ReAssure Life Limited

Company Registration Number: 01363932

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

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Strategic report

The Directors present the Strategic report, their Report and the financial statements of ReAssure Life Limited ("the Company") for the year ended 31 December 2022.

The financial statements of the Company for the year ended 31 December 2022 have been prepared in accordance with UK adopted international accounting standards.

Business review

Principal activities

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

The Company is closed to new business and its base of life and pensions policies are in run off.

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

Strategy

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

On 31 December 2019, an intra-group reinsurance ("IGR") arrangement was put in place, which transferred the vast majority of the shareholder risk and rewards of the business into ReAssure Limited ("RAL") in return for an advanced claim amount and reinsurance premium. The IGR covers the insurance component of the unit-linked business, including both UK and the non-UK business, net of external reinsurance recoveries.

The strategic priority of the Company is to continue to provide quality service to existing customers and so preserve high levels of persistency and improve the protection proposition.

Corporate activity

During 2022, work continued towards the transfer out of all Swedish, Norwegian and German based policies to a new Irish incorporated entity, Phoenix Life Assurance Europe Designated Activity Company ("PLAEDAC").

For the RLL business, the liabilities and assets backing these for the unit-linked business have been transferred to PLAEDAC and the investment component has been reinsured back to the Company.

To enable the transfer, regulatory approval, court approval and Central Bank of Ireland authorisation to undertake life insurance was obtained for PLAEDAC during the year ended 31 December 2022.

Court approvals for the Part VII transfer were obtained on 18 October 2022 and 1 November 2022 and are effective from 1 January 2023. This is reported as a non-adjusting event after the reporting period.

On 16 December 2022, the Company issued a loan of £130m to Phoenix Group Holdings plc ("PGHP"). Compound interest will accrue from the issue date until maturity on 15 December 2027. The interest will be capitalised and added to the outstanding principal amount on the last day of each interest period. Please see note 12 for further detail.

As part of a long term strategy to provide policyholders with a consistent customer experience across all group entities it has been announced that the Company's policies, currently administered by the ReAssure in house administration system Alpha, will be transferred over a three year period to an administration system managed by outsource provider Diligenta. This is reported as a non-adjusting event after the reporting period.

Future developments

Regulatory developments
The Company continues its preparations for the introduction of the new insurance accounting standard, IFRS 17, which will significantly change the way the Company measures its insurance contracts, impacting profit emergence patterns and adding complexity to valuation processes, data requirements and assumption setting. Further detail on this is set out in note 3.

The UK government has launched a consultation into the Future Regulatory Framework for financial services, and separately into the Solvency II regime. These reviews could lead to significant changes to the Company's regulatory environment and could create both challenges and opportunities for its business. The Company continues to monitor changes in the regulatory environment and feedback on consultations both via the Group and industry bodies.

Climate change: activity in the year and future developments
Climate change is one of the greatest global challenges we face today. The Group's ambition is to be a net zero business by 2050 and the Company has a significant role to play in helping to address the climate emergency and accelerating the transition to a net zero economy. This is intrinsically linked to the Company's purpose of helping people secure a life of possibilities.

The Group have set an overarching target of being net zero carbon in our investment portfolio by 2050, in accordance with science-based targets. The group have also set interim carbon intensity reduction targets which provide a clear pathway to our overall net zero commitment: a 25% reduction in the carbon emission intensity of investments by 2025; and a 50% reduction in the carbon emission intensity of investments by 2030. These interim targets will cover listed equity and credit assets where the Company can exercise control and influence.
The Company is focused on providing savings and insurance products that enable policyholders to direct finance to help accelerate the transition to a low carbon economy.

On 9 February 2022 the Bank of England launched the second round of the Climate Biennial Exploratory Scenario ('CBES') exercise, which is designed to assess the financial risks arising from climate change. Round 2 of the CBES was completed during 2022, on a consolidated basis including the Company, exploring the strategic responses to the three scenarios and the associated implications for business models.

The Group is engaging to multiply impact by working collaboratively with partners to deliver cross-sector change and thought leadership. The Group joined the Net Zero Asset owners alliance in May 2021, the Partnership for Carbon Accounting Financials UK in June 2021 and signed up to the Taskforce on Nature-related Financial Disclosures in November 2021.

More information can be found in the principal risks section of this report, and in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Key Performance Indicators ("KPIs")
The results of the Company for the year are shown in the Statement of comprehensive income on page 31.

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

Capital resources
The Company's solvency position is an important measure of financial strength. As at 31 December 2022 the Company's estimated Solvency II Own funds and excess of own funds over solvency capital requirement (unaudited) were £241m (2021: £232m) and £219m (2021: £195m) respectively.

Dividends paid
The payment of dividends to Group is a strategic objective as cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. No dividends were paid to the parent company during 2022 (2021: £Nil). The directors do not recommend the payment of a final dividend.

Financial ombudsman service ("FOS") overturn rate
This is an independent view of how the Company is handling complaints. This is expressed as the percentage of all complaints to the ombudsman service that have been upheld. The 2022 result for the Company, was 26% (2021:10%), which is better than the industry average of 37% and consistent with the "Decumulation, Life and Pensions" category average of 26%.

Speed of pension transfer payouts
This is a recognised industry measure for the speed of processing transfers. The 2022 result for the Company was 14.2 days (2021: 8.3 days), which is in line with the industry average of 14 days. The increase in the number of days from 2021 is due to a small quantity of transfers with a longer duration than the previous period.

Operations

During the year the Company has maintained a closed book of long-term life & pension and protection products.

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

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

Directors' duties under section 172 of the Companies Act

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

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

During the year, the directors of the Company have applied section 172 of the Companies Act 2006 in a manner consistent with the overall purpose, values and strategic priorities of the Phoenix Group. When considering issues of strategic importance, and making key decisions about the company (or those that impact the wider Group), the directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

The Board recognises that a company's stakeholders are integral to its success. During the year, the Company's directors ensured that its considerations and decision-making processes took into account their impact on its own stakeholders, namely:

- Its customers;
- Its strategic partners and outsourced service providers;
- The Group's employees engaged to undertake work on behalf of the Company;
- Its regulators, the Prudential Regulatory Authority and the Financial Conduct Authority; and
- The Company's immediate parent, ReAssure Group plc, and ultimate parent, Phoenix Group Holdings plc.

During 2022, and as a result of the impact of the wider political and economic environment, the Board had deep dive sessions, in particular, on:

- The impact of the war in Ukraine to, to include the level of exposure to investments, impacts on customers and the increase in potential cyber attacks;
- the impact of the "Great Resignation" on the Group's employees and the potential for associated attrition and skills shortages;
- the impact of the "Cost of Living" and how the Group was reacting to the needs of both customers and the Group's employees who may be suffering from financial hardship; and
- the market instability faced during H2.

Significant decisions that show how the Board considered relevant matters set out in section 172 are outlined in the table below, demonstrating how the directors of the Company have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2022.

KEY BOARD DECISION	**2022 Sustainability Strategy**
STRATEGIC IMPORTANCE **Investing in a sustainable future** **Enhancing our operating model and culture**	CONSIDERATION OF S172 MATTERS The Board's review of proposals relating to the Group Sustainability Strategy, focused on the following elements: **Fostering business relationships with suppliers, customers and others** The Board explored the proposed response to current consumer attitudes and long term changing consumer needs, including the launch of a financial inclusion strategy, embedding Environmental, Social and Governance (ESG) standards within funds and growing the existing digital literacy programme. It also considered the key initiatives designed to support the business in working responsibility with its suppliers. These included plans for Net Zero modelling supplier emissions, undertaking an independent ESG risk assessment of the Group's supply chain and implementing outputs of a prompt payment project. An education session on the intended plans for the Net Zero Transition Plan due to be formalised in 2023 was provided to the Board in December 2022. **The interests of the company's employees** Initiatives relating to investing in people and culture were also considered by the Board. These included plans to position diversity and inclusion constructs and processes as cultural enablers, targeting, measuring and rewarding performance and measuring colleague engagement through surveys designed to drive action and measurable improvements. **The impact of the company's operations on the community and the environment** The Board reviewed initiatives and targets designed to reduce environmental impact. These included development of an internal carbon price to be used to inform a capital expenditure improvement plan, development of a biodiversity action plan and consideration of offsetting opportunities. It also considered ways in which the business proposed to support communities, which included further embedding charity partnerships, promoting the value of skills-based volunteering and maximising circular economy opportunities like equipment donation and lending facilities.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the Sustainability Strategy at local level, providing a non-objection for the overall strategy. Final approval for the overall strategy was then sought and received from the Company's ultimate parent, Phoenix Group Holdings plc.

KEY BOARD DECISION	**Conduct Risk Framework**
STRATEGIC IMPORTANCE **Enhancing our operating model and culture**	CONSIDERATION OF S172 MATTERS The Board received a report setting out proposed changes to the Company's Conduct Risk Framework. Key matters considered by the Board in relation to the revised Framework included: **Maintaining a reputation for high standards of business conduct** The Board noted that proposed changes to the Framework were designed to ensure it evolved in line with the increased scale and complexity of the Company and wider Group. **Fostering business relationships with suppliers, customers and others** The Board also recognised that the framework would support the business in identifying areas where its acts or omissions impacted outcomes delivered to customers, or had the potential to do so if not corrected. In addition, the proposed changes were intended to provide alignment to the expectations of the Company's regulator, the Financial Conduct Authority. **The interests of the company's employees** The Board noted that the standards set out in the Framework were aligned to a "Culture and Behaviours" pillar, which included colleague considerations such as Diversity and Inclusion. **The impact of the company's operations on the community and the environment** A further pillar to which standards were aligned to was that of "Force for Good", which considered the impact of the Company in Society in relation to markets, communities and the Group-wide sustainability strategy.
OUTCOME	Following due consideration of the matters set out in section 172, the Board resolved to approve the updated Conduct Risk Framework.
KEY BOARD DECISION	**YE21 Annual Accounts**
STRATEGIC IMPORTANCE **Optimising our in-force business**	CONSIDERATION OF S172 MATTERS **Likely consequences of any decisions in the long term** As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE21 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long-term impact of the decision to approve the YE21 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate. **Maintaining a reputation for high standards of business conduct** Prior to approving the YE21 accounts, the board considered the opinions of the Finance Director with supporting paperwork presented by the Financial Reporting team, together with the outcome of an external audit for the accounts, including assessments relating to the impact of geopolitical risk in light of escalating Ukraine tensions and remaining uncertainty in respect of Covid19.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE21 accounts.

KEY BOARD DECISION	**Closed Book Business Acquisition**
STRATEGIC IMPORTANCE **Growing our business to support both new and existing customers**	CONSIDERATION OF S172 MATTERS The Board received a proposal in relation to the ultimate parent's proposed acquisition of a closed book business in order to consider the impact of doing so on the Group's Life Companies, of which the Company is one. **Fostering business relationships with suppliers, customers and others** The proposal incorporated a detailed analysis of potential customer impacts in respect of the acquisition. The Board noted that whilst there were no red flags, work would be required to align some product outcomes to Phoenix's appetite. This work was expected to be achieved without placing customer outcomes for existing Phoenix customers at risk. **Maintaining a reputation for high standards of business conduct** The outputs of an Acquisition Impact Assessment of operational capacity to deliver the target operating model post-acquisition were considered by the Board. The Board noted that integration execution would be gradual and measured, beginning only when capacity became available. The only exception to this approach would be where the target was outside of Group risk appetite. **Likely consequences of any decisions in the long term** The Board discussed how any potential impact on the Company's capital position arising from the target's products offering guaranteed rates would need to be managed, noting that to do so, it needed to be comfortable that reserves were appropriate, the capital position was robust and that customers were being treated fairly.
OUTCOME	Following due consideration of the matters set out in section 172, the Board concluded that it was able to provide the Group Board with a non-objection for the transaction to proceed.

