portfolio of highly rated assets held by Swiss Reinsurance Company Limited amounting to £349 million *(2022: £349 million).*

(vi) Derivative credit exposures

The Company is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Company's credit management framework.

(vii) Impairment of financial assets

In assessing the extent to which credit losses should be recognised, due consideration is given to the factors outlined in accounting policy Q. The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and the ageing of those assets that are past due but not impaired. The table excludes assets carried at FVTPL.

		Financial assets that are past due but not impaired				
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months-1 year**	**Greater than 1 year**	**Carrying value**
31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Debt securities	**2,935**	**—**	**—**	**—**	**—**	**2,935**
Reinsurance contract assets	**1,498**	**—**	**—**	**—**	**—**	**1,498**
Derivative assets	**291**	**—**	**—**	**—**	**—**	**291**
Other investments	**1,883**	**—**	**—**	**—**	**—**	**1,883**
Receivables	**2,386**	**47**	**30**	**65**	**14**	**2,542**

		Financial assets that are past due but not impaired				
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	Greater than 1 year	Carrying value
31 December 2022 - restated[1]	£m	£m	£m	£m	£m	£m
Debt securities	2,771	—	—	—	—	2,771
Reinsurance contract assets	1,150	—	—	—	—	1,150
Derivative assets	563	—	—	—	—	563
Other investments	1,224	—	—	—	—	1,224
Receivables	2,598	58	21	26	8	2,711

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

Receivables includes a loan due from parent of £500 million *(2022: £500 million*), loans due from subsidiaries of £207 million *(2022: £508 million)* and group relief of £142 million *(2022: £142 million).*

(c) Market risk

Market risk is the risk of loss or adverse outcomes due directly or indirectly to fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risks as part of its investment strategy. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company manages market risk using its market risk framework and within regulatory constraints. Market risk is managed in line with established Group policy, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The most material types of market risk that the Company is exposed to are described below.

(i) Equity price risk

The Company is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio.

33. Risk management continued

The Company's investment limits and investment regulations require that it holds diversified portfolios of assets thereby reducing exposure to individual equities. The Company's primary exposure is to publicly traded equities albeit it does also have some modest exposure to private equity investments. Equity risk is also managed using a variety of derivative instruments, primarily via the deployment of put options.

Sensitivity of profit and shareholders' equity to changes in equity prices is given in section (h)(ii) 'Risk and capital management' below.

(ii) Property price risk

The Company is subject to property price risk directly due to holdings of investment properties in a variety of locations and indirectly through investments in property investment vehicles. Investment in property managed by the Company is subject to regulations on investments, liquidity requirements and the expectations of policyholders.

At 31 December 2023, no material derivative contracts had been entered into to mitigate the effects of changes in property prices.

Sensitivity of profit before tax and shareholders' equity to changes in property prices is given in section (h)(ii) 'Risk and capital management' below.

(iii) Interest rate risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed interest securities and their movement relative to the value placed on the insurance liabilities. The Company seeks to match assets to liabilities and uses interest rate derivatives to manage its interest rate risk tolerance.

Sensitivity of profit before tax and shareholder funds to changes in interest rates is given in section (h)(ii) 'Risk and capital management' below.

(iv) Inflation risk

Inflation risk arises primarily from the Company's exposure to general insurance claims inflation and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and SST. The Company typically manages inflation risk through asset-liability matching and inflation-linked derivatives where appropriate and in accordance with its approved risk tolerances. In addition, in response to the increased inflationary pressure, the Company's inflation oversight forum considers regular and timely information on the latest view of inflation (including the reach of supply chain disruption) and emerging trends to ensure appropriate mitigating actions are identified and undertaken.

(v) Currency risk

The Company has exposure to currency risk primarily through its overseas investment assets in Aviva Canada Inc, AIIDAC (including inwards reinsurance) and its underwriting of global corporate & specialty business lines. The Company seeks to avoid currency risk and actively manages the position using derivatives where appropriate.

The Company's total equity deployment by currency (after the impact of hedging) is set out below. Where currencies have been hedged using cap or collar derivatives, only the remaining unhedged exposure has been presented. The parameters of caps and collars are managed such that adverse exposure to currency fluctuations on hedged positions is not significant.

	GBP	EUR	CAD	USD	Other	Total
31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Total equity	**1,899**	**1,751**	**(577)**	**(1,118)**	**—**	**1,955**

	GBP	EUR	CAD	USD	Other	Total
31 December 2022 - restated[1]	£m	£m	£m	£m	£m	£m
Total equity	1,800	23	226	41	(89)	2,001

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

(vi) Derivatives risk

Derivatives are used for efficient investment management, and risk hedging purposes and within policy guidelines agreed by the Board.

The Company applies strict requirements to the administration and valuation processes it uses and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form either in normal and/or stressed conditions.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a Financial Risk Policy and a Liquidity Risk Business Standard. The Company monitors its position relative to its agreed liquidity risk appetites.

