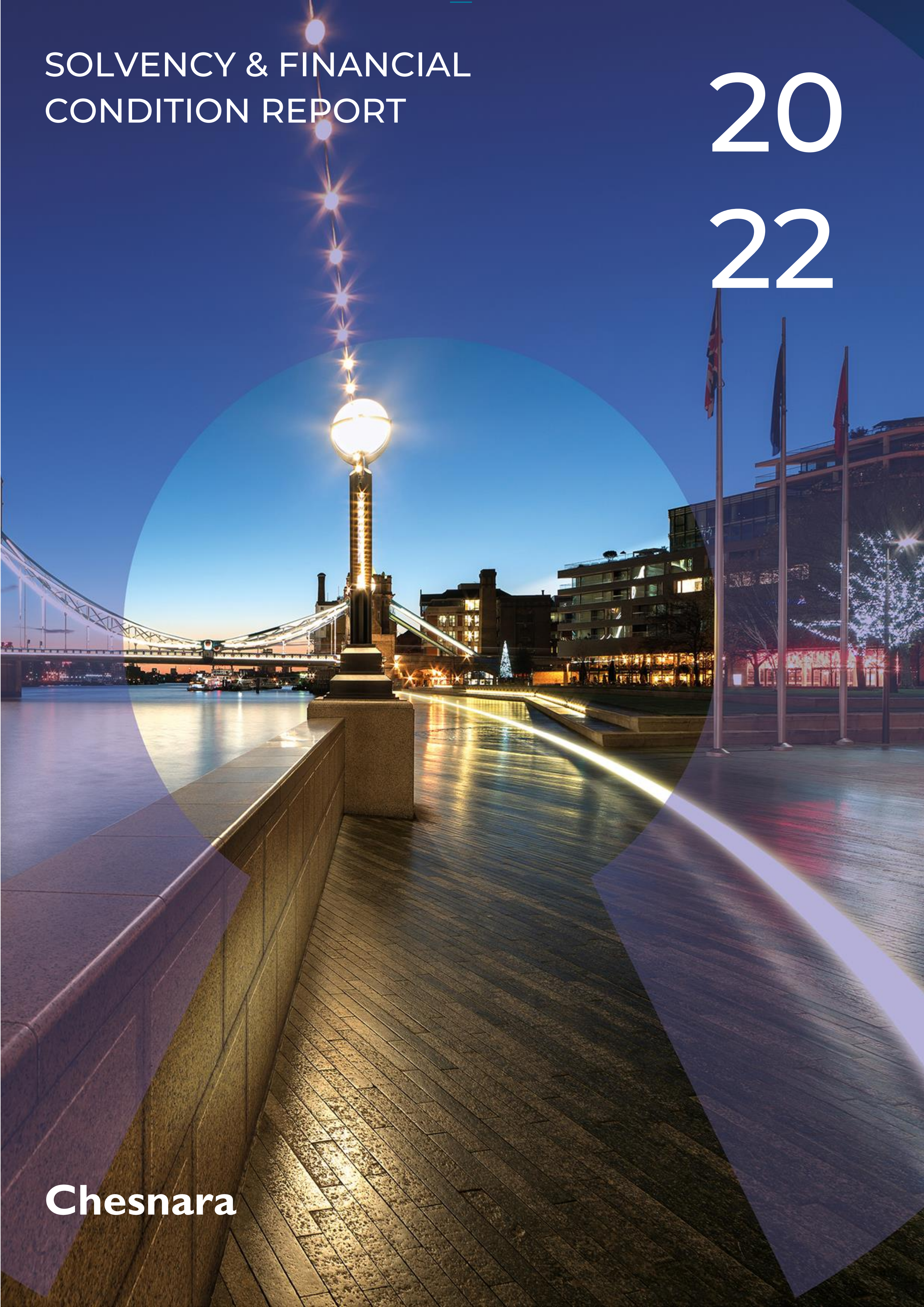
SOLVENCY & FINANCIAL CONDITION REPORT

2022



Chesnara

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SUMMARY

BACKGROUND

This Solvency and Financial Condition Report ('SFCR') has been prepared for the Chesnara plc group ('Chesnara', the 'group'), for the year ended 31 December 2022. This report has been prepared for the benefit of the group's policyholders and other parties who have an interest in the solvency and financial condition of the group. In accordance with the Solvency II framework, this report follows a standardised structure and includes specific content to meet the detailed reporting requirements of the framework.