KEY BOARD DECISION	**Customer and Vulnerable Customer Strategies**
STRATEGIC IMPORTANCE **Enhancing our operating model and culture**	CONSIDERATION OF S172 MATTERS The Board considered proposals relating to the ongoing strategy and management for customers, to include vulnerable customers. **Fostering business relationships with suppliers, customers and others** The Board considered the continued development of a Group wide customer strategy to include ambition, capabilities and investment which cuts across all areas of the Group and which aligned to the overall ambition of providing products and services to customers across the Group, to and through retirement. The Board noted that the proposals to provide a visible and holistic response to its vulnerable customers was integral to the delivering Phoenix's vision to grow a strong and sustainable business, helping more people on their journey towards and through retirement. It also recognised that vulnerability was not only driven by socio-economic factors, but was also exacerbated by the cost of living crisis and complexities around Life and Pensions business decision making and the guidance and advice gap. The Board noted that all customers had the potential to become vulnerable at some point in their lives. In considering the proposals, the Board challenged how consistency of approach across all books of business could be achieved and demonstrated. It also sought to understand how vulnerability was captured at the earliest stages of customer interaction. **Maintaining a reputation for high standards of business conduct** The Board discussed the need for the customer strategy to align to the principles being set out in the FCA's Consumer Duty plans. The Board noted how the proposed vulnerable customer strategy was designed to go beyond simply meeting FCA requirements or solving a current problem for customers. Rather the ambition was for Phoenix to become market leading in how it supports and proactively responds to customer vulnerability.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved - the strawman Group wide customer strategy and approach; - the proposed strategy by which vulnerable Phoenix customers could be identified and supported.

In order to support the board's consideration of the matters set out in section 172 (1) (a)-(f) each proposal submitted to the board must include detail about directors' duties including those set out above.

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

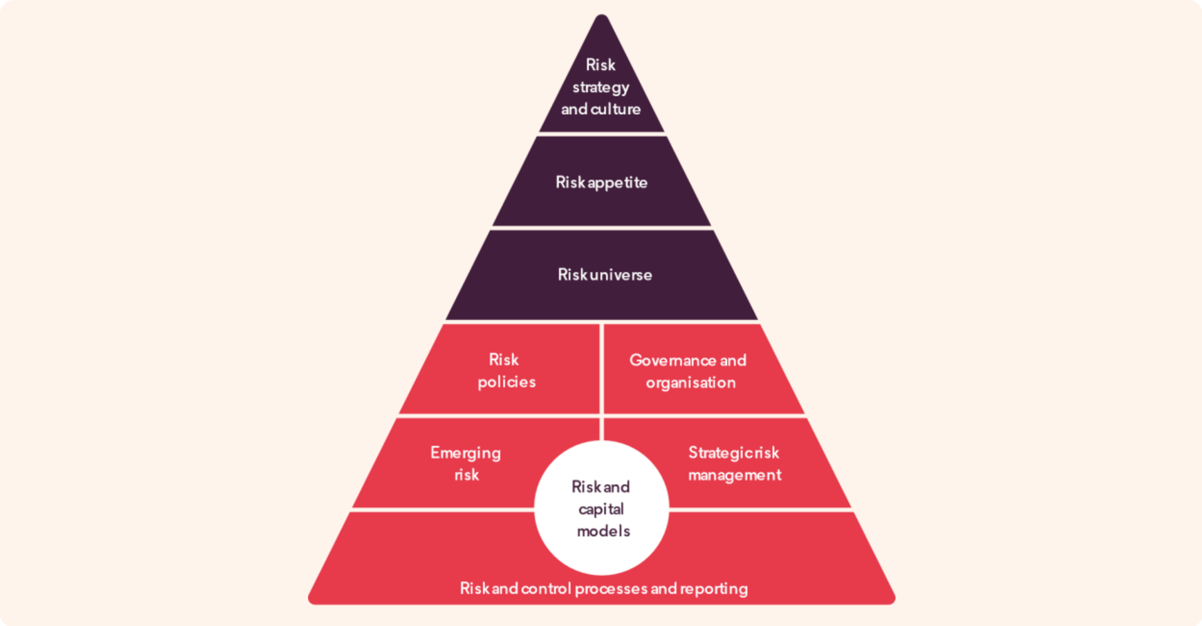
Business relationships with Partners/Suppliers
The Service Companies within the Group are the principal leads on maintaining relationships with suppliers with respect to their contractual obligations. In accordance with the PRA's Supervisory Statement 'SS2/21', the Company's Board, as part of the collective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

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

Risk Management Framework

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

The nine components of the Group's RMF are illustrated in the diagram below. Further details on each component are outlined in the Strategic Report of the Group's Annual Report and Accounts 2022.



Risk Environment

The overall risk environment remains uncertain and is dominated by ongoing inflationary pressures, with implications for economic stability and the welfare of the Company's customers and colleagues.

The cost of living crisis and sustained high inflation is impacting the lives of the Company's customers, particularly those that are most vulnerable. Increased taxes and reduced public spending announced in the Autumn Budget are likely to exacerbate these impacts. The Company remains focused on finding ways to support its customers and has also introduced a number of initiatives to support colleagues. Central Banks face a challenging balancing act to control inflation whilst managing the risk of global recession. The Group's Stress and Scenario Testing programme continues to consider a range of adverse circumstances to help the Group and its Life Companies determine any actions needed to respond to economic pressures.

Geopolitical risk remains prominent, including the effects arising from the ongoing conflict in Ukraine as well as post-Brexit factors. The Group continues to monitor developments across the political environment.

The regulatory change agenda continues to have potentially significant implications for the Company and the Group achieving its strategic priorities. The Group is supportive of the Solvency II Reforms, but requires detail on the final rules to determine the implications. Progressing key tasks on the implementation plan for the FCA's new Consumer Duty is another key area of focus in order to demonstrate the Group's priority of helping customers achieve a life of possibilities.

The Group is working to implement the requirements of IFRS17. Whilst plans are in place to deliver the required disclosures in the interim accounts, there remain significant delivery risks given the complexity of the business. The Group recognises that should it not deliver IFRS 17 reporting for the HY23 interim accounts, certain reputational, regulatory and other market consequences would arise that could be material. Management has considered the risks to executing the plans and identified actions that could be taken should these risks materialise.

The Group also maintains a significant self-initiated change agenda in order to deliver on its strategic priorities, some of which is relevant to the Company. In 2022 a number of enhancements were made to the Group's Change Management Framework, applicable to the Company, including to the prioritisation and scheduling of change, and strengthened controls around change delivery.

Principal risks and uncertainties

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of the Group. The Company has an IGR arrangement with a fellow Group company, ReAssure Limited which transfers the majority of insurance and financial risk from the Company to RAL. The assessment of the Company's principle risks has been considered on a post-IGR basis and as such only seven of the thirteen Group principal risks are outlined in the sections that follow. Market risk has been excluded as the majority of this risk has been transferred to RAL through the IGR.

During 2022, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Insurance; Credit; Customer; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in more detail in note 29 of the financial statements.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the Solvency II Directive and the PRA. The Capital Management Framework is detailed in note 28.

Credit Risk

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

Impact	Mitigation	Events in the year
Credit risk is the risk of downgrades and deterioration in the creditworthiness or default of investment, derivatives or banking counterparties. This could cause immediate financial loss or a reduction in future profits. It could also arise due to exposures to trading counterparties, such as reinsurers or service providers failing to meet all or part of their obligations. The majority of credit risk has been transferred to RAL under the IGR arrangement. However, the Company is exposed to the risk of default should RAL be unable to service its obligations under the contract.	Counterparty risk in relation to RAL is mitigated through the deposit from RAL which is held in the form of the Funds Withheld Account and the Advanced Claim Payment. Should default on the IGR occur, RLL would cease payments to RAL through the transfer of emerging profit.	The Company continues to use a Funds Withheld account to manage its counterparty risk associated with RAL and the IGR. Material changes to the IGR related to the transfer of all of the Swedish, Norwegian, and German policies to Phoenix Life Assurance Europe DAC ('PLAE') on 1 January 2023. On the same date, the part of the IGR with RAL which related to the policies transferred to PLAE was recaptured by the Company.

Customer Risk

2. The Group, including the Company, fails to deliver fair outcomes for its customers and propositions that continue to meet their evolving needs

Impact	Mitigation	Events in the year
The Company is exposed to the risk that it fails to deliver fair outcomes for its customers, leading to adverse customer experience and potential customer detriment. This could also lead to reputational damage for the Company and/or financial losses. In addition a failure to deliver propositions that meet the evolving needs of customers may result in the Company's failure to deliver its purpose of helping people secure a life of possibilities.	The Group's Conduct Risk Appetite, applicable to the Company, sets the boundaries within which the Group expects customer outcomes to be managed. The Group Conduct Risk Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where the Group and the Company's customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions The Group, including the Company, has a suite of customer policies which set out key customer risks and controls in place to mitigate them. The Company maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes.	The Group, including the Company, is preparing for the introduction of the FCA's Consumer Duty requirements which set higher and clearer standards of consumer protection across financial services and require firms to prioritise their customers' needs. The Consumer Duty initial implementation plan has been agreed by the Company Board. The Company is monitoring the impacts of the cost of living crisis on its customers, using customer behaviour research and analysis, to ensure that it provides them with the support and help that they need during this period of economic uncertainty. The Company continues to provide support to customers both when paying out on their protection plans and when making decisions about their life savings. Proactive action to support customers, including those most vulnerable, is a priority to the Company. To extend the Group's long-standing partnership with Tata Consultancy Service (TCS), the Group recently announced that the Company will be migrating all of its policies from its Alpha platform to the BaNCS platform provided by TCS Diligenta by 2026. Consolidating all policies on TCS BaNCS will allow the business to benefit from TCS's significant ongoing investment in the platform with Phoenix customers benefiting from the clear digital focus, consistent customer journeys and customer proposition provided by one platform.

Operational Risk - Regulatory, legislative or political

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

Impact	Mitigation	Events in the year
Changes in regulation could lead to non-compliance with new requirements that could impact the quality of its customer outcomes, lead to regulatory sanction, impact financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance. Political uncertainty or changes in the government could see changes in policy that could impact the industry in which we operate.	The Company undertakes proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Company to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline.	The volatile political environment following the UK Government's 'mini-budget' has stabilised with the election of Rishi Sunak as Prime Minister, but concern remains due to the economic headwinds facing the new administration and the implications for the Company's customer base, including the cost of living, energy crisis and the potential increase in vulnerability. In November 2022, HM Treasury issued a consultation response that confirmed the UK Government's intended Solvency II reforms. The Group supports the PRA and HM Treasury's objectives to reform the regulations to better suit the UK market whilst maintaining the right safeguards for policyholders. These regulations are an important component of the changes needed to the wider UK investment landscape which will enable the Group to meet its ambition to invest more in the future. However, uncertainty remains over when the reforms will be implemented and the quantitative impacts will depend on the exact detail of the final legislation. The Group will therefore remain actively involved in industry lobbying on Solvency II. The FCA's proposed new Consumer Duty's objectives are to deliver a higher and more consistent level of consumer protection and for the industry to do more to foresee and prevent harm before it happens. In July 2022 the FCA published final rules and guidance, the impact of which the Group has assessed. As part of the Company's implementation plan, key priorities have been identified that must be addressed to ensure compliance with the Consumer Duty requirements within the relevant timescales. This plan has been approved by the Board and shared with the FCA. IFRS 17 aims to standardise insurance accounting across the industry. Compliance with IFRS 17 is a significant undertaking and a complex programme of work to deliver the Group's 2023 interim report is ongoing and reliant on the successful completion of significant workstreams across the Group. The Group expects to continue its finance transformation programme beyond delivery of the 2023 interim report to further streamline and automate IFRS 17

processes to support efficient financial reporting in future.

Operational Risk – Operational Resilience

4. The Group, including the Company, or its outsourcers are not sufficiently operationally resilient

Impact	Mitigation	Events in the year
The Company is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption to core IT systems and operations. This could occur either within the Group or those of our primary and downstream outsourcers and include a range of environmental and climatic factors. The Group regularly conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes. Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group and the Company is exposed to regulatory censure now in the event of operational disruption should the Regulator determine that the cause was a breach of existing regulation.	The Group's Operational Resilience Framework, which applies to the company, enhances the protection of customers and stakeholders, preventing intolerable harm and supports compliance with the regulations. The Company works closely with its outsourcers to ensure that the level of resilience delivered is aligned to the Company's impact tolerances. The Company and its outsourcers have well established business continuity management and disaster recovery frameworks that are subject to an annual refresh and regular testing. The Company continues to actively manage operational capacity and monitor service continuity required to deliver its strategy, including transition activities. Rigorous planning and stress testing is in place to identify and develop pre-emptive management strategies should services be impacted as a result of customer migrations. The Company and its outsourcer's have a flexible working model in place. This significantly reduces exposure to intolerable disruption for its customers.	The Group, including the Company, has a programme of work to strengthen operational resilience ahead of the next key regulatory deadline of March 2025. Where this is dependent upon customer migration to an alternative administration platform, the risk of late delivery is actively managed by both the relevant change programme and separate operational resilience remediation governance and reporting. As noted in the Company's 2021 financial statements, whilst many potential exposures to COVID-19 can now be effectively mitigated, a large-scale loss of colleagues due to illness or incapacity, in the UK or globally, is more challenging to resolve in the short-term as there remains uncertainty around the efficacy of vaccines against future COVID-19 variants.