Notes to the financial statements (continued)

33. Risk management continued

Maturity analyses

The following tables show the maturities of the Company's insurance contract liabilities, payables and other financial liabilities, derivative liabilities and accruals. Contractual obligations under operating capital commitments are given in note 30.

(i) Analysis of maturity of financial liabilities and insurance contract liabilities

The following table shows the Company's financial liabilities and insurance contract liabilities analysed by duration:

					2023
	Total	**On demand or within 1 year**	**1-5 years**	**5-15 years**	**Over 15 years**
	£m	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities	**8,392**	**3,742**	**3,399**	**909**	**342**
Payables and other financial liabilities, excluding derivatives	**1,845**	**1,560**	**—**	**—**	**285**
Derivative liabilities	**308**	**18**	**50**	**47**	**193**
Accruals	**25**	**25**	**—**	**—**	**—**
Total contract liabilities	**10,570**	**5,345**	**3,449**	**956**	**820**

					Restated[1] 2022
	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
	£m	£m	£m	£m	£m
Insurance contract liabilities	7,418	3,335	3,002	733	348
Payables and other financial liabilities, excluding derivatives	1,940	1,640	6	—	294
Derivative liabilities	396	44	124	58	170
Accruals	26	26	—	—	—
Total contract liabilities	9,780	5,045	3,132	791	812

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The table also includes the maturity of deposits received from reinsurers that represent the reinsurers' interest in the Company's financial assets / reinsurance assets. The Company also has non-financial assets, such as direct investment property holdings of £223 million *(2022: £202 million)*, for which a maturity analysis has not been provided.

					2023
	Total	**On demand or within 1 year**	**1-5 years**	**Over 5 years**	**No fixed term**
	£m	**£m**	**£m**	**£m**	**£m**
Debt securities	**2,935**	**135**	**1,224**	**1,576**	**—**
Equity securities	**9**	**—**	**—**	**—**	**9**
Other investments	**1,883**	**1,883**	**—**	**—**	**—**
Derivative assets	**291**	**71**	**21**	**199**	**—**
Reinsurance assets	**1,498**	**462**	**468**	**568**	**—**
Receivables	**2,542**	**1,693**	**142**	**707**	**—**
Cash and cash equivalents	**842**	**842**	**—**	**—**	**—**
Total financial assets	**10,000**	**5,086**	**1,855**	**3,050**	**9**

					2022 restated[1]
	Total	On demand or within 1 year	1-5 years	Over 5 years	No fixed term
	£m	£m	£m	£m	£m
Debt securities	2,771	171	885	1,715	—
Equity securities	111	—	—	—	111
Other investments	1,224	1,224	—	—	—
Derivative assets	563	147	27	389	—
Reinsurance assets	1,150	336	352	462	—
Receivables	2,711	1,561	142	1,008	—
Cash and cash equivalents	1,124	1,124	—	—	—
Total financial assets	9,654	4,563	1,406	3,574	111

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The reinsurance assets above are analysed using the estimated timing of expected cash flows. The other assets are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

33. Risk management continued

(e) General insurance risk

(i) Types of risk

The Company writes a balanced portfolio of general insurance risk (including personal motor; household; commercial motor; property and liability), as well as global exposure to corporate specialty risks. This risk is taken on, in line with our underwriting and pricing expertise, to provide an appropriate level of return for an acceptable level of risk. Underwriting discipline and a robust governance process is at the core of the Company's underwriting strategy. General insurance risk in the Company arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source or cause;
- Inadequate claims reserving assumptions;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten; and/or
- Inadequate reinsurance protection or other risk transfer techniques.

The Company has a preference for general insurance risk in measured amounts for explicit reward, in line with the Company's core skills in underwriting and pricing. The majority of the general insurance business underwritten by the Company continues to be short tail in nature such as motor, household and commercial property insurances. The Group's underwriting strategy and appetite are communicated via specific policy statements, related business standards and guidelines. The Company sets its own underwriting strategy, consistent with the Group strategy. Underwriting strategy is communicated to underwriters, with underwriting licences granted to individual underwriters according to competence and experience.

The adequacy of the Company's general insurance claims provisions is overseen by the GI Reserve and Projections Committee. Actuarial claims reserving is conducted by the Company's actuaries, with periodic independent external reviews by consulting actuaries.

The vast majority of the Company's general insurance business is managed and priced in the same country as the domicile of the customer, predominantly in the UK.

Reserving processes are further detailed in note 23.

(ii) Management of general insurance risks

The Company continually develops mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of risk appetite. Various methodologies are in place to effectively manage exposures arising from specific perils and the Company analyses accumulations of insurance risk under various headings, including type of business, location, profile of customers and type of claim and uses these analyses to inform underwriting and reserving.

The capital model is used to assess the risks that the Company is exposed to, quantifying their impact and calculating appropriate capital requirements.

The management of insurance risk is overseen by specific senior management committees, namely the ALCO, the Insurance Committee and the GI Reserve and Projections Committee.