A summary of this report has been provided below. It focuses on key messages and highlights key changes during 2022 that have been reported in the main body of the report. To aid the reader, the summary has been prepared to follow the structure of the main body of the report.

A. BUSINESS AND PERFORMANCE

This section of the report provides background information on the group and its performance. Chesnara plc is a listed life insurance and pension consolidator holding company and has its shares admitted for trading on the London Stock Exchange. It administers approximately one million policies and operates as Countrywide Assured and CASLP in the UK; as The Waard Group and Scildon in the Netherlands; and as Movestic in Sweden.

Following a three pillar strategy, Chesnara's primary responsibility is the efficient administration of its customers' life and savings policies, ensuring good customer outcomes and providing a secure and compliant environment to protect policyholder interests. It also adds value by writing profitable new business in Sweden and the Netherlands and by undertaking value-adding acquisitions of either companies or portfolios.

Key highlights for the group's business performance during the year include:

- Group solvency of 197% at 31 December 2022 (31 December 2021: 152%); and
- The group underwriting performance, taken as being the IFRS loss before tax as included in the group's financial statements, of £146.9m (2021: profit before tax £28.8m). The result contains large losses arising from economic conditions of £151.8m (2021: £11.8m), largely in our Dutch businesses. Our reserving approach in Scildon means that the result bears the full impact of interest rate increases on asset values but no credit is recognised for the associated reduction in liabilities.
- The board executed the completion of a £200m Tier 2 debt raise in February 2022
- The foreign exchange hedge arrangement that was entered into during December 2022;
- In 2022, we completed the two acquisitions announced late in 2021 and announced a further acquisition in the Netherlands. The acquisitions of Sanlam Life & Pensions UK Limited (now renamed CASLP) and Robein Leven in the Netherlands, both completed successfully during the second quarter of 2022.

B. SYSTEMS OF GOVERNANCE

This section of the report provides information on the overall governance structure of the group and its risk management and internal control system. It details the Chesnara board's overall responsibilities and how it delivers these through the use of its sub-committees and interaction with the boards operating in each of its divisions. The Chesnara board sets the culture and values of how the group operates and it is the Chesnara board's responsibility to ensure that this is implemented across the group. It manages this through the utilisation of group and divisional corporate governance and responsibilities maps. This section of the report also provides insight into the remuneration practices and policies of the group and how these promote management behaviours that are aligned with its strategic aims.

There have been no significant changes in the group's overall system of governance during the year. The group continues to invest time and resources into ensuring that the governance structures in place remain fit for purpose for the evolving landscape in which the group operates.

We have seen some changes in key personnel in 2022:

- Veronica Oak resigned as a director and chair of the remuneration committee on 15 January 2022 as a result of completing nine years' service on the Chesnara plc board.
- Eamonn Flanagan, who is a non-executive director, was appointed the chair of the remuneration committee as of 15 January 2022.
- Carol Hagh and Karin Bergstein were also appointed as directors with effect from 14 February 2022.
- Mark Hesketh was appointed the Chair of the Nomination & Governance Committee with effect from 1 January 2022, at which date Luke Savage stepped down as the Chair of the Nomination & Governance Committee but remained as a member.

SUMMARY

C. RISK PROFILE

Further information on the risk profile of the group can be found in this section of the report. Quantitative risk profile information has been provided using the results of the group's solvency capital requirement calculations. The group is required to hold capital to help it deal with the financial impact should any of the risks materialise. Regulators have specified a "standard formula" to use when calculating the amount of capital that it is required to be held against each Solvency II risk category and the board has determined that the standard formula gives an appropriate outcome. We apply the Volatility Adjustment (VA) in our UK and Dutch businesses. The VA is an optional measure that is part of Solvency II's longer term guarantee package which can be used in solvency calculations to reduce volatility arising from large movements in bond spreads.

There have been no fundamental changes in the overall risk profile of the group over the year. On a forward-looking basis, the external environment continues to bring a level of uncertainty, with events in Ukraine and inflation rises, continuing to create economic, political and market uncertainty. The threat from other external factors, such as cyber risk, continues to be monitored closely by the business in order to protect the delivery of our core business services. Our operational resilience will continue to be tested on a regular basis.