Operational Risk – Cyber Resilience

5. The Group, including the Company, or its Supply Chain are not sufficiently Cyber resilient

Impact	Mitigation	Events in the year
As the Group continues to grow in size and profile this could lead to increased interest from cyber criminals and a greater risk of cyber-attack which could have significant impact on customer outcomes, strategic objectives, regulatory obligations and Group or the Company's reputation and brand. Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes the Group and the Company to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise. Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security.	The Company is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review. The Information/Cyber Security Strategy includes a continuous Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and external threat intelligence sources. The Company continues to consolidate its cyber security tools and capabilities. The specialist Information Security & Cyber Risk team in Group Risk provides independent oversight and challenge of information security controls; identifying trends, internal and external threats and advising on appropriate mitigation solutions.	The ongoing conflict in Ukraine has resulted in increased cyber threat levels and the increased likelihood of a cyber-attack from a State actor; this would most likely be against the UK's Critical National Infrastructure, particularly on supply chains and the wider Financial Services industry which the Company relies upon. The Group, including the Company, has improved its Threat Intelligence capabilities in 2022 and monitors National Cyber Security Centre guidance and other threat intelligence sources on a daily basis. To date, the Group has not seen a material increase in cyber-attacks since the conflict started. The Group's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; although the Group's main threat is considered to be Cyber Crime, from Individuals or Organised Crime Groups, the same controls are utilised to defend against a Nation-State level cyber-attack. Having strengthened and consolidated its cyber controls, including in areas such as Vulnerability and Patch Management, Detect and Respond and infrastructure scanning capabilities in the first half of 2022, the main improvement in the second half has been on strengthening the Supply Chain Security Oversight and Assurance framework. New Cyber Bandings, Processes and Controls have been implemented and will continue to be embedded and matured in 2023.

Operational Risk – Diverse and engaged workforce

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

Impact	Mitigation	Events in the year
Delivery of the Company's strategy is dependent on a talented, diverse and engaged workforce. Potential areas of uncertainty include: the ongoing transition of ReAssure businesses into the Group and the introduction of the flexible working model. Periods of prolonged uncertainty can result in a loss of critical corporate knowledge, unplanned departures of key individuals or the failure to attract individuals with the appropriate skills to help deliver the strategy. This could ultimately impact the Company's operational capability, its customer relationship and financial performance.	The Group aims to attract and retain colleagues, building a sense of belonging by providing timely communications to colleagues aim to provide clarity around corporate activities, including details of key milestones to deliver against our plans. The Company regularly benchmarks terms and conditions against the market. and maintains dynamic succession plans for key individuals, ensuring successors bring appropriate diversity of thought, capability and experience. Monthly colleague surveys help to improve engagement whilst promoting continuous listening and rapid identification of concerns and actions. The Company continues to actively manage operational capacity required to deliver the Company's strategy with ongoing focus on senior bandwidth, attrition and sickness. Flexible working offers colleagues greater flexibility in their working practices. The Company looks to proactively respond to external social, economic and marketplace events that impact colleagues.	Strong engagement scores in colleague surveys have continued in 2022, although there remains uncertainty regarding the longer term impacts of the pandemic and cost of living crisis on colleague attrition, sickness, motivation and engagement. Skills essential to the Company continue to be in high-demand in the wider marketplace and recruitment and retention still has the potential to be impacted by post-Brexit, COVID-19 and inflationary factors. The Company monitors this closely but continues to remain confident in the attractiveness of its colleague proposition. The Group are exploring ways to enhance the use of apprenticeships including Kick Start apprenticeships to broaden workforce diversity, fill key skills, creating bespoke graduate and early careers programmes for specialist technical areas. The Group, and the Company, continue to successfully operate a flexible working model, with strategic investments in technology and other resources maximising its effectiveness. The model focuses on empowerment by enabling leaders and colleagues to agree working arrangements which meet individual, team and business needs. The increased scale and presence of the Group, and success in multi-site and remote working, gives greater access to a larger talent pool to attract in the future.

Strategic risk – Climate Change/ESG

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

Impact	Mitigation	Events in the year
The Company is exposed to the risk of failing to respond to Environmental, Social and Governance (‘ESG’) risks and delivering on its social purpose; for example, failing to meet its sustainability commitments. A failure to deliver could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness and reputational risks. The Company is exposed to market risk and credit risk related to climate change as a result of the potential implications of a transition to a low carbon economy. A failure to manage these risks could results in a loss in the value of policyholder and shareholder assets, though this is largely mitigated through the IGR. There are long-term market, credit, insurance, reputational, propositional and operational implications of physical risks resulting from climate change (e.g. the impact of physical risks on the prospects of current and future investment holdings, along with potential impacts on future actuarial assumptions).	Sustainability risk and Climate risk are both embedded into the Group’s RMF. Its approach to climate risk management is in line with the requirements of the PRA’s Supervisory Statement 3/19 (SS3/19). The Group publishes an annual Sustainability Report and an annual Climate Report, the latter of which is prepared in line with the Task Force on Climate-related Financial Disclosures (‘TCFD’) guidance. A Sustainability Risk Policy is in place and updated annually. Consideration of material climate-related risks has been embedded into the Group risk policies (which the Company adopts), with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities. The Group continues to evolve its sustainability strategy response to the changing needs of stakeholders and sets targets to monitor progress towards its sustainability commitments. Further details on the sustainability strategy are available in the Group’s Sustainability Report. The Group continues to actively engage with regulators, suppliers and asset managers on progress with all climate change and sustainability-related deliverables.	The Group is committed to a 50% reduction in the carbon economic emissions intensity of all assets within its investment portfolio over which it has control and influence by 2030. The Group is also committed to a 25% reduction in the carbon economic emissions intensity of all listed equity and credit investments over which it has control and influence by 2025. The Group has been working with its key partners and suppliers to encourage them to adopt Science Based Targets initiative carbon reduction targets. A Net-Zero Transition Plan, which reflects potential future management actions and forward-looking investee company emission objectives, is in development. Round 2 of the Climate Biennial Exploratory Scenario exercise, launched by Bank of England, was completed during the year on a consolidated Group basis, including the Company. This explored the strategic responses to the three scenarios and the associated implications for business models. The Group is in the process of piloting the Task Force on Nature-related Financial Disclosures guidance ahead of the launch of the framework in 2023. The TCFD disclosures in the Group’s Climate Report provide an overview of how it is compliant with SS3/19 and its planned future priorities across each of the TCFD focus areas.

On behalf of the Board

DocuSigned by:
Paul Shakespeare
8EFA4131ABD14C5...

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

17 March 2023

Directors' report

The Company is incorporated in England and Wales. Its registration number is 01363932 and its registered office is Windsor House, Telford Centre, Telford, England, TF3 4NB.

Corporate governance

The corporate governance guidelines followed are the PRA's twelve aspects of governance for PRA-regulated firms as noted in their Supervisory Statement SS5/16.

In 2016, the PRA set out principles as to how a 'PRA-regulated firm' such as the Company should govern itself when it is not a listed company and is, therefore, not caught within the remit of the UK Corporate Governance Code (the "Code").

Within the guidelines, PRA-regulated firms are expected to focus on twelve aspects of governance, many of which echo the framework provided by the Code. These twelve aspects of governance, whilst not being as formal as following the Code (which is applied by the Company's ultimate parent, Phoenix Group Holdings plc), provide the Company with a framework which ensures the ability for the Board to adhere to and demonstrate compliance with all twelve aspects of governance as noted below.

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

Aspect of Governance	Demonstrated by
Setting Strategy	As noted in the Directors' duties section of the Strategic report which provides an overview of how the directors have regard for their duty in respect of consequences of decisions in the long-term, an annual strategy day is held each June for the Board to debate and challenge the strategy for the Company and input to the overall Group strategy debate. A more refined view, developed into an Annual Operating Plan, is created for review and sign off at the end of each year which maps out the ongoing strategic direction for the following 12 months and up to 5 years thereafter. Board agendas are prepared so as to ensure that the more strategic items have sufficient time for review and challenge. Key matters discussed and challenged at the Board during the year were: the Group's Sustainability Strategy; acquisition of a closed book of business; and approval of the strategy for and management of vulnerable customers.
Culture of risk awareness and ethical behaviour	On an annual basis, the Board approves a series of risk appetite statements for articulation throughout the Company. The Group Risk Function have created and presented their assessment of Risk Culture within the business during the year to the Risk Committee. The Dashboard considers 15 specific objectives across Purpose, Diversity & Inclusion, Governance & Controls and Leadership with assessments based on a variety of inputs to include colleague surveys and Board / Committee evaluations. In respect of remuneration, the Non-Executive Directors input into the proposed objectives and performance ratings for those individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive and their direct reports who are also Senior Management Function Holders), as well their respective salary and remuneration packages. This ensures that these objectives promote an effective culture of risk awareness and ethical behaviour.
Risk appetite, risk management and internal controls	As noted above, the risk appetite statements are approved by the Board. Oversight of risks, risk management and internal controls is delegated for oversight by both the Board Audit Committee and Board Risk Committee in line with their Terms of Reference. Both the Head of Internal Audit and Chief Risk Officer have access to the Chairman of the Board and the Audit Committee to raise any concerns directly. In addition, the Chief Risk Officer has direct access to the Chair of the Risk Committee. The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit but also from the Risk function providing risk oversight independent of management and the

Aspect of Governance	Demonstrated by
	Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.
Board composition	In 2022, two new Non-Executive Directors were appointed, with Rosemary Harris and Timothy Harris joining the Board on 1 January 2022 and 1 May 2022 respectively. Non-Executive Director, Stephen Clarke, retired on 1 October 2022. As part of evolving the Group's operating model, Brid Meaney was appointed as a Company Executive Director on 1 January 2022, followed by Bernard Curran on 4 August 2022. Andrew Briggs, Peter Mayes and Rakesh Thakrar were then appointed as Company Executive Directors on 1 October 2022. Matthew Cuhls stood down as a Company Executive Director on 1 March 2022, with Michael Eakins, Andrew Moss and Jonathan Pears also standing down as Company Executive Directors on 1 October 2022. These changes have not had an impact on overall Board composition, which continues to comprise 6 Non-Executive Directors (including the Chairman) and 5 Executive Directors. There is a division of responsibility between the Non-Executive Chairman, who is responsible for the leadership and effective operation of the Board, and the Chief Executive Officer, who is responsible to the Board for the overall management and operation of the Company.
Role of Executive and Non-Executive Directors	All appointment letters and associated role profiles for Non-Executive Directors specify the requirements of the role to include constructive challenge, scrutiny of management information and the integrity of financial information. The 'Matters Reserved' for the Board of the Company specifies those activities for which the Board has retained approval with agendas for each meeting reminding all directors of their responsibilities under Section 172 of the Companies Act 2006. Board meetings, as evidenced through the Board Minutes produced, are an open forum for directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the "day to day management" of the Company to be appropriately delegated through a structure of approved Delegations of Authority.
Knowledge and experience of Non-Executive Directors	The experience of the Non-Executive Directors is wide across the life insurance industry and all received a comprehensive induction on the business of the Company. A skills assessment is in place which identifies an individual's area of expertise such as accountancy, with-profits management, risk management, life and pensions and investments. This assessment demonstrates that our Non-Executive Directors have a substantial number of years' experience on the matters close to our Company. During the year, the Board is provided with regular education sessions to support any gaps in knowledge and to promote continuous professional development. During 2022, the Board received deep dives on the following topics: - People – reward - Phoenix Insights - Cyber update - Operational resilience - Group brand - Data Protection - Quality of capital - Solvency II reform - Outsourcers - Financial Wellness - Customer calls - Culture - Illiquidity risk appetite framework - Individual Annuities - Reinsurance - Risk Management Framework (control and risk policy structure)

Board time and resource	The Board met for 10 scheduled Board meetings in 2022 either in person or via video conference and one scheduled Sub-Committee meeting to discuss focused key matters. A further four out of cycle meetings were held to consider a decision to migrate annuity customer records for EEA customers to a newly formed Irish regulated subsidiary, to review the Annual Operating Plan and two of the meetings to consider the acquisition of a closed book business. As well as the Board, a number of Board Committees responsible for overseeing Audit, Risk, Nomination, Investment and Model Governance matters, have also been in operation during the course of the year. Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the Board in advance during which time it is confirmed that the time commitment required will not impact their availability for Company matters.
Management information (MI) and transparency	The Chief Executive presents an update on the Company at least on a quarterly basis which includes a global review of the strategic objectives and associated performance to include Customer Treatment, Customer Complaints, Financial and Operational Capacity MI. The appointment of the Group Chief Executive as Chief Executive of the Company in October 2022 (subject to regulatory approval) has further strengthened the link, through management representation, between the Group and Life Boards.
Succession planning	The performance of the Chief Executive and their direct reports is considered at least annually in private sessions with the Non-Executive Directors during which more informal discussions on succession planning may take place. During 2022 the Board considered succession planning matters in relation to the role of Life Companies Audit Committee Chair. A skills audit exercise was undertaken during the year to support long term succession planning. The Board formally approved an updated version of the Board Succession Plan in December 2022.
Remuneration	Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements linked to the Company's strategic objectives. In addition, the Non-Executive Directors consider and opine on the performance outcomes of the individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive).
Subsidiary boards	Since 1 October 2022, the Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are executive directors of both the Company and its ultimate parent, Phoenix Group Holdings plc. Conflicts of interest are assessed for each agenda item and, where appropriate, the CEO and CFO are recused from decision making at the meeting.
Board Committees	The terms of reference of the committees of the Boards of the regulated Life Companies document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model.