Provisions made for insurance liabilities are inherently uncertain. Due to this uncertainty, general insurance reserves are regularly reviewed by qualified and experienced actuaries in accordance with the Company's reserving framework. These and other key risks, including the occurrence of unexpected claims from a single source or cause and inadequate reinsurance protection/risk transfer, are subject to an overarching risk management framework and various mechanisms to govern and control our risks and exposures.

The Company recognises that the severity and frequency of weather-related events has the potential to adversely impact provisions for insurance liabilities and our earnings, with the result that there is some seasonality in our results from period to period. Large catastrophic (CAT) losses arising as a result of these events are explicitly considered in our economic capital modelling to ensure we are resilient to such CAT scenarios, and this modelling considers the impact of climate change on the frequency and severity of potential future events. The impact of actual weather-related losses compared to the expected losses based on the long-term average was 6% worse (2022: 18% worse).

More broadly, the materiality and time horizon over which climate-related risks and opportunities affect the Company depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of the business, the ability to re-price annually, and by the Company's reinsurance programmes, the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases.

Furthermore, as an insurer, the Company is able to influence customer behaviour through the coverage of products and services provided and continues to develop climate-conscious products and services to incentivise climate-positive behaviours.

There continues to be a degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going test case litigation. On 17 October 2022, the High Court handed down its judgement on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. Aviva was not a party to the cases but is affected by the final outcome of these cases. The High Court ruled in favour of the parties on different issues, and all parties initially appealed the majority of the preliminary decisions made by Justice Butcher. Whilst the Greggs and Stonegate actions settled after the appeals on confidential terms the Court of Appeal heard the remaining Various Eateries v Allianz appeals and on 16 January 2024 handed down judgment dismissing both parties appeals. As a result the decisions of the High Court by Justice Butcher stand. Legal rulings relating to Business Interruption coverage due to COVID-19 restrictions continue to be issued, with ongoing proceedings and appeals taking place. The Company remains vigilant to these while setting reserves, noting the ongoing uncertainty this poses. Furthermore, reserves continue to be monitored in line with existing latent claims reserving processes and will be updated as necessary in light of emerging information, including in relation to exposure, claims made and legal developments (see note 29 for further details of specific areas remaining a concern).

The Company does not have material underwriting exposure to Israel, Palestine, Russia or Ukraine, and does not conduct operations in the affected regions.

The conflicts in Ukraine and Palestine and ongoing disruption to global supply chains have the potential to lead to heightened claims inflation in 2024 and may increase the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation can be mitigated via new business pricing actions, our ability to price for inflation is dependent on market, competitor and customer behaviour. The time lag between premium earning and claims emergence means that some adverse impact on profitability could be expected.

33. Risk management continued

(iii) Reinsurance strategy

Significant reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Company. The basis of these purchases is underpinned by analysis of capital, earnings and capital volatility, cash flow and liquidity. Detailed actuarial analysis is used to calculate the Company's extreme risk profile and then design cost and capital efficient reinsurance programmes to mitigate these risks to within agreed appetites. The Company analyses natural catastrophe exposure using its own internal probabilistic catastrophe model which is benchmarked against external catastrophe models widely used by the rest of the insurance and reinsurance industry.

The Company's largest reinsurance arrangements include a retrospective (both new and existing business) 50% quota share reinsurance arrangement with Aviva International Insurance Limited ("AIIL"), with effect from 1 January 2016, and the reinsurance of most of the Company's UK latent reserves (including mesothelioma, industrial deafness and other long-tail risks) with the Swiss Reinsurance Company Limited, with effect from 1 January 2015.

(f) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has a very low appetite for operational risks which could result in material losses (direct or indirect), a financial misstatement or have a material negative impact on reputation, customers, employees or other stakeholders.

The Company's Operational Risk and Control Management Framework ("ORCM") integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risk outside tolerance is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

In addition, specifically with respect to conduct risk, the Company has a very low appetite for poor customer outcomes and seeks to avoid customer harms across all business activities. Further it seeks to avoid market abuse or activities which impact market stability, integrity or fair competition and takes reasonable steps to comply with all conduct regulations and deliver positive customer outcomes. Areas of increased conduct risk have been identified in relation to the financial vulnerability of customers, product suitability and product value. In response, the Company has taken action to support the needs of different customer groups, and their local communities, including extensions of cover, payment deferrals and charitable donations. The Company adheres to the new Consumer Duty rules and ensures that the value of products to customers is continuously reviewed with actions taken as appropriate. Further, the Company continues to work closely with the FCA and the Association of British Insurers ("ABI") to ensure that steps to support customers remain appropriate.

Oversight of operational risk for the Company is undertaken by the Board.

(g) Climate change

The Company considers climate change to be a significant risk to our strategy and business model and its impacts are already being felt. Global average temperatures over the last five years have been the hottest on record. Despite the United Nations Framework Convention on Climate Change Paris Agreement, the current trend of increasing CO_2 emissions is expected to continue and in the absence of radical action by governments, global temperatures are likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts and windstorms) increase both in frequency and severity.