D. VALUATION FOR SOLVENCY PURPOSES

This section of the report provides information on the group's assets and liabilities. It provides quantitative information regarding the value of assets and liabilities held at the reference date of this report and also provides information on how those asset and liability values have been calculated.

The practices used for valuing assets and liabilities for solvency purposes have remained consistent throughout the reporting period.

A summary of the group's assets and liabilities at 31 December 2022 and 31 December 2021 has been provided below:

	31 December 2022 **£m**	**31 December 2021** **£m**
Assets	10,965.9	9,281.2
Net technical provisions	(10,020.5)	(8,394.6)
Other liabilities	(470.9)	(299.1)
Assets less liabilities	**474.5**	**587.5**

SUMMARY

E. CAPITAL MANAGEMENT

The final section provides information on the capital position of the group. It builds on the information included in section D of the report and introduces further information on the level of capital that is required to be held by the group (the Solvency Capital Requirement) and how the group meets these requirements. The section also provides information on the policies and practices that are employed by the group and its operating divisions in managing capital.

During 2022, the group raised £200m of Tier 2 debt and also entered into a foreign exchange derivative contract. There have been no other significant changes in the way the group and its divisions manage their capital.

We are well capitalised at both a group and subsidiary level. We apply the VA in our Dutch businesses and in our UK business (both CA and CASLP). We have not used any other elements of the long-term guarantee package within the group.

	31 December 2022 £m	31 December 2021 £m
Assets less liabilities	**474.5**	**587.5**
Foreseeable dividends	(22.8)	(22.1)
Restricted own funds in ring fenced funds	(0.0)	(7.9)
Subordinated liabilities	200.0	–
Other non available own funds	(46.7)	–
Eligible Own funds	**605.0**	**557.5**
Solvency Capital Requirement (SCR)	**306.7**	**366.8**
Surplus own funds over SCR	**298.3**	**190.7**
Ratio of eligible own funds to SCR	**197.3%**	**152.0%**

- The group has own funds (representing the net assets and liabilities of the group as measured on a Solvency II basis) that exceed the capital requirements of the group by £298.3m (31 December 2021 £190.7m).
- The closing surplus in the ring-fenced funds was £0.02m. The movement since the prior year includes a £11.3m transfer out, offset by a growth in the capital surplus of the ring-fenced funds of £3.5m. This transfer out was subject to regulatory approval in order to confirm that it was not to the detriment of policyholders
- The group has a solvency ratio of 197.3% at 31 December 2022 (31 December 2021: 152.0%), stated after the 2022 final dividend of £22.8m, which is due to be paid on 26 May 2023.
- During 2022, we completed our inaugural Tier 2 debt raise, raising £200m with a 10.5-year term at a competitive coupon of 4.75%.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

The directors are responsible for preparing the Solvency and Financial Condition Report in accordance with applicable law and regulations.

The PRA Rulebook for Solvency II firms in Rule 6.1(2) and Rule 6.2(1) of the reporting Part requires that the company must have in place a policy of ensuring the ongoing appropriateness of any information disclosed and that the company must ensure that its SFCR is approved by the directors.

Each director certifies that:

(a) the Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations;
(b) throughout the financial year in question, the company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the company; and
(c) it is reasonable to believe that, at the date of the publication of the SFCR, the company has continued so to comply, and will continue so to comply in future.

By order of the board:

Steve Murray
Group Chief Executive Officer
16 May 2023

David Rimmington
Group Finance Director
16 May 2023

A. BUSINESS AND PERFORMANCE (CONTINUED)

A.1 Business

A.1.1 Name and legal form

Chesnara plc ('Chesnara') is the ultimate parent company of the Chesnara plc group ('the group') and is a UK based life and pensions consolidator that was established in 2004. It has operations in the UK, Sweden, and the Netherlands. Chesnara is a public limited company, limited by shares, and its shares are admitted to trading on the London Stock Exchange.