Going concern

The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. Notes 28 and 29 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

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

Solvency scenarios considered include the best estimate view of future economic developments (base) and a downside scenario. These were applied to 5 year projections, with the downside scenario reflecting the impacts of market disruption in the current financial year and assuming a stress period with a duration of one year from September 2022, followed by projected recovery to 2027. The projections use the below stress calibrations:

- No stress, plus 1-in- 10 sensitivities up/down on UK Swaps- 10 yr
- No stress, plus sensitivities up/down on Euro Swaps- 10 yr
- 15 bps increase in Gilts spread rise
- 50 bps increase in Credit- A rated 15 yr
- Short term spike (2.5%) in RPI inflation- 10 yr
- EUR 5% down vs GBP on Exchange GBP vs Euro
- USD 5% up vs GBP on Exchange GBP vs USD
- Inclusion of UK Sovereign Downgrade
- Further c£4.2bn in Downgrades over 2022/23
- 15% reduction in FTSE 100
- 8% reduction in Residential Property
- 15% reduction in Commercial Property

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

Stress testing has additionally been carried out against a 1 in 10 all-risks scenario and a 1 in 20 fast-moving market scenario, in accordance with the Company's CMP. The projections demonstrated that excess capital over the CMP would remain in the Company under both scenarios at the scenario low points.

The impact of market volatility in the latter part of the year ended 31 December 2022 and its potential impacts on CMP was considered specifically, with the conclusion reached that the Company's existing CMP calibrations remained robust and appropriate and no amendments were required.

Contingency actions to recover from downside risks are identified in detail, including timescales required, the challenges associated with each action, and the trigger for when each action should be considered.

The Company is anticipated to be able to meet headroom of liquid assets over projected cash flows including internally imposed liquidity buffers over the next 12 months under base conditions, and also under a combined 1 in 200 stress scenario, supporting cash generation in the going concern period assessed up to 30 June 2024. Contingency actions can be taken to achieve this if required. Liquidity is considered to be adequate to meet liabilities as they fall due.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 30 June 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

A H Bowe	
A D Briggs	(appointed 1 October 2022)
S A Clarke	(resigned 1 October 2022)
M H Cuhls	(resigned 1 March 2022)
B A Curran	(appointed 4 August 2022)
M J Eakins	(resigned 1 October 2022)
R Harris	(appointed 1 January 2022)
T W Harris	(appointed 1 May 2022)
M G Hassall	
J R Lister	(Chairman)
P K Mayes	(appointed 1 October 2022)
B M Meaney	(appointed 1 January 2022)
A Moss	(resigned 1 October 2022)
J R Pears	(resigned 1 October 2022)
N H Poyntz-Wright	
R K Thakrar	(appointed 1 October 2022)

Secretary

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

Matters disclosed in Strategic report

The Strategic report covers future developments and any dividends paid.

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

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

Re-appointment of auditor
In accordance with section 487 of the Companies Act 2006, the Company's auditor, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board

DocuSigned by:
Paul Shakespeare
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P Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary
17 March 2023

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with UK adopted international accounting standards requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REASSURE LIFE LIMITED

Opinion

We have audited the financial statements of ReAssure Life Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- confirming our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 30 June 2024;
- with support from our actuarial team, we challenged the key actuarial assumptions used in management's five-year Annual Operating Plan ('AOP') and determined that the models are appropriate to enable management to make an assessment on the going concern of the Company. We have observed that assumptions used in the five-year AOP form the basis for management's going concern projections;
- assessing the accuracy of management's analysis by testing the inputs and the clerical accuracy of the liquidity and solvency models used;
- assessed management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluating the liquidity and solvency position of the Company by reviewing base case liquidity and solvency projections that incorporate an estimated view of the potential future economic downturn;
- challenging the key assumptions, and plausibility of management actions used in management's stress scenarios based on our understanding of the Company and the available external data;
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and concluded it to be remote;
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees; and

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 June 2024.

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

Overview of our audit approach

Key audit matters	• Intra-group Retrocession (IGR) arrangement,
Materiality	• Overall materiality of £5.3m (2021: £5.6m) which represents 2% of adjusted net assets.

An overview of the scope of our audit

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

We instructed:

The Central Investments component team with respect to audit of investment balances and the associated income and expenses.

All other audit work was performed directly by the audit engagement team.

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

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

Involvement of the component team

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

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

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

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

Climate change

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

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

As explained in the accounting policies note on page 38, management have assessed climate change risks as having limited effect on accounting judgments and estimates for the current period. The accounting policies note sets out the Company's consideration of the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities.

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

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

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

Key audit matters

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

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Intra-group retrocession ('IGR') arrangement *Refer to notes 25, 29 and 31 of the financial statements* On 31 December 2019, the Company entered into an IGR with ReAssure Limited ('RAL'), a fellow subsidiary within the Group. The IGR covers non-linked business and the insurance component of the unit-linked business, net of external reinsurance recoveries. Under the terms of the IGR, the Company paid RAL a reinsurance premium, for which the related assets were retained by the Company on a funds withheld basis. RAL paid an advanced claims amount in	To obtain sufficient audit evidence to conclude on the appropriateness of the accounting for the IGR arrangement, we: • Validated the calculation of IGR gross premiums/outward reinsurance premiums against the criteria stipulated in the IGR agreement and verified the data input was consistent with the audited balances of the Company; • Confirmed that the attribution of income and expenses is consistent with the IGR agreement; • Tested the amortisation of the contract liability amount to ensure it is in line with the IGR agreement;	Based on our procedures performed on the IGR arrangement, the balances relating to the IGR, including the assets within the funds withheld account, the insurance contract liabilities and the contract liability are appropriately recognised and valued.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
respect of the unit-linked business which is recorded as a contract liability in the financial statements and amortised over the expected life of the book of business based on the IGR agreement. We consider there to be judgement applied in the valuation of different components within the IGR. The key risks are: • The accounting treatment of the IGR transaction; • Determination of the balances related to the IGR including: - contract liability (i.e. advanced claims); - reinsurance premiums; - gross and net insurance contract liabilities; and - appropriate attribution of the Company's income and expenses per the IGR agreement. In addition, the migration of the Company's business to a new actuarial model was also considered.	• Using EY actuaries as part of our team: - assessed the appropriateness of economic and non-economic assumptions used in valuing insurance contract liabilities by comparison to the Company's experience and market trends, including consideration as to whether there was evidence of management bias in setting the assumptions - tested the models used to determine the insurance contract liabilities - with respect to the migration to a new actuarial model, we tested management's process with a focus on both robustness of outputs and ensuring differences between current and previous models were understood; - tested that data used in the actuarial valuations was consistent with the underlying policy administration systems • Tested the movements on the funds withheld account to movements in the IGR and investment returns on the assets in the account.	

In the prior year, our auditor's report included a key audit matter in relation to migration activity in which the company performed various system migrations including the migration of the general ledger to the Oracle application used by other ReAssure entities, the transfer of the policy administration systems to the ReAssure Alpha platform and the migration of investment administration and accounting processes to third party suppliers used by the wider Phoenix group. In the current year, this is no longer applicable as the migration activity was completed in October 2021.

Our application of materiality

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

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

We determined materiality for the Company to be £5.3 million (2021: £5.6 million), which is 2% (2021: 2%) of adjusted net assets (2021: adjusted net assets). As a closed life assurance company, key performance metrics are Solvency II capital requirements and Own Funds. As these measures are non-GAAP measures, we consider IFRS equity to be the most appropriate equivalent metric. To determine materiality for planning purposes we adjusted opening equity to reflect the fact that the IGR related contract liability is added back for solvency purposes.

We reassessed the materiality reflecting year-end adjusted net assets and considered that the planning materiality remained appropriate.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £4m (2021: £4.2m). We have set performance materiality at this percentage due to the lower risk of misstatements in the current year.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2021: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Company's control environment included assessment of the consistency of operations and controls in place within the Company.
- The fraud risk was higher within manual non-routine adjustments to revenue with higher inherent risk for the valuation of insurance contract liabilities and IGR. We considered management override risk to be higher in these areas due to the significant judgments and estimates involved.

  Our procedures included:

  - Supported by our actuarial team, we assessed if there were any indicators of management bias in the valuation of insurance contract liabilities and IGR.
  - Understood and tested manual non-routine adjustments on revenue. We assessed if there was any evidence of management override.
  - Tested the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 28 July 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2020 to 31 December 2022.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Ernst & Young LLP

Ben Morphet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

17 March 2023

Statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Gross premiums written	22	123	135
Less: premiums ceded to reinsurers	22	(96)	(113)
Net premiums written		27	22
Fees and commissions	4	72	84
Total revenue, net of reinsurance payable		99	106
Net investment (expense)/income	5	(678)	813
Other operating income		1	-
Net (expense)/income		(578)	919
Policyholder claims	22	(141)	(143)
Less: reinsurance recoveries	22	32	46
Change in insurance contract liabilities		641	130
Change in reinsurers share of insurance contract liabilities		(524)	(91)
Net policyholder claims and benefits incurred		8	(58)
Change in investment contract liabilities		565	(681)
Change in reinsurers share of investment contract liabilities		-	(17)
Other operating expenses	6	(35)	(98)
Total operating income/(expenses)		538	(854)
Profit/(loss) for the year before tax		(40)	65
Tax credit/(charge) attributable to policyholders' returns	9	69	(46)
Profit before tax attributable to owners		29	19
Tax credit/(charge)	9	70	(50)
Less: tax attributable to policyholders' returns	9	(69)	46
Tax credit/(charge) attributable to owners	9	1	(4)
Profit for the year attributable to owners		30	15
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		30	15

Statement of financial position - assets
as at 31 December 2022

	Notes	As at 31 December 2022 £m	As at 31 December 2021 £m
ASSETS			
Financial assets			
Loans and deposits	12	199	69
Equities	13	81	99
Debt securities	13	62	112
Subsidiaries held for investment purposes	14	167	424
Collective investment schemes	13	5,680	6,910
		6,189	7,614
Insurance assets			
Reinsurers share of insurance contract liabilities	22	465	989
Reinsurance receivables		6	3
Insurance contract receivables		-	3
		471	995
Current tax receivable	17	6	-
Deferred acquisition costs	18	15	23
Prepayments and accrued income	19	5	5
Other receivables	20	12	23
Cash and cash equivalents		19	23
Total assets		6,717	8,683

Statement of financial position – equity and liabilities
as at 31 December 2022

	Notes	As at 31 December 2022 £m	As at 31 December 2021 £m
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	21	65	65
Retained earnings		66	36
Total equity		131	101
Liabilities			
Insurance contract liabilities			
Liabilities under insurance contracts	22	806	1,447
		806	1,447
Financial liabilities			
Investment contracts		5,384	6,578
Deposits received from reinsurers		74	125
		5,458	6,703
Provisions	23	-	2
Deferred tax liabilities	17	15	90
Reinsurance payables		28	16
Payables related to direct insurance contracts		136	117
Current tax payable	17	-	11
Accruals and deferred income	24	8	12
Contract liabilities	25	133	165
Other payables	26	2	19
Total liabilities		6,586	8,582
Total equity and liabilities		6,717	8,683

On behalf of the Board

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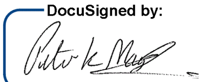

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P Mayes
Director
17 March 2023

Statement of changes in equity
for the year ended 31 December 2022

	Share capital (note 21) £m	Retained earnings £m	Total £m
At 1 January 2022	65	36	101
Profit for the year		30	30
Total comprehensive income for the year	-	30	30
At 31 December 2022	65	66	131

	Share capital (note 21) £m	Retained earnings £m	Total £m
At 1 January 2021	65	21	86
Profit for the year	-	15	15
Total comprehensive income for the year	-	15	15
At 31 December 2021	65	36	101

Of the above, £66m (2021: £36m) is considered distributable.