The Aviva Group is acting now through its Sustainability Ambition to mitigate and manage its impacts both today and in the future. The ambition is to lead the UK financial services sector in taking action on climate change, building stronger, more resilient communities and running ourselves as a sustainable business. Through these actions, resilience to climate-related transition, physical and liability risks continue to be built. The Company's principal risks impacted by climate change are credit risk, market risk, general insurance risk and operational risk.

The material climate-related impacts were described in the PRA 2015 report 'The impact of climate change on the UK insurance sector' and are defined by the Aviva Group and the Company as follows:

Transition risks: relate to the business impact resulting from the transition to a low carbon economy. This may entail extensive policy, legal, technology, and market changes designed to mitigate climate change. As a result, depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical risks: relate to the business impact arising from acute, abrupt and disruptive impacts such as more frequent and intensive storms, extreme heat and cold, floods, droughts and fires, as well as chronic gradual impacts such as higher than average temperatures, rises in sea levels and the spread of vector-borne diseases. The risk includes the effects directly resulting from events, such as damage to property, and those that may arise indirectly through subsequent events, such as the disruption of global supply chains or resource scarcity.

Litigation risks: relate to the business impact that could arise from parties who have suffered loss and damage from climate change and seek to recover losses from others who they believe may have been responsible. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all of the cost to insurance firms under third-party contracts.

Climate considerations continue to be integrated into the Company's strategy, planning, governance, disclosures and risk management processes. As part of this, the Company has integrated climate into its risk management framework and has qualitatively defined its climate risk appetite statement as:

"We have a very low appetite for climate-related risks which could have a material negative impact upon our balance sheet and business model as well as our customers and wider society. We actively seek to reduce our exposure over time to the downside risks arising from the transition to a low carbon economy. We seek to identify and support solutions that will drive a transition to a low-carbon, climate resilient economy. We seek to limit our net exposure to the more acute and chronic physical risks that will occur in the event the Paris Agreement target is not met. We actively avoid material exposure to climate litigation risks."

The Company's climate risk appetite statement is supported by quantitative hard and soft metrics which are aligned to the Aviva Group Sustainability Ambition and Company plan targets. The position against these metrics is reported on a regular basis to the Company's Board Committees and is considered (where applicable) within key business decisions.

The materiality and time horizon over which climate-related risks and opportunities affect our business depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of the business, the ability to re-price annually, and by the Company's reinsurance programmes, the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases.

33. Risk management continued

Alongside actions taken by the Government, the insurance industry and the wider society, Aviva Group and the Company are playing a leading role in addressing climate change with a broad range of actions underway to deliver on its 2040 Net Zero (NZ) ambitions and by embedding consideration of climate and sustainability risks into the culture of the Company. Furthermore, as an insurer, the Company is able to influence customer behaviour through the coverage of products and services provided and continues to develop climate-conscious products and services to incentivise climate-positive behaviours.

For example, for personal motor customers the Company offers a number of propositions to increase the transition to more sustainable transport, this includes: Aviva Zero, our Motor proposition offering customers the opportunity to purchase offsets for their car emissions; and the expansion of cover for Electric Vehicles and capabilities at the Company's in-house motor accident repair centres. For the Company's domestic property insurance customers; solar panels on residential roofs, air/ground source heat pumps and battery storage attract no additional premium. The Company has also extended its renewable energy insurance offering to include offshore wind.

For further details see the Aviva plc Climate-related Financial Disclosure 2023 report.

(h) Risk and capital management

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of capital requirements and to manage its capital more efficiently. Risk based capital models are used to support the quantification of risk under the Solvency II framework and as at year-end 2023 appropriately reflect the reform thereof (see note 32 for further detail). Management undertakes a quarterly review of risk, the output from which is a key input into the risk-based capital assessments. Primarily, a risk-based capital model and scenario tests are used. Sensitivities to economic and operating experience are regularly produced on financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

(i) General insurance and health

General insurance and health liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims. As such in the analysis below, the sensitivities of general insurance claims liabilities are primarily based on the financial impact of changes to the reported loss ratio.

(ii) Sensitivity results

Illustrative results of sensitivity testing for the Company's business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. Each test allows for any consequential impact on the asset and liability valuations. See below for further details on the limitations of the sensitivity analysis.

Sensitivity factor	Description of sensitivity factor applied
Market risk variables	
Interest rate and investment return	The impact of a change in market interest rates by ± 1%. The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Credit spreads	The impact of a 0.5% increase in credit spreads over risk free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations.
Equity market values	The impact of a 10% increase or decrease in equity market values.
Property market values	The impact of a 10% increase or decrease in property market values.
Underwriting risk variables	
Expenses	The impact of an increase in expenses by 10%
Gross loss ratios	The impact of an increase in gross loss ratios by 5%

Market risk variables

For business where the change in market risk variables could impact on profit, the following table presents how a possible shift in those variables might impact insurance contract balances, the corresponding investment assets, profit before tax and shareholders' equity after tax, all net of reinsurance.