A.1.2 Name and contact details of the responsible supervisory authority

The Prudential Regulation Authority ('PRA') is the group supervisor for the insurance group headed-up by Chesnara. Contact details for the PRA can be found on the following website:
www.bankofengland.co.uk/pra

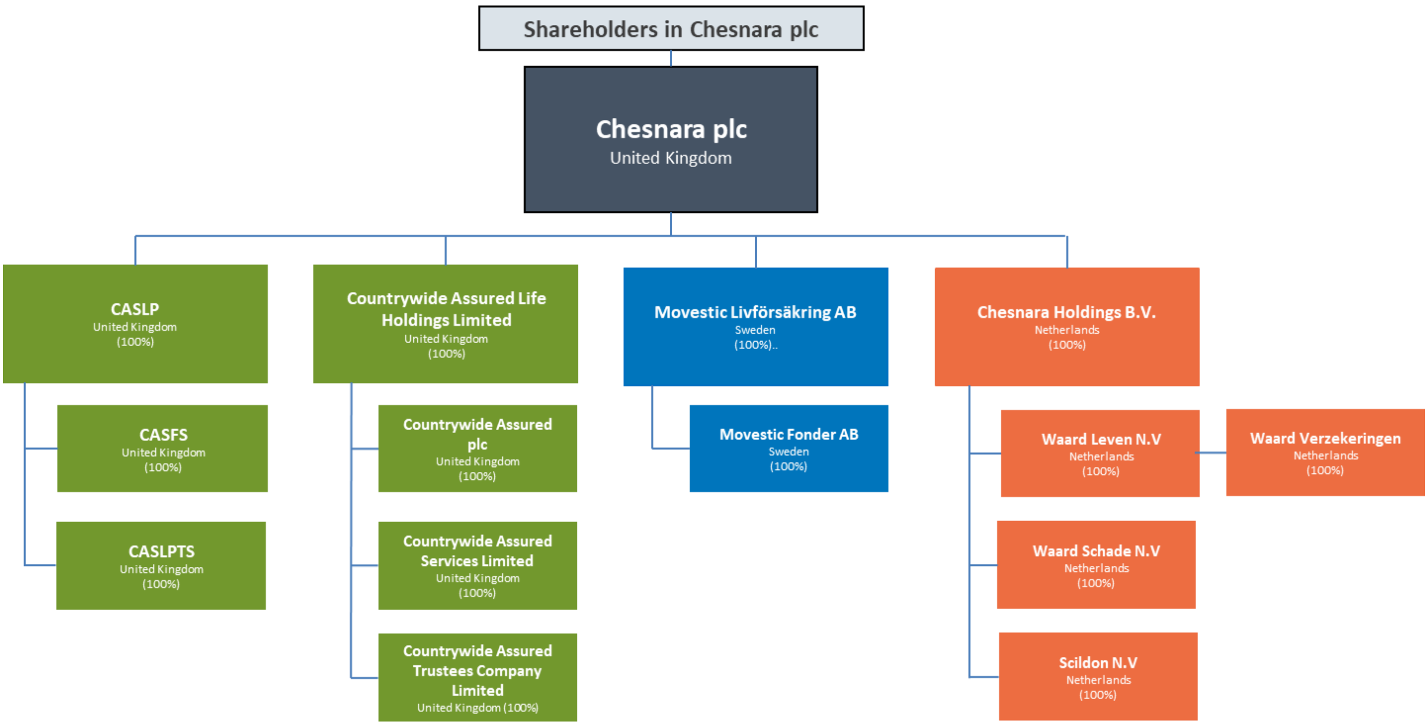
A.1.3 Name and contact details of external auditor

The group's external auditor is Deloitte LLP, Birmingham, United Kingdom, and is responsible for the audit of the group's IFRS financial statements.

In 2018, the PRA issued PS25/18 "Solvency II: External audit of the public disclosure requirement". This policy statement states that companies are no longer required to have an external audit of the SFCR should the company's financial position be below certain thresholds that are correlated to the size of the company. This extends to groups, in which every UK Solvency II firm meets the criteria for exemption under PS25/18. The UK solvency II firms in the group are Countrywide Assured plc and CASLP Limited, both of which fall below the threshold for a mandatory audit. Therefore, the group has elected not to have the group SFCR audited.

A.1.4 Shareholders and position within the group

The organisational structure of the group is shown below as at 31 December 2022.



The company is limited by shares, the majority of which are owned by private and institutional investors.