Statement of cash flows
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash generated from operating activities			
Cash generated from/(used in) operations	27	150	(4)
Taxation (paid)/recovered		(25)	5
Net cash flows generated from operating activities		125	1
Cash flows used in investing activities			
Interest income on loan to parent company		1	-
Loan to ultimate parent company		(130)	
Net cash flows used in investing activities		(129)	-
Net (decrease)/increase in cash and cash equivalents		(4)	1
Cash and cash equivalents at the beginning of the year		23	22
Cash and cash equivalents at the end of the year		19	23

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2022, set out on pages 31 to 69, were authorised by the Board of Directors for issue on 17 March 2023.

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

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

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

The Company presents its Statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement more than twelve months after the period end is presented in the notes.

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

Going Concern

The Board has considered financial projections which demonstrate the ability of the Company to withstand market shocks in a range of scenarios, including severe ones.

In assessing the appropriateness of the going concern basis, the Board considered base case and plausible downside liquidity and solvency projections. The downside scenario used reflected the impacts of market disruption in the latter part of the current financial year and applied a stress period which incorporated a UK Sovereign downgrade amongst other appropriate stress calibrations.

The projections demonstrated that excess capital would remain in the Company under the downside scenario, supporting cash generation in the going concern period to 30 June 2024, and that liquidity was adequate to meet liabilities as they fell due. Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2022 have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

2. Accounting Policies

(a) Critical accounting estimates and judgements

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

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

Financial statement area	Critical accounting estimates and assumptions	Related notes
Insurance and investment contract liabilities	Insurance and investment contract liability accounting is discussed in more detail in accounting policies (n) and (o) with further detail of the key assumptions made in determining insurance and investment contract liabilities included in the notes to the accounts. Estimates of insurance and investment contract assets and liabilities also impact the valuation of balances related to the IGR in place with fellow group company RAL. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends. The valuation of insurance contract liabilities is sensitive to the assumptions which have been applied in their calculation.	22
Fair value of financial assets and liabilities	The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies (h) and (p) respectively. Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values. In relation to the Level 3 financial instruments, sensitivity analysis is performed in respect of the key assumptions used in the valuation of these financial instruments.	15
Investment in subsidiaries	The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. The Company currently has one strategic subsidiary (see note 11 for further details). Investment subsidiaries are held to generate capital or income growth through holding investments. The accounting for both types of subsidiaries, including determining whether the Company has control over its subsidiaries for investment purposes, is discussed in more detail in accounting policy (g). Where a subsidiary is classed as a subsidiary for investment purposes it is subject to fair value accounting and the factors set out in the critical estimate above.	11,14
Deferred tax recognition	Deferred tax assets and liabilities are netted off to the extent that legal offset is available under local tax law. Deferred tax assets are recognised on tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against anticipated taxable profits and gains based on business plans. In relation to the excess expenses carried forward and the capital losses deferred tax assets recognised (in excess of deferred tax liabilities recognised on unrealised chargeable gains), their valuation was supported by accounting projections based on the recoverability over a 15 year period of these assets. The accounting projections were based on the forecasts that are used to drive Management decisions and establish KPIs. In this regard, IFRS 4 projections have been used, rather than IFRS 17; however sensitivity analysis has been undertaken to ensure appropriateness.	17

How climate risk affects our accounting estimates and judgments

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

The majority of the Company's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to fair value reflects current information and market sentiment regarding the effect of climate risk. The Company holds no financial assets which include material unobservable inputs in their valuation. Note 29 provides further risk management disclosures in relation to financial risks including credit and market risk.

Insurance and investment contract liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. As set out in note 29(i) the Company's exposure to insurance risk is limited as material elements have been transferred to RAL under the IGR. In relation to the insurance risks remaining in RAL no adjustments have been made to assumptions used to specifically allow for the impact of climate change.

(b) Income recognition

Gross premiums

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

Reinsurance premiums

Outward reinsurance premiums are accounted for on a payable basis.

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

Fee and commission income

Fee and commission income relates to the following:

- investment contract income – investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those periods. 'Front end' fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of investment management services are deferred and recognised as the services are provided (between 5 and 30 years); and
- release of deferred income reserve.

Net investment income

Net investment income comprises fund management rebates, interest, dividends and fair value gains or losses through the profit or loss. Fair value movements occur on financial assets, including subsidiaries held for investment purposes.

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

Fair value gains and losses on financial assets mandatorily at fair value through profit or loss are recognised as income or expense in the Statement of comprehensive income. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

(c) Benefits, claims and expenses recognition

Gross benefits and claims

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

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

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

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

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The Company's policy is to measure recoverability over a 15 year period. In this regard, a future transfer of the business to a group entity is not considered when valuing the deferred tax assets. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(e) Dividends
Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

(f) Investment in subsidiaries
The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. The Company currently has one strategic subsidiary (see note 11 for further details). Investment subsidiaries are held to generate capital or income growth through holding investments.

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

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

Investments in shares in subsidiaries held for strategic purposes are stated at cost less impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur.

Investments in shares in subsidiaries held for investment purposes are carried at fair value through profit or loss.

(g) Financial instruments
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial liabilities, including investment contract liabilities and trade payables. Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is derecognised when the liability is extinguished.

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

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

Initial measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition.

Subsequent measurement
Under IFRS 9, the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable within the Company: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL:
These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.

Financial assets at amortised cost:
These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not measured at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Financial investments
All other financial assets that are not measured at amortised cost, are classified and measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's interests in pooled investment funds or collective investment schemes, equities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.

The fair value of quoted financial investments, which represents the vast majority of the Company's investments, are based on the value within the bid ask spread that is most representative of fair value. If the market for a financial investment is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow or option pricing models.

The Company recognises purchases and sales of financial investments on trade date, which is the date that the Company commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the income statement.

Impairment of financial assets
IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses.

The impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents (excluding money market funds which are measured at fair value).
Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage expected credit losses ("ECL") impairment model:

Performing financial assets:
Stage 1
From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date (12 month ECL).

Stage 2
Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset (Lifetime ECL).

The assessment of whether there has been a significant increase in credit risk requires judgment, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:
Stage 3
When a financial asset is considered to be credit impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model
The Company applies IFRS 9's ECL model to two main types of financial assets that are measured at amortised cost:

- Trade receivables to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Company expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Company has implemented its impairment methodology for estimating the ECL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will go over 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. As at 31 December 2022, no impairment was required.

(h) Reinsurance

Reinsurance ceded

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

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

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

Intra-group retrocession arrangement ("IGR")

The Company has an IGR with RAL. The IGR covers the Company's non-linked business and the insurance component of the unit-linked business. In respect of the non-linked business, the premium due from the Company to RAL is held within a restricted account recorded as Deposits received from reinsurers in the Statement of financial position and recognised as a financial liability held at fair value through profit or loss. This restricted account operates as a collateral account for the non-linked element of the IGR. In respect of the insurance component of the unit-linked business, RAL has paid an advanced claim amount to the Company. This amount is recorded as a Contract liability in the Statement of financial position and released to the Fees and commissions line of the Income Statement over the period in which the underlying cash-flows emerge.

(i) Deferred acquisition costs

Acquisition costs, comprising all direct and indirect costs arising from the conclusion of non-profit insurance and investment contracts are deferred as an explicit acquisition cost asset. This asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins.

Deferred acquisition cost amortisation is expensed within other operating expenses in the Statement of comprehensive income. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the period end.

(j) Cash and cash equivalents

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

(k) Share capital

The Company has issued ordinary shares which are classified as equity.

(l) Classification of contracts

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

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

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

Contracts that give rise to a significant transfer of insurance risk to the reinsurer are assessed to determine whether they contain an element that does not transfer significant insurance risk and which can be measured separately from the insurance component. Where such elements are present they are accounted for separately with any deposit element being accounted for and disclosed in a manner consistent with financial instruments. The remaining elements, or where no such separate elements are identified, the entire contracts, are classified as reinsurance contracts.

(m) Insurance contracts

Insurance liabilities

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

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

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

The cost of future policy related liabilities is calculated using a deterministic approach which uses best estimate assumptions. A separate provision for prudence is calculated and added to the best estimate liability to give the total liability. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends.

In calculating the realistic liabilities, account is taken of the future management actions consistent with those set out in the Principles and Practices of Financial Management.

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

The Company's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4 *Insurance Contracts.*

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

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

The Company had treaties in place with third party insurance companies to provide reinsurance in respect of liabilities that were linked to the performance of funds maintained by those companies. The contracts in question did not transfer significant insurance risk and therefore were classified as financial instruments and were valued at fair value through profit and loss. These contracts were disclosed under Reinsurers share of investment contract liabilities in the Statement of financial position. The run off of these contracts completed in January 2021.

Investment income attributable to, and the movements in the fair value of, investment contracts without DPF are included in 'Change in investment contract liabilities' as income or an expense in the Statement of comprehensive income.

(o) Financial liabilities
On initial recognition, financial liabilities are recognised when due and measured at the fair value of the consideration payable or received less directly attributable transaction costs (with the exception of liabilities at fair value through profit or loss for which all transaction costs are expensed). Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts and other liabilities designated at fair value through profit or loss) are measured at amortised cost using the effective interest method.

Financial liabilities are designated upon initial recognition at fair value through profit or loss when doing so results in more meaningful information because either:

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

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

of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

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

(q) Payables related to direct insurance contracts
Payables related to direct insurance contracts includes balances for outstanding claims. Outstanding claims under insurance contracts are valued using a best estimate method under IFRS 4. Outstanding claims under investment contracts without DPF are measured at full settlement value.

(r) Trade payables and receivables
Trade payables and receivables are classified at amortised cost, less appropriate allowances for estimated irrecoverable amounts which, along with their short-term nature, approximates fair value.

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

3. New and amended accounting standards

New accounting pronouncements not yet effective
The IASB has issued the following standards or amended standards which apply from the dates shown. The Company has decided not to early adopt any of these standards or amendments where this is permitted.

IFRS 17 Insurance contracts (1 January 2023)
IFRS 17 was issued by the International Standards Board in May 2017 and amended in June 2020. The standard was endorsed by the UK Endorsement Board in May 2022. IFRS 17 is effective from 1 January 2023.

IFRS 17 will replace IFRS 4 the current insurance contracts standard and it is expected to significantly change the way the Company measures and reports its insurance contracts. The overall objective of the new standard is to provide an accounting model for insurance contracts that is more useful and consistent for users.

In June 2022, the IFRS Interpretations Committee (IFRIC) provided its final agenda decision on the ‘Transfer of Insurance Coverage under a Group of Annuity Contracts – IFRS 17’, a non-objection from the International Accounting Standards Board was provided in July 2022. The methodology for coverage units determined by the Group and set out in the ‘Coverage units’ section below is compliant with this IFRIC final agenda decision.

Identifying contracts in scope of IFRS 17
IFRS 17 applies to insurance contracts (including reinsurance contracts) an entity issues, reinsurance contracts an entity holds provided it also issues insurance contracts. The scope of IFRS 17 for the Company is materially consistent with that of IFRS 4. Investment contracts without discretionary participation features (DPF) will be measured under IFRS 9. The following requirements apply to reinsurance contracts unless stated otherwise.

Level of aggregation
IFRS 17 requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into cohorts based on their expected profitability. Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same cohort, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

Measurement
The standard introduces three measurement approaches, of which two, the general model and the variable fee approach, are applicable to the Group’s business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin (‘CSM’). Reinsurance contracts held are measured using the general model, irrespective of the measurement model applied to the underlying contracts reinsured.

The risk adjustment represents the compensation the Company requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned profit of a group of insurance contracts and is recognised in the statement of comprehensive income as the insurance and/or investment service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of profit to the statement of comprehensive income. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the statement of comprehensive income. This treatment of profits and losses in respect of services is broadly consistent with the principles of IFRS 15 and IAS 37 applicable to other industries. For reinsurance contracts held, the CSM represents the net gain or net loss of the contract and is recognised in the statement of comprehensive incomes as the service is provided using coverage units.

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. For certain contracts with participating features the variable fee approach is applied, this allows changes in economic assumptions and experience to adjust the CSM as well as non-economic assumptions, reflecting the variable nature of the entity's earnings driven by investment returns.

Significant judgements and estimates

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the 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 in which the Company has a substantive obligation to provide services to the policyholder.