								Restated[1]
				2023				2022
	Net insurance contracts profit or loss	**Investment assets profit or loss**	**Total profit before tax**	**Shareholder's equity after tax**	Net insurance contracts profit or loss	Investment assets profit or loss	Total profit before tax	Shareholder's equity after tax
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
100 bps increase in interest rate	**64**	**(64)**	**(1)**	**—**	57	(56)	1	1
100 bps decrease in interest rate	**(73)**	**75**	**3**	**2**	(66)	66	(1)	(1)
50 bps increase in corporate bond spread	**6**	**(42)**	**(36)**	**(28)**	6	(53)	(47)	(38)
10% increase in market value of equity	**—**	**37**	**37**	**28**	—	26	26	21
10% decrease in market value of equity	**—**	**(35)**	**(35)**	**(27)**	—	(24)	(24)	(20)
10% increase in value of property	**—**	**20**	**20**	**15**	—	18	18	15
10% decrease in value of property	**—**	**(20)**	**(20)**	**(15)**	—	(18)	(18)	(15)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

33. Risk management continued

Underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact insurance and reinsurance contract balances, profit before tax and shareholders' equity after tax. The affected underlying insurance contracts and related reinsurance contracts are measured under IFRS 17.

	2023				Restated[1] 2022			
	Insurance contracts profit or loss	**Reinsurance contracts profit or loss**	**Total profit before tax**	**Shareholder's equity after tax**	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder's equity after tax
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
10% increase in expenses	**(142)**	**71**	**(71)**	**(54)**	(141)	70	(71)	(57)
5% increase in gross loss ratios	**(180)**	**93**	**(87)**	**(67)**	(170)	88	(82)	(66)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The impact of the expense sensitivity on profit also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

Sensitivity to foreign exchange rates

A +/-10% change in Sterling to Canadian Dollar period-end foreign exchange rates would result in a change in total equity in the range of £64 million negative impact *(2022: £25 million positive)* and a £52 million positive impact *(2022: £21 million adverse)* respectively. A +/-10% change in Sterling to Euro period-end foreign exchange rates would result in a change in total equity in the range of £195 million positive impact *(2022: £3 million positive)* and a £159 million adverse impact *(2022: £2 million adverse)* respectively. There were no material sensitivities in the Company's total equity to other foreign exchange rates in 2023 and 2022.

Limitations of sensitivity analysis

The tables above demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into account that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risks that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Other than investments in subsidiaries and associates, assets are held at fair value in accordance with the relevant accounting policy. The majority of such assets are valued based on quoted market information or observable market data and the remaining assets recorded at fair value are based on estimates. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models calibrated to market observable data where possible. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not significantly change their fair value.

34. Derivative financial instruments

The Company uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with our overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions. The fair values represent the gross carrying values at the year-end for each class of derivative contract held (or issued) by the Company.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Company has collateral agreements in place with the relevant counterparties. See note 35 Collateral for further information on collateral and net credit risk of derivative instruments.

(i) The Company's derivatives at 31 December 2023 and 2022 were as follows:

			2023			2022
	Contract/ notional amount	**Fair value asset**	**Fair value liability**	Contract/ notional amount	Fair value asset	Fair value liability
	£m	**£m**	**£m**	£m	£m	£m
Foreign exchange contracts						
OTC						
Forwards	**2,932**	**58**	**(8)**	2,891	119	(9)
Interest rate contracts						
OTC						
Swaps	**4,783**	**222**	**(223)**	5,452	414	(333)
Exchange traded						
Futures	**—**	**—**	**—**	159	8	—
Equity/Index contracts						
OTC						
Options	**281**	**9**	**—**	430	20	(6)
Inflation linked contracts						
OTC						
Swaps	**396**	**2**	**(77)**	411	2	(48)
Total at 31 December	**8,392**	**291**	**(308)**	9,343	563	(396)

Fair value assets of £291 million *(2022: £563 million)* are recognised as derivative financial instruments in note 17, while fair value liabilities of £308 million *(2022: £396 million)* are recognised as derivative liabilities in note 27.

The Company's derivative risk management policies are outlined in note 33 Risk management.

(ii) The contractual undiscounted cash flows in relation to derivative liabilities have the following maturities:

	2023	2022
	£m	£m
Within 1 year	**45**	119
Between 1 and 5 years	**74**	128
Between 5 and 15 years	**45**	109
Over 15 years	**169**	179
	333	535

Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of collateral receivable or repayable are included in note 17 Financial Investments and in note 27 Payables and other financial liabilities respectively.

Notes to the financial statements (continued)

35. Collateral

The Company mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements to facilitate the Company's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by the Company or its counterparty.

Derivative transactions requiring the Company or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, inflation swaps and forward foreign exchange contracts. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities.

The total amount of collateral received which the Company is permitted to sell or re-pledge in the absence of default was £nil *(2022: £nil)*. Collateral of £74 million *(2022: £169 million)* has been received related to balances recognised within payables and other financial liabilities in note 27.

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The fair values of collateral received approximate to their carrying amounts.