A. BUSINESS AND PERFORMANCE (CONTINUED)

A.1 Business (continued)

A.1.4 Shareholders and position within the group (continued)

Chesnara plc has 100% ownership of Countrywide Assured Life Holdings Limited, Movestic Livforsakring AB and Chesnara Holdings BV. It is the ultimate group parent company, providing governance oversight to the UK, Swedish and Dutch divisions. In April 2022, Chesnara completed the acquisition of Sanlam Life & Pensions UK (SLP), a specialist provider of insurance and long-term savings products in the UK, which subsequently changed its the legal name to CASLP Limited (CASLP).

UK business: Countrywide Assured Life Holdings Limited acts as an intermediate holding company for the UK life and pension operations. Countrywide Assured plc is the UK's closed book life and pensions operating company. Countrywide Assured Services Limited's principal activity is the provision of services to the other subsidiaries within the Countrywide Assured Life Holdings Limited group of companies. The principal activity of Countrywide Assured Trustees Company Limited is to act as trustee to the Countrywide Assured plc's group pension schemes. Sanlam Life & Pensions UK (SLP) was acquired on 28 April 2022, and subsequently changed its the legal name to CASLP. The acquisition also included two non-life companies: Sanlam Financial Services Limited (subsequently renamed CASFS); and Sanlam Life & Pensions Trustees Limited (subsequently renamed CASLPTS).

Movestic (Swedish business): Movestic Livforsakring AB is the Swedish business which is open to new business and writes life assurance and pension business. Movestic Fonder AB is an investment fund management company and subsidiary of Movestic Livforsakring. Movestic Fund Management S.A., based in Luxemborg was wound up in the year.

Chesnara Holdings B.V. acts as an intermediate holding company for the Dutch businesses.

Waard (Dutch closed-book business): Waard Leven N.V., and Waard Schade N.V. are both insurance companies that are closed to new business. Waard Verzekeringen N.V. is a service company, providing administrative services to the other businesses in the Waard group and outsourced administration services to unrelated third parties. In November 2021, Waard Group entered into an agreement with Monument Re Group to acquire Robein Leven, a specialist provider of traditional and linked savings products, mortgages and annuities in the Netherlands. The acquisiton completed on 28 April 2022. During the end of the year, Robein Leven was in the process of integrating the business with Waard Leven, which is now largely complete. On 1 Janaury 2023, the acquisition of the insurance portfolio of Conservatrix in the Netherlands completed.

Scildon (Dutch open-book business): Chesnara Holdings B.V. is also the intermediate holding company of Scildon N.V., which is open to new business and writes protection, individual savings and group pensions.

A.1.5 Material lines of business and material geographical areas where business is carried out

A.1.5.1 Management segments

The principal activity of the group consists of the acquisition, consolidation and servicing of long-term life insurance and pensions businesses. The group comprises the following business segments, which have been added to over time:

– 'UK': This segment represents the group's UK life insurance and pensions run-off portfolio. This includes both the Countrywide Assured and CASLP businesses, which consist of linked pension business; life insurance business, covering both index-linked and unit-linked; endowment products; whole life assurance; term assurance; annuity; health insurance; and some with-profits business. Some of the with-profits business includes maturity guarantees, including guaranteed minimum pensions and guaranteed minimum fund values.

– 'Movestic': This segment comprises the group's Swedish life and pensions business, Movestic Livförsäkring AB ('Movestic') and its subsidiary and associated companies, which are open to new business and which are responsible for conducting both unit-linked pensions and savings business and providing some life and health product offerings. Within the Swedish division, Movestic's subsidiary, Movestic Fonder AB (previously known Movestic Kapitalförvaltning AB), , performs investment fund management services, for which it receives related investment management fees. Movestic Fund Management S.A. was liquidated in 2022.

A.1 Business (continued)

A.1.5 Material lines of business and material geographical areas where business is carried out (continued)

A.1.5.1 Management segments (continued)

- 'Waard Group': This segment represents the group's closed-book Dutch life and general insurance business, which was acquired in 2015 and comprises the two insurance companies Waard Leven N.V. and Waard Schade N.V., and a servicing company, Waard Verzekeringen N.V. The Waard Group is closed to new business and its policy base is predominantly made up of term life policies, although also includes unit-linked policies and some non-life policies, covering risks such as occupational disability and unemployment.

- 'Scildon': this segment, which was acquired in 2017, consists of the group's Dutch open-book life and pensions company and is responsible for writing and conducting protection, savings and group pension business.

- 'Other group activities': the functions performed by the parent company, Chesnara plc, are defined under the operating segment analysis as other group activities. Also included