The adoption of IFRS 17 results in three main areas where contract boundaries differ from current practice:

- The Company has issued renewable term assurance policies with varying terms. Where the Company has the practical ability to reassess the risks of the policyholders at individual contract or portfolio level the contract boundary ends at the earliest renewal date and the renewal will be treated as a new contract. Where the Company does not have the practical ability to reassess the risk, future renewals of these contracts on their guaranteed terms will be within the contract boundary.
- Some of the Company's reinsurance contracts cover underlying contracts issued on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new contracts at any time by giving notice within a specified time period, for example three months. Currently the cash flows included in the measurement of reinsurance contracts considers only the underlying contracts ceded at the valuation date. However, under IFRS 17, the contract boundary includes underlying contracts expected to be issued and ceded during the period from the valuation date to the end of the reinsurance notice period.

Discount rates

The Company will determine risk-free discount rates using the current market prices of interest rate swaps in each currency where the market is deep, liquid and transparent. The Company primarily writes contracts denominated in Pounds Sterling and Euros. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. The discount rates for annuity business will be determined by a 'top-down' approach using a reference portfolio of assets to determine an uplift to be applied to the risk-free discount rate curve.

Risk adjustment

The risk adjustment for non-financial risk will reflect the compensation that the Company requires for bearing non-financial risk. The Company will apply a confidence level technique. The risk adjustment will be allocated to groups of contracts based on an analysis of the risk profiles of the groups, reflecting the effects of the diversification benefits between Group entities. The Company will determine the risk adjustment using a one year time horizon, consistent with the time horizon used for Solvency II, the key metric underlying how the Company is managed.

To determine the risk adjustment for reinsurance contracts, the Company will apply its approach both gross and net of reinsurance and determine the amount of risk being transferred to the reinsurer as the difference between the two results.

Coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in the period. The number of coverage units is updated at each valuation date and reflects the quantity of services provided by the contracts within a group considering both quantity of benefits provided and the length of the expected coverage period.

The Company will determine the quantity of benefits, and therefore the coverage units as follows:

Type of business	Coverage unit (quantity of benefits)
Term life	Sum assured in force
Whole of life	Sum assured in force
Other protection products	Sum assured in force
Immediate annuity	Annuity payments in each period
Unit linked	Annual Management Charge plus insurance charges

Reinsurance contracts held will use coverage units consistent with the underlying policies reinsured.

Transition
IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a modified retrospective approach or a fair value approach to determine the contractual service margin.

All of the Company's business will be transitioned using the fair value approach.

Key factors considered in determining whether the fully retrospective approach is impracticable include:

- The ability to obtain assumptions and data at the required level of granularity, without the introduction of material use of hindsight, particularly in relation to contracts within acquired businesses and where the Company's financial reporting metrics did not require such information
- The availability and usability of historic data given the significant integration work performed by the Company on both its policy administration and actuarial modelling systems where re-platforming from legacy systems onto a unified platform has been carried out
- The significant level of regulatory change experienced by the insurance industry, such as Solvency II, which impacts on the level of change undergone by both legacy and current policy administration and actuarial modelling systems

Fair value approach
The fair value approach determines the CSM (or loss component) at 1 January 2022 as the difference between the fair value of a group of contracts and the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment.

The fair value determined by the Company will use cash flows with contract boundaries consistent with IFRS 17 requirements and be broadly consistent with those used to determine the IFRS 17 liabilities. The measurement of the fair value of contracts will include items taken into consideration by a market participant but which are not included in the IFRS 17 measurement of contracts, such as a risk premium to reflect a market participant's view of uncertainty inherent in the contract cash flows being valued and a profit margin.

For groups of contracts measured using the fair value approach, the cohorts will contain contracts issued more than one year apart.

Presentation and disclosure
The introduction of IFRS 17 will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. All rights and obligations arising from a portfolio of contracts will be presented within the insurance or reinsurance contract balance, as such, balances such as payables related to direct insurance contracts and reinsurance receivables will no longer be presented separately.

The presentation of the statement of comprehensive income will change more significantly with IFRS 17 setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expense. The insurance service result reflects the consideration earned in exchange for the provision of services in relation to the group of IFRS 17 contracts issued. The insurance financial income/expense reflects changes in the carrying amount of the group of insurance contracts that relate to financial risks. It comprises the effect of the time value of money as well as the effect of financial risks and changes in financial risks.

IFRS 17 also requires extensive disclosures, both quantitative and qualitative, in relation to:
- Amounts recognised in the financial statements, including reconciliations showing how the net carrying amounts of contracts changed during the period;
- Significant judgements and changes in these judgements; and
- The nature and extent of risks that arise from contracts within the scope of IFRS 17.

Impact assessment
The total profit recognised over the lifetime of contracts within the scope of IFRS 17 will not change from the total profit recognised under IFRS 4 and will continue to be recognised in the statement of comprehensive income. The pattern of profit emergence under IFRS 17 will primarily be driven by the timing of the recognition of the risk adjustment and CSM. The risk adjustment is released to the statement of comprehensive income as the related risk expires and the CSM is released as services are provided.

IAS 8 requires an entity to disclose all known or reasonable estimated information regarding the possible impact that the application of a new IFRS is expected to have on its financial statements. At the date of issuing these financial statements the financial impact of transition to IFRS 17 on Retained Earnings at 1 January 2022 is not capable of being reasonably estimated as work continues to deliver these later this year.

Implementation project status
The Group's implementation project, of which the Company is a subsidiary and within scope, continued throughout 2022 with a focus on continuing to develop and embed the operational capabilities required to implement IFRS 17 including data, systems and business processes, and determining the transition balance sheet as at 1 January 2022. The focus for 2023 is on finalising the transition balance sheet and the 2022 comparatives required for 2023 reporting, and implementation of the end state control environment.

- Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (1 January 2023): The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023): The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have any impact on the Company.

- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023): The amendments replace the definition of a 'change in accounting estimates' with a definition of 'accounting estimates'. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. These amendments are not expected to have any impact on the Company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023). The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences.

On 31 January 2020, the UK left the EU and effective from 1 January 2021, the European Commission no longer endorses IFRSs for use in the UK. UK legislation provides that all IFRSs that had been endorsed by the EU on or before the 31 December 2020 became UK-adopted international accounting standards. New or amended IFRSs are now endorsed by the UK Endorsement Board following delegation of powers to endorse and adopt IFRSs for the UK by the Secretary of State in May 2021.

The following amendments to standards listed above have been endorsed for use in the UK by the UK Endorsement Board:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17;
- Initial Application of IFRS 17– Comparative Information;
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

4. Fees and commissions

	2022 £m	2021 £m
Fee income from investment contracts without DPF	36	48
Amortisation of deferred income	4	5
Amortisation of contract liabilities	32	31
	72	84

Management charges are recognised over time as the Company provides investment management services. Front-end fees on investment management service contracts are deferred as a liability and amortised to the income statement over the period services are provided. There are no remaining performance obligations as the revenue recognised corresponds to the value to the customer.

On 31 December 2019 ReAssure Limited paid an advanced claim to the Company in respect of a combination of the future income on unit-linked business, plus the net insurance business liabilities. This amount is recorded as a Contract Liability and released to the Income Statement over the period in which the underlying cash-flows emerge as 'amortisation of contract liabilities' as shown above.

No significant judgements are required in determining the costs incurred to obtain or fulfil contracts with customers.

5. Net investment (expense)/income

	2022 £m	2021 £m
Investment income		
Fund manager rebates	38	45
Interest income on financial assets at fair value through profit or loss	8	3
Dividend income	80	77
	126	125
Fair value gains/(losses) on items at fair value through profit or loss		
Financial assets		
Investment in subsidiaries held for investment purposes (Note 14)	(10)	16
Mandatorily at fair value through profit or loss	(794)	672
Net investment (expense)/income	(678)	813

Investment returns arise on linked assets, non linked assets backing insurance contracts and shareholder investments.

6. Other operating expenses

	2022 £m	2021 £m
Administrative expenses	27	85
Employee costs	-	2
	27	87
Amortisation of deferred acquisition costs	8	11
Total other operating expenses (Add commentary to explain difference.)	35	98

The large reduction in Administration expenses from 2021 to 2022 is largely due a reduction in migration project costs due to the completion of the integration in 2021.

Employee costs

The costs incurred by the Company are set out below:

	2022	2021
	£m	£m
Wages and salaries	-	1
Social security contributions	-	-
Contribution to defined contribution pension scheme	-	1
	-	2
Average number of persons employed	-	235

Management services from fellow subsidiaries of £18m for 2022, shown in Note 31 Related party transactions, include wages and salaries not directly incurred and are included in the £27m Administrative expenses above.

During 2021, all continued roles within the Company were transferred to RUKSL via the Transfer of Undertaking (Protection of Employment) process. Further details are included in Note 23 Provisions. Therefore, as at 31 December 2021 and 31 December 2022 the Company had no employees.

7. Directors' remuneration

	2022	2021
	£000	£000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	668	542
Share option schemes and other long-term benefits	609	269
	1,277	811
Number of Directors who had exercised share options during the year	5	2

	2022	2021
	£000	£000
Highest paid Director's remuneration	433	412

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

8. Auditor's remuneration

	2022	2021
	£000	£000
Audit of the Company's financial statements	1,067	1,016

During the financial year ended 31 December 2022, Ernst & Young LLP acted as the Company's external auditor. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Phoenix Group Holdings plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

9. Tax (credit)/charge

Current year tax (credit)/charge

	2022 £m	2021 £m
Current tax:		
UK Corporation tax	3	19
Adjustment in respect of prior years	1	1
Total current tax	4	20
Deferred tax:		
Origination and reversal of temporary differences	(72)	31
Adjustment in respect of prior years	(2)	(1)
Total deferred tax	(74)	30
Total tax (credit)/charge	(70)	50
Attributable to:		
- policyholders	(69)	46
- owners	(1)	4
Total tax (credit)/charge	(70)	50

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

Reconciliation of tax (credit)/charge

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
(Loss)/profit for the year before tax	(40)	65
Tax credit/(charge) attributable to policyholders' returns	69	(46)
Profit before tax attributable to owners	29	19
Tax at standard UK rate of 19% (2021: 19%)	6	3
Adjustment in respect of prior years	(2)	-
Different basis of taxation for UK life insurance companies	(5)	-
Movement in valuation of deferred tax asset	-	1
Tax attributable to owners	(1)	4
Tax (credit)/charge attributable to policyholders' returns	(69)	46
Total tax (credit)/charge	(70)	50

10. Dividends on ordinary shares

No dividends on ordinary shares were paid in 2022 or 2021.

11. Subsidiaries held for strategic purposes

ReAssure Life Pension Trustees Limited is a wholly owned subsidiary undertaking in the current and prior year which is incorporated in England and Wales. Its registered office address is Windsor House, Telford Centre, Telford, England, TF3 4NB.

Its principal activity is to act as a scheme trustee for self administered pension schemes, personal pension schemes, fully occupational pension schemes and free standing additional voluntary contribution schemes established by ReAssure Life Limited.

The value of the investment in ReAssure Life Pension Trustees Limited is (stated at net realisable value) £7,200 (2021: £7,200). Due to immateriality this is not shown separately on the Statement of Financial Position.

12. Loans and deposits

Details of loans to Group entities

Loan to	Start date	End date	Interest rate	Amount advanced
				£m
Ultimate parent				
Phoenix Group Holdings plc	16 December 2022	15 December 2027	SONIA+149bps	130
Parent				
ReAssure Group plc	31 December 2019	30 June 2024	SONIA+50bps	69

Movements in loans to Group entities

	Total group loans to Parent £m
At 1 January 2022	69
Loan to Phoenix Group Holdings plc	130
At 31 December 2022	199
Amount recoverable after 12 months	199
At 1 January and 31 December 2021	69

The Company issued a £130m loan to its ultimate parent company in December 2022.

13. Financial instruments

Expected Settlement dates

	Total 2022	Amounts recoverable after 12 months 2022	Total 2021	Amounts recoverable after 12 months 2021
	£m	£m	£m	£m
Financial assets at fair value through profit or loss:				
Debt Securities	62	62	112	112
Equities	81	-	99	-
Subsidiaries held for investment purposes	167	-	424	-
Collective Investment Schemes	5,680	-	6,910	-
Loans and receivables at amortised cost:				
Loans and deposits	199	199	69	69
Cash and cash equivalents	19	-	23	-
Other receivables	12	-	23	-
	6,220	261	7,660	181

£62m (2021: £112m) of debt securities are held in relation to the funds withheld account, which is within and under the Company's control to manage its exposure to RAL default risk.

Due to the nature of equities and collective investment schemes there is no fixed term associated with these items.