36. Related party transactions

(a) Related party transactions

The Company has the following transactions with related parties which include parent companies, subsidiaries, associates and fellow subsidiaries in the normal course of business.

(i) Loans receivable

Aviva Group Holdings Limited ("AGH") loan

As part of the restructuring carried out in 2013, a loan facility of £5.8 billion was put in place with the Company's immediate parent. The loan was originally secured on the UK Life and certain non-UK operations of the Group and has a final maturity date of December 2042.

The loan was restructured during 2021 as part of a wider restructuring of the Aviva Group, and in particular, additional loan repayments were made following the disposal by AGH of certain non-UK operations of the Group, reducing the balance to £500 million at 31 December 2021. The loan is now secured solely on the UK Life operations. The requirement for AGH to make annual repayments (£50 million p.a. until December 2026 with no rights of deferral) was removed under the restructuring and the balance at 31 December 2023 remained at £500 million.

The interest rate is based on Sterling Overnight Indexed Average (SONIA) rate plus a 46 basis points and the credit margin component remains at 240 basis points. This was last amended at 31 December 2022 and is subject to 5-yearly review.

Aviva Canada Inc. ("ACI") loans

In April 2015, following the partial return of capital on the Company's equity investment in ACI, the Company returned the proceeds back to ACI in the form of a subordinated unsecured loan of CAD 350 million. The loan has a carrying balance of £207 million *(2022: £214 million)* and a final maturity date of March 2045. In the event that ACI's minimum regulatory capital requirement falls below certain local trigger levels, ACI may redeem the loan in exchange for issuing equity whose aggregate value is equal to the principal amount outstanding on the loan.

In June 2016, the Company issued ACI a new subordinated unsecured loan of CAD 480 million. The loan had a carrying balance of £294 million at 31 December 2022 and £nil at 31 December 2023, after an agreed loan restructure with ACI, to convert the loan to equity during 2023 (see note 12(b)(i) for details.

The maturity analysis of the related party loans receivable is as follows:

	2023 **£m**	2022 £m
Over 15 years	**707**	1,008
Total	**707**	1,008
Effective interest rate	**10.6 %**	5.5 %

(ii) Loan payable

Loan due to AGH

In June 2016, the Company entered into a subordinated unsecured loan from AGH of CAD 480 million. The loan, with a carrying balance of £(285) million *(2022: £(294) million)* matures in 2046.

The interest rate payable on the loan is CORRA plus a 49 basis points adjustment, plus a credit margin component of 474 basis points.

The maturity analysis of the related party loan payable is as follows:

	2023 **£m**	2022 £m
Over 15 years	**(285)**	(294)
Total	**(285)**	(294)
Effective interest rate	**10.0 %**	6.9 %

36. Related party transactions continued

(iii) Quota share arrangements - internal

The Company has a number of intra-group quota share arrangements in place which are listed below. The table in note 23(b)(iv), which presents intra-group reinsurance contracts held analysed by remaining coverage and incurred claims, provides the financials regarding these arrangements.

- Aviva International Insurance Limited ("AIIL")

The Company holds a retrospective (both new and existing business) outwards 50% quota share reinsurance arrangement with AIIL covering the insurance business underwritten by the Company.

Under the terms of the reinsurance arrangement, the Company withheld the majority of the payment due to AIIL. The balance outstanding at 31 December 2023 was £3,991 million (2022: £3,667 million) and is included within reinsurance contract assets in note 23(a). The amount due accrues interest, included within net investment income, set at a rate linked to the Company's net investment returns.

The net financial result which has been ceded under this arrangement is summarised as follows:

	2023 £m	Restated[1] 2022 £m
Insurance revenue ceded	**2,336**	2,096
Insurance service expense ceded	**(2,168)**	(1,949)
	168	147
Investment return ceded	**175**	(306)
Net finance income from insurance contracts ceded	**(131)**	182
Net financial result ceded	**212**	23

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The balance in the statement of financial position relating to this arrangement is as follows:

	2023 £m	Restated[1] 2022 £m
Reinsurance contract assets	**(83)**	(292)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

- Gresham Insurance Company Limited ("Gresham") and Aviva Insurance Ireland Designated Activity Company ("AIIDAC")

The Company has assumed an inwards quota share reinsurance arrangement with its subsidiary undertaking, Gresham, with effect from 1 January 2006. The key terms are:

- 100% cession rate on premiums, claims and expense costs applied in respect of the underwriting year; and
- a requirement for Gresham to retain a percentage in relation to the Financial Services Compensation Scheme and Flood Re levies.

On 31 August 2023, Gresham acquired the renewal rights to a back-book of home insurance policies previously owned by Barclays for consideration of £67 million (refer to note 12(b)(i)). Gresham has accounted for the consideration it paid as an insurance acquisition cashflow. The inwards quota share reinsurance arrangement between the Company and Gresham has been modified to include the amortisation of this insurance acquisition cash flow.

In addition, on 1 February 2019, the Company assumed a retrospective (both expired and in-force business) inwards quota share reinsurance arrangement with AIIDAC as follows:

- 70% quota share arrangement in respect of general insurance risks arising in Ireland (reduced from 85% from 1 January 2022);
- 85% quota share arrangement covering European Mobile Device Insurance business; and
- 100% quota share arrangement covering all other business transferred.

Refer to the table in Note 23(b)(iv), which presents intra-group reinsurance contracts assumed, analysed by remaining coverage and incurred claims. This table solely relates to the assumed quota share reinsurance contracts that the Company has with Gresham and AIIDAC.

(iv) Quota share arrangements - Adverse reserve deterioration agreements

The Company has a number of quota share arrangements in respect of adverse reserve deterioration which are listed below and included in the table in note 23(b)(v).

- The Ocean Marine Insurance Company Limited

The Company has an inwards adverse reserve deterioration agreement with its subsidiary undertaking, The Ocean Marine Insurance Company Limited ("Ocean"). This agreement provides Ocean with an extra £1 billion of reinsurance cover to protect against circumstances in which its reinsurance arrangement with National Indemnity Company ("NIC") is exhausted or otherwise fails to satisfy claims. Ocean's reinsurance arrangement with NIC provides substantial protection in excess of its current gross insurance liabilities.

- Aviva Life and Pensions UK Limited

The Company has an arrangement with Aviva Life and Pensions UK Limited ("UKLAP"), a fellow Group company, for the outwards reinsurance of its obligations in respect of structured settlements.

Notes to the financial statements (continued)

36. Related party transactions continued

The net financial result which has been ceded under this arrangement is as follows:

	2023 £m	Restated[1] 2022 £m
Insurance service expense ceded	**5**	255
Net financial result ceded	**5**	255

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The balance in the statement of financial position relating to this arrangement is as follows:

	2023 £m	Restated[1] 2022 £m
Reinsurance contract assets	**333**	338

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

(v) Other transactions - dividend income and net interest payments from transactions with related parties and services provided to and by related parties

	2023 Income earned in the year	2023 Expenses incurred in the year	2023 Payable at year end	2023 Receivable at year end £m	Restated[1] 2022 Income earned in the year	2022 Expenses incurred in the year	2022 Payable at year end	2022 Receivable at year end £m
Parent	**13**	**—**	**—**	**27**	2	—	—	19
Subsidiaries	**71**	**301**	**700**	**585**	312	249	605	645
Fellow subsidiaries	**(172)**	**607**	**57**	**67**	304	559	130	12
	(88)	**908**	**757**	**679**	618	808	735	676

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1, impacting receivables and payables with subsidiaries.

Income earned from the Company's immediate parent of £13 million *(2022: £2 million)* relates to net interest on the loan receivable and the loan payable described in note 36(a)(i) & (ii).

Income earned from subsidiaries of £71 million *(2022: £312 million)* relates to dividends received of £22 million *(2022: £279 million)* and interest on the ACI loans receivable described in note 36(a)(i). Income earned in the year from fellow subsidiaries comprises net income charged of £(172) million *(2022: net income received of £304 million)* relating to interest on the balance due under the quota share reinsurance arrangement with AIIL described in note 36(a)(iii).

Services provided to the Company include £8 million *(2022: £6 million)* inter-company management fees payable to fellow subsidiaries of the Group.

Expenses incurred include £323 million *(2022: £303 million)* relating to staff and pension costs incurred by Aviva Employment Services Limited including the pension costs detailed in note 26. The staff and pensions costs incurred by Aviva Employment Services Limited were recharged to the Company via Aviva Central Services UK Limited.

Expenses incurred also include £247 million *(2022: £249 million)* relating to facilities and other service charges from Aviva Central Services UK Limited and £104 million (*2022: £110 million)* of commission payments that were made to Aviva UK Digital Limited, an insurance intermediary and subsidiary of the Company, for the distribution of the Company's direct-to-customer service offering.

Expenses incurred also include other expenses of £198 million *(2022: £140 million)* which largely relate to claims and other operating costs recharged from subsidiaries, associates and fellow subsidiaries, offset by expenses recharged to subsidiaries.

Directors and key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by Group companies on equivalent terms to those available to all employees of the Group. In 2023 and 2022, other transactions with directors and key management personnel were not deemed to be significant either by size or in the context of their individual positions.

The net balance with Group companies for settlement of corporation tax assets and liabilities by group relief is disclosed in note 24.

Interim ordinary dividends of £104 million were declared and settled in August 2023, with a further interim ordinary dividend of £229 million declared and settled in December 2023, all of which were settled in cash *(2022: dividends of £329 million, £222 million and £298 million were declared and settled in September, November and December 2022 respectively)*.

The related parties' receivables and payables are not secured, and no guarantees were received in respect thereof. The receivables and payables will be settled in accordance with normal contract terms.

Subsequent to the year ended 31 December 2023, the Company received £88 million and CAD$20 million capital contributions from its parent, AGH. In addition, the Company made a capital contribution of CAD$20 million to its subsidiary Aviva Canada Inc. Details are shown within note 38.