Expected Settlement dates

	Total 2022	Amounts due for settlement after 12 months 2022	Total 2021	Amounts due for settlement after 12 months 2021
	£m	£m	£m	£m
Financial liabilities at fair value through profit or loss:				
Investment contracts	5,384	-	6,578	-
Deposits received from reinsurers	74	74	125	124
	5,458	74	6,703	124

Financial assets credit ratings

2022	AA	A	Non-Rated	Total
	£m	£m	£m	£m
Debt Securities	62	-	-	62
Loans and deposits	-	-	199	199
Cash and cash equivalents	-	1	18	19
Other receivables	-	-	12	12
	62	1	229	292

Financial assets credit ratings

2021	AA	A	Non-Rated	Total
	£m	£m	£m	£m
Debt Securities	112	-	-	112
Loans and deposits	-	-	69	69
Cash and cash equivalents	-	6	17	23
Other receivables	-	-	23	23
	112	6	109	227

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

Offsetting financial assets and financial liabilities

The Company offsets financial assets and liabilities in the Statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis or simultaneously.

14. Subsidiaries held for investment purposes

	2022	2021
	£m	£m
At 1 January	424	453
Additions	10	29
Disposals	(19)	(74)
Fair value gains	(10)	16
Transfers in from collective investment schemes	186	-
Transfers out to collective investment schemes	(424)	-
At 31 December	167	424

As at 31 December, an analysis of Open Ended Investment Companies ("OEIC's"), Unit Trusts and private equity funds is carried out to assess the level of control to determine whether they are investments in subsidiaries, investments in associates or financial assets. Resulting transfers between investment in subsidiaries and financial assets are recognized at the opening value.

A listing of subsidiaries can be found in note 33.

The fair value measurements of the investment in subsidiaries are classified in accordance with the principles in note 15, and information on the valuation methodology and hierarchy is given in that note.

15. Fair value

Carrying values different to fair values

The carrying value of financial assets and liabilities measured at amortised cost approximates their fair value.

Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

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

Level 2 financial instruments

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

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

Level 3 financial instruments

The Company's financial instruments determined by valuation techniques using non market observable inputs are based on a combination of independent third party evidence and internally developed models. Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3.

Transfers

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

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value through profit or loss				
Debt securities	62	-	-	62
Equities	81	-	-	81
Subsidiaries held for investment purposes	167	-	-	167
Collective Investment Schemes	5,573	107	-	5,680
Total financial assets measured at fair value	5,883	107	-	5,990
Financial liabilities measured at fair value through profit or loss				
Investment contracts	-	5,384	-	5,384
Deposits received from reinsurers	-	74	-	74
Total financial liabilities measured at fair value	-	5,458	-	5,458

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value through profit or loss				
Debt securities	112	-	-	112
Equities	99	-	-	99
Subsidiaries held for investment purposes	424	-	-	424
Collective Investment Schemes	6,772	138	-	6,910
Total financial assets measured at fair value	7,407	138	-	7,545
Financial liabilities measured at fair value through profit or loss				
Investment contracts	-	6,578	-	6,578
Deposits received from reinsurers	-	125	-	125
Total financial liabilities measured at fair value	-	6,703		6,703

Transfers of £6m of collective investment schemes from Level 1 to Level 2 occurred in 2022.

Transfers of £24m of collective investment schemes from Level 1 to Level 2 occurred in 2021.

Level 3 assets and liabilities

There are no Level 3 assets in 2022 or 2021.

16. Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

The Company has determined that all of its investments in collective investment schemes, subsidiaries held for investment purposes and equities are structured entities. These investments are presented in the Statement of Financial Position as Collective investment schemes, Subsidiaries held for investment purposes and Equities, in accordance with the Company's accounting policies (see note 2 (f)).

The Company's holdings in the above investments are subject to the terms and conditions of the respective fund's prospectus and are susceptible to market price risk arising from uncertainties about future values. The Company holds redeemable shares and units in each of the funds. The funds are managed by asset managers who apply various investment strategies to accomplish their respective investment objectives. All of the funds are managed by asset managers who are compensated by the respective funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of each fund.

The Company has not provided any non-contractual financial or other support to any structured entities and there are no current intentions to do so.

The Company's interests in structured entities are held at fair value through profit or loss. Any change in fair value is included in the Statement of comprehensive income in 'net investment income'.

	2022 £m	2021 £m
Collective investment schemes	5,680	6,910
Subsidiaries held for investment purposes	167	424
Equities	81	99
	5,928	7,433

The Company's maximum exposure to loss to the interests presented above is the carrying amount of the Company's investments. Once the Company has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund.

17. Tax assets and liabilities

	2022	2021
	£m	£m
Current Tax		
Current tax payable	-	(11)
Current tax recoverable	6	-
	6	(11)

Deferred Tax

	2022	2021
Deferred tax liabilities	(15)	(90)

Movement in deferred tax assets and liabilities

Year ended 31 December 2022

	At 1 January £m	Adjustments in respect of prior years £m	Change in rate £m	Recognised in the Statement of Comprehensive income £m	At 31 December £m
Deferred acquisition costs and contract liabilities	(3)	-	-	1	(2)
Transitional adjustment arising on movement to new tax regime	(1)	-	-	1	-
Unrealised chargeable gains	(101)	1	-	62	(38)
Deferred acquisition expenses	10	-	-	(2)	8
Non-BLAGAB capital losses	5	1	-	-	6
Excess expenses c/f	-	-	-	11	11
	(90)	2	-	73	(15)

Year ended 31 December 2021

	At 1 January £m	Adjustments in respect of prior years £m	Change in rate £m	Recognised in the Statement of comprehensive income	At 31 December £m
Deferred acquisition costs and contract liabilities	(5)	-	-	2	(3)
Transitional adjustment arising on movement to new tax regime	(1)	-	-	-	(1)
Unrealised chargeable gains	(71)	-	-	(30)	(101)
Deferred acquisition expenses	11	-	-	(1)	10
Non-BLAGAB capital losses	6	-	-	(1)	5
Excess expenses c/f	-	1	-	(1)	-
	(60)	1	-	(31)	(90)

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

Deferred tax assets are recognised on tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against anticipated taxable profits and gains based on business plans. In relation to the excess expenses carried forward and the capital losses deferred tax assets recognised (in excess of deferred tax liabilities recognised on unrealised chargeable gains), their valuation was supported by accounting projections based on the recoverability over a 15 year period of these assets. The accounting projections were based on the forecasts that are used to drive Management decisions and establish KPIs. In this regard, IFRS 4 projections have been used, rather than IFRS 17; however sensitivity analysis has been undertaken to ensure appropriateness.

The Finance Act 2012 introduced new rules for the taxation of insurance companies, with effect from 1 January 2013. The deferred tax on the non-profit surplus has reversed and was replaced with IFRS transitional adjustments. The deferred tax on the transitional adjustments is being amortised over a 10 year period on a straight line basis commencing 2013 and ending in 2022 as the IFRS tax transitional adjustment is brought into account in the current tax computations.

The Company has loan relationship deficits that have a potential value of £2.6m which are not recognised, because based on forecasts, they are not expected to be utilised. Unrecognised losses are available to be carried forward without expiry, subject to the continuation of the business.

An announcement was made in the UK budget, March 2021 to increase the rate of corporation tax to 25% from 1 April 2023. This was enacted on 10 June 2021 and accordingly, the relevant deferred tax balances have been measured at 25%.

18. Deferred acquisition costs

	2022 £m	2021 £m
At 1 January	23	34
Amortisation charge	(8)	(11)
At 31 December	15	23
Amount recoverable after 12 months	10	15
Related to contracts with customers: deferred acquisition costs on non-participating investment contracts	13	19

19. Prepayments and Accrued Income

	2022 £m	2021 £m
Accrued Income	5	5

There are no amounts due after 12 months (2021: nil).

20. Other receivables

	2022 £m	2021 £m
Amounts due from related parties	4	22
Receivable securities in transit	7	-
Other receivables	1	1
	12	23

There are no amounts recoverable after 12 months (2021: nil).

21. Share capital

	2022 £m	2022 Number	2021 £m	2021 Number
Issued and fully paid:				
Ordinary shares of £0.25 each	65	257,822,752	65	257,822,752
	65	257,822,752	65	257,822,752

There are no restrictions on the number of shares that may be allotted.

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

22. Liabilities under insurance contracts

	Gross liabilities 2022 £m	Re-insurers' share 2022 £m	Gross liabilities 2021 £m	Re-insurers' share 2021 £m
Life assurance business:				
Insurance contracts	806	465	1,447	989
Amounts due for settlement after 12 months	806	465	1,388	968

	Gross liabilities 2022 £m	Re-insurers' share 2022 £m	Gross liabilities 2021 £m	Re-insurers' share 2021 £m
At 1 January	1,447	989	1,577	1,079
Premiums	123	96	135	113
Claims	(141)	(32)	(143)	(46)
Other changes in liabilities	(623)	(588)	(122)	(157)
At 31 December	806	465	1,447	989

Included in other changes in liabilities is economic and non-economic experience.

Assumptions

Valuation of non-participating insurance contracts

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

Process used to determine assumptions

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

- In determining the discount rate to be applied when calculating non-participating insurance contract liabilities, the Company uses a swap curve without adjustment.
- For non-participating insurance contract liabilities, the Company makes an explicit adjustment to the risk-free rate to adjust for illiquidity in respect of assets backing illiquid liabilities.
- For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit margin for demographic risks.

Changes to assumptions
As a result of the IGR with RAL, any assumption changes throughout the year is nil. (2021: nil).

For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit prudence margin for demographic risks. Following harmonisation of significant processes, the Company has recalibrated its prudence margin to align with other life companies in the Phoenix Group. This has not impacted the Company's overall profit for the current year as any impact is passed to RAL via the IGR.

Longevity and mortality assumptions
Longevity and mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, demographic differences between annuitants and the general population, company experience and forecast changes in future mortality.

Expense assumptions
The assumptions for future policy expense levels are set in line with the rates defined by the MSA with RUKSL. The assumed UK future expense levels incorporate an annual inflation rate for each future year, derived from the difference between yields on index linked and conventional returns using the Bank of England gilt data.

For non-participating immediate and deferred annuity contracts, an allowance for maintenance and investment expenses is included in the liabilities.

Policyholder options and guarantees
Some of the Company's contracts have options to extend cover without further underwriting. The TSP unit-linked protection product has a guaranteed minimum sum assured which could bite where policyholders decide to reduce their benefits rather than increasing their premiums at future policy reviews.

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

2022	Gross	Reinsurance
	Insurance contracts £m	Insurance contracts £m
Non-profit funds		
Immediate annuities	-	-
Protection	441	465
Unit-linked	365	-
	806	465

2021	Gross	Reinsurance
	Insurance contracts £m	Insurance contracts £m
Non-profit funds		
Immediate annuities	1	1
Protection	974	988
Unit-linked	472	-
	1,447	989

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

The main risks associated with this product are longevity and investment risks, however this is mitigated by the IGR with RAL.

Protection

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

The main risk associated with this product is the Conventional Non Profit claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance and a clear process for administering claims. For the unit-linked protection business, the mortality and morbidity charges are reviewable.

23. Provisions

	Other Provisions £m
At 1 January 2022	2
Utilised during the year	(2)
At 31 December 2022	-
Amount due for settlement after 12 months	-

Other Provisions

On 29 September 2020, the Company announced its proposal, subject to a period of Collective Consultation, to transfer its operational activity to other core sites in the ReAssure Group and to transfer support function activity to Reassure Group centralised functions, subsequently resulting in the proposal to exit the Southampton site.

During 2021, those Company employees impacted by the proposed close of the Southampton site were engaged in a series of Individual Consultations. The intended outcome of these consultations being, that employees would either secure an alternative role within the ReAssure Group, or exit the business following the successful migration of all data and policyholder records to the ReAssure Platform. All continued roles within the Company were transferred to ReAssure UK Services Limited (“RUKSL”) via the Transfer of Undertaking (Protection of Employment) process and no employees remained in the Company at 31 December 2021.

At 31 December 2022, other provisions relate primarily to the remaining £254k estimated cost of redundancy for those employees that have remained in the employ of RUKSL after migration (2021: £2m).

24. Accruals and deferred income

	2022 £m	2021 £m
Deferred income reserve	8	12
Amount due for settlement after 12 months	5	8

Remaining performance obligations

The practical expedient under IFRS 15 has been applied and remaining performance obligations are not disclosed as the Company has the right to consideration from customers in amounts that correspond with the performance completed to date. Specifically management charges become due over time in proportion to the Company’s administration of customers’ life or pension products.

The movement in the deferred income reserve is explained in Note 4.

25. Contract Liabilities

	2022	2021
	£m	£m
At 1 January	165	196
Amortisation of contract liabilities	(32)	(31)
At 31 December	133	165

On 31 December 2019 an IGR arrangement was put in place, which transfers the vast majority of the shareholder risk and rewards of the business into ReAssure Limited in return for an advanced claim amount and reinsurance premium.

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

The contract liability represents the advanced claim paid by Reassure Limited to the Company as per the IGR contract. The contract liability was calculated based on a pricing model agreed between ReAssure Limited and the Company.

The contract liability is amortised as the cash flows emerge on the underlying contracts.

26. Other payables

	2022	2021
	£m	£m
Group tax relief payable	2	5
Amounts due to group companies	-	12
Other payables	-	2
	2	19

There are no amounts due for settlement after 12 months (2021: nil).

27. Cash flows

Cash flows used in operating activities

	2022 £m	2021 £m
Loss for the year before tax	(40)	65
Non-cash movements in profit for the year before tax		
Fair value gains/(losses) on:		
Subsidiaries held for investment purposes	10	(16)
Other financial assets and liabilities	794	(672)
Amortisation of:		
Deferred acquisition costs	8	11
Contract liabilities	(32)	(31)
Deferred income	(4)	(5)
Interest income on loans	(1)	-
Changes in operating assets and liabilities:		
Change in investment assets	751	852
Change in reinsurance assets	521	114
Change in insurance assets	3	16
Change in deposits received from reinsurers	(51)	7
Change in other assets	10	(10)
Change in reinsurance liabilities	12	8
Change in other liabilities	(14)	(21)
Change in insurance contract and investment contract liabilities	(1,817)	(322)
Cash used in operations	150	(4)

Supplementary disclosures on cash flow from operating activities

Interest received	8	3
Dividends received	80	77

28. Capital management

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

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

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

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

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

Solvency II ("SII") external capital requirement
Following the implementation of the SII directive effective from 1 January 2016, the Company's capital is managed on a SII basis.

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

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

The SCR is calculated using the standard formula approach.

The estimated SII surplus position (unaudited) at 31 December 2022 is presented in the Strategic report on page 3.

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

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

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

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

29. Risk management

(a) Overview

Risk Management Framework
The Group's RMF embeds proactive and effective risk management across the Phoenix Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group's RMF is aligned to the principles and guidance in ISO 31000 Risk Management standards. A diagram showing the nine elements of the Group's RMF is presented within the Company's strategic report, with further detail included in the Group's 2022 Annual Report and Accounts.

Risk Universe
The Group's Risk Universe (applicable to the Company) summarises the comprehensive set of risks to which the Company is exposed. The risk profile of each is an assessment of the impact and likelihood of those risks crystallising and the Company failing to achieve its strategic objectives. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, assessed, managed, monitored and reported through the Group's RMF and Own Risk and Solvency Assessment (ORSA) processes.

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

Level 1 category	**Definition**
Strategic risk	A possible source of loss that might arise from the pursuit of an unsuccessful business plan; this source of loss can be to the shareholders and / or to the policyholders, and may drive reputational damage which could further impact the Company and the Group's ability to meet its strategic objectives.
Financial soundness	The risk of financial failure, reputational loss, loss of earnings and/or value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial, taxation and regulatory information. Financial soundness is a broad risk category encompassing liquidity and funding risk, capital management risk and tax risk.
Market risk	The risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of interest rates, inflation rates and currency exchange rates on both assets and liabilities.
Credit risk	The risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.
Insurance risk	The risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.

Customer risk	The risk of financial failure, reputational loss, loss of earnings and/or value arising from inappropriate or poor customer treatment (including poor advice).
Operational risk	The risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.

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

Intra-Group Retrocession

The Company has an intra-group retrocession (IGR) arrangement with ReAssure Limited which transfers the majority of insurance and financial risks from the Company to RAL. Given this, any sensitivity to profit resulting in movements of insurance and market risk variables would be reported as zero on a post-IGR basis.

Interest rate risk arises from exposure via intra-group loans (as detailed in Note 12). In 2022 the Company made a £130m intra-group loan to PGHP, the risk relates to uncertainty in the accrued interest it will receive on repayment of the principal, which is subject to an interest rate of SONIA + 149bps. A 1% change is a £1.3m impact to the interest added to the principal.

The residual key risks for the Company are discussed in the following sections.

(b) Strategic risk

Strategic risks threaten the achievement of the Company and Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, the Company seeks to proactively review, manage and control these exposures. Strategic Risk should be considered in parallel with the Risk Universe as each of the risks within the Risk Universe can impact the Group and Company's strategy.

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

(c) Financial Soundness: Liquidity and funding risk

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

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

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

Liquidity forecasts that show headroom against liquidity buffers across a range of time horizons is monitored on a monthly basis across all funds and liquidity pools. In the event of a liquidity shortfall, this would be managed in line with the Contingency Liquidity Plan where the latest available contingent management actions would be considered.

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

Investment contract policyholders have the option to terminate or transfer their contracts in part or in full at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due within one year, the Company does not expect all these amounts to be paid out within one year of the reporting date.

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

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis, despite the market volatility caused by the current high levels of inflation and interest rate increases from most of the world's central banks including the Bank of England.

(d) Contractual discounted maturities

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's discounted financial liabilities and associated interest. The contractual maturities of liabilities under insurance contracts are included based on the estimated timing of the amounts recognised in the Statement of financial position in accordance with the requirements of IFRS 4:

2022

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Liabilities under insurance contracts	33	37	124	612	806
Investment contracts	5,384	-	-	-	5,384
Deposits received from reinsurers	-	(3)	4	73	74
Reinsurance payables	28	-	-	-	28
Payables related to direct insurance contracts	136	-	-	-	136
Accruals and deferred income	3	5	-	-	8
Other payables	2	-	-	-	2

2021

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Liabilities under insurance contracts	59	67	223	1,098	1,447
Investment contracts	6,578	-	-	-	6,578
Deposits received from reinsurers	1	(6)	8	122	125
Reinsurance payables	16	-	-	-	16
Payables related to direct insurance contracts	117	-	-	-	117
Accruals and deferred income	4	7	1	-	12
Other payables	19	-	-	-	19

(e) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. Note 28 gives more detail on how capital and capital management risk are managed.

(f) Financial Soundness: Tax risk

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

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

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

(g) Market risk
The Company is mainly exposed to market risk as a result of:

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

The majority of the Company's market risk has been transferred to RAL through the IGR. The Company is exposed to interest rate risk via two intra-group loans to ReAssure Group plc (RGP) and Phoenix Group Holdings plc, of £69m and £130m respectively. The Company monitors this risk by considering the sensitivity of the assets and liabilities to changes in interest rates.

(h) Credit risk
Credit risk can arise from two sources:

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

Credit risk is managed by the monitoring of aggregate Company exposures to individual counterparties The Company manages the level of credit risk it accepts through the use of credit risk tolerances and limits.

The Company's IGR arrangement with RAL exposes it to the risk of default in the event that RAL becomes unable to service its obligations under the contract. This is mitigated through the deposit from RAL which is held in the form of a Funds Withheld account. This is within and under its control to manage its exposure to RAL credit risk. The amount held in this fund is adjusted on a quarterly basis to reflect the Solvency II non-linked Best Estimate Liabilities (BEL) for the business under the IGR.

Credit risk also arises from exposures via the intra-group loans which exposes the Company to the risk of default or credit rating downgrade.

As credit risk exposures from the issuance of insurance and investment contracts and from external counterparties are transferred to RAL under the IGR, the Company has no additional credit risk exposures.

(i) Insurance risk
Insurance risk can arise as a result of:

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

All Insurance Risk within RLL has been transferred, either through external reinsurance arrangements or through the IGR that is in place with RAL.

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

- **Customer Treatment:** Failings in the design and execution of the support and service interactions with customers leads to poor customer outcomes.
- **Customer Transformation:** The design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.

- **Product and Propositions:** Products/propositions are not designed and managed appropriately leading to poor customer outcomes.
- **Sales and Distribution:** Inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes.

The Group's Conduct Risk Appetite (which applies to the Company), sets the boundaries within which the Company expect customer outcomes to be managed. In addition, The Group Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.

The Company also has a suite of customer polices which set out the key customer risks and minimum control standards in place to mitigate them. Customer risks for the Company are regularly reported to management oversight committees. The customer risks for the Group, and of the Company, are regularly reported to management oversight committees.

(k) **Operational risk**

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

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

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

It is accepted that it is neither possible, appropriate nor cost effective to eliminate operational risks from the Company as operational risk is inherent in any operating environment particularly given the regulatory framework under which the Company operates. As such the Company will tolerate a degree of operational risk subject to appropriate and proportionate levels of control around the identification, management and reporting of such risks.

The IGR transfers the vast majority of operational risk within the Company to RAL. Some elements of risk remain including ex-gratia payments in excess of £0.5m and regulatory fines, which remain funded from Company resources.

30. Commitments

There are no material financial and capital commitments as at 31 December 2022 (2021: none).

31. Related party transactions

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms apart from transfers of long term business.

Reinsurance accepted and ceded

The Company acts as both reinsurer and the cedant in reinsurance transactions with ReAssure Limited ("RAL"), a fellow group company.

	2022 £m	2021 £m
Reinsurance accepted from fellow subsidiaries:		
Amortisation of advanced claims	32	31
Contract liabilities	133	165
Fellow subsidiary: Share of contract liabilities	(63)	5
Fellow subsidiary: Share of insurance contract provision	100	164
Fellow subsidiary: Reinsurance Payables	74	125
Reinsurance ceded to fellow subsidiaries:		
Premiums	13	27

	2022 £m	2021 £m
Income earned from related parties		
Interest received from parent	1	-
Expenses charged by related parties		
Management services from fellow subsidiaries	18	49
Amounts due from related parties		
Loans due from parent	69	69
Loans due from ultimate parent	130	-
Amounts due from parent	1	-
Amounts due from fellow subsidiaries	4	22
	204	91
Amounts due to related parties		
Amounts due to fellow subsidiaries	-	12

Where financial instruments arising from transactions with related parties are offset in the statement of financial position the net position is presented in the tables above.

Fellow subsidiaries

ReAssure UK Services Limited ("RUKSL") provide management services to the Company, in the form of staff and other services.

The Company has an IGR with RAL. The IGR covers the Company's non-linked business and the insurance component of the unit-linked business. In respect of the non-linked business, the premium due from the Company to RAL is held within a restricted account recorded within Amounts due from fellow subsidiaries. This restricted account operates as a collateral account for the non-linked element of the IGR. In respect of the insurance component of the unit-linked business, RAL has paid an advanced claim amount to the Company. This amount is recorded as a Contract Liability and released to the Income Statement over the period in which the underlying cash-flows emerge.

Other related parties

Amounts disclosed as transactions with other related parties consist of transactions with RAL and are settled in cash on a quarterly or monthly basis.

Loans receivable
Further details of loans receivable from Group companies are given in note 12.

Transactions with key management personnel
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 7. Other transactions are disclosed below:

	2022 £000	2021 £000
Key management personnel and their close family members:		
Contributions to Pensions and Savings products sold by the Group in the year	11	449
Transfer out of investment products sold by the Group in the year	(19)	-
Value of investments in Pensions and Savings products sold by the Group at year end	3,047	3,363

32. Events after the reporting period

On 1 January 2023 the Company transferred all Swedish, Norwegian and German policies and associated assets and liabilities to Phoenix Life Assurance Europe Designated Activity Company ("PLAEDAC") under Part VII of the Financial Services and Markets Act 2000.

In addition to the transfer the Company entered into a reinsurance agreement post transfer date with PLAEDAC in respect of the investment component of the unit-linked business which has been reinsured back to the Company.

As the transfer took place post 1 January 2023 the value of assets and liabilities transferred will be disclosed in the year ended 31 December 2023 financial statements, on an IFRS17 basis. As set out in Note 3, financial impacts under IFRS17 have not been included in these financial statements.

Also, the part of the IGR with RAL which relates to the policies transferred to PLAEDAC has been recaptured. The Company paid RAL £1m to terminate the contract.

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

33. Listing of subsidiaries

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

Company name	**Country of Incorporation or Residence**	**Type and % of holding**	**Address**
Quilter Investors Global Equity ACC	England and Wales	OEIC 78.4%	1
Quilter Investors UK Equity In ACC	England and Wales	UT, 86.9%	1

Registered office addresses
Senator House, 85 Queen Victoria Street, London, EC4V 4AB, United Kingdom

34. Ultimate parent and ultimate controlling party

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