Notes to the financial statements (continued)

36. Related party transactions continued

(b) Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors, is as follows:

	2023 £m	2022 £m
Short-term employee benefits	**9**	10
Total	**9**	10

Details of directors' emoluments are given in note 7.

(c) Parent entity

The immediate parent undertaking is Aviva Group Holdings Limited, registered in England.

(d) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, 80 Fenchurch Street, London, EC3M 4AE, and on the Aviva plc website at www.aviva.com.

37. Related undertakings

The Company's Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings comprise subsidiaries and associates.

The Company's related undertakings along with the country of incorporation, the registered address, the class of shares held and the effective percentage of equity owned at 31 December 2023 are listed below.

The direct related undertakings of the Company at 31 December 2023 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Aviva Canada Inc.	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares, Class A & Class B Common Shares, Special Common Shares and New Common Shares	100%
Aviva Direct Ireland Limited	Ireland	Cherrywood Business Park, Dublin, D18 W2P5	Ordinary Shares	100%
Aviva Driving School Ireland Limited	Ireland	Cherrywood Business Park, Dublin, D18 W2P5	Ordinary Shares	100%
Aviva Insurance Ireland Designated Activity Company	Ireland	Cherrywood Business Park, Dublin, D18 W2P5	Ordinary Shares	100%
Aviva Investors E-RELI S.a.r.l	Luxembourg	2 rue du Fort Bourbon, L-1249, Luxembourg	SCSp	17%
Aviva Credit Services UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Aviva Insurance Services UK Limited	United Kingdom	80 Fenchurch Street, London, EC3M 4AE	Ordinary Shares	100%
Aviva UK Digital Limited	United Kingdom	80 Fenchurch Street, London, EC3M 4AE	Ordinary Shares	100%
The Ocean Marine Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
The Welsh Insurance Corporation Limited	United Kingdom	80 Fenchurch Street, London, EC3M 4AE	Ordinary Shares	100%
Aviva Consumer Products UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Aviva Health UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Aviva Insurance UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Aviva UKGI Investments Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Gresham Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
London and Edinburgh Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Solus (London) Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Synergy Sunrise (Broadlands) Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG	Ordinary Shares	100%
Polaris U.K. Limited	United Kingdom	4th Floor, New London House, 6 London Street, London, EC3R 7LP	Ordinary Shares	39%

Notes to the financial statements (continued)

37. Related undertakings continued

The indirect related undertakings of the Company at 31 December 2023 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Victoria Reinsurance Company Ltd	Barbados	c/o USA Risk Group (Barbados) Ltd., 6th Floor, CGI Tower, Warrens, St. Michael, BB22026	Common Shares	100%
9543864 Canada Inc.	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Aviva General Insurance Company	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Aviva Insurance Company of Canada	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Redeemable Preferred and Common Shares	100%
Aviva Warranty Services Inc	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Bay-Mill Specialty Insurance Adjusters Inc.	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Elite Insurance Company	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Preferred and Common Shares	100%
Insurance Agent Service Inc.	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Nautimax Ltd	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Class 1 Common Shares	100%
OIS Ontario Insurance Service Limited	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Pilot Insurance Company	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
S&Y Insurance Company	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Scottish & York Insurance Co. Limited	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Preferred and Common Shares	100%
Traders General Insurance Company	Canada	10 Aviva Way, Suite 100, Markham, On L6G 0G1	Common Shares	100%
Prolink Insurance Inc	Canada	150 King St West, Suite 2401, P.O. Box 16, Toronto ON M5H 1J9	Common A Shares	34%
Aviva Agency Services Inc.	Canada	555 Rue Chabanel Ouest, Bureau 900, Montreal QC H2N 2H8	Class A Common Shares	100%
Westmount West Services Inc.	Canada	Suite 1600, 925 W Georgia St, Vancouver BC V6C 3L2	Class A Ordinary Shares Class B Ordinary Shares	10% 10%
Healthcare Purchasing Alliance Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, England, NR1 3NG	Ordinary Shares	50%
Healthcode Limited	United Kingdom	10 Orange Street, London, United Kingdom, WC2H 7DQ	Ordinary Shares	20%

38. Subsequent events

Management has evaluated subsequent events for the period from 31 December 2023 to the date of these financial statements. There have been two significant subsequent events during that period:

- On 3 January 2024, the Company received capital contributions of £88 million and CAD$20 million from its parent company, Aviva Group Holdings Limited ("AGH").
- On 3 January 2024, the Company also made a capital contribution of CAD$20 million to its subsidiary Aviva Canada Inc. to fund its acquisition of Optiom.
- On 4 March 2024, Aviva plc announced the acquisition of Probitas for a total consideration of £242 million. The transaction includes the acquisition of Probitas' fully-integrated Lloyd's platform, encompassing its Corporate Member, Managing Agent, international distribution entities and tenancy rights to Syndicate 1492. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to complete in 2024. The transaction is not expected to have a material impact on the Company's IFRS net asset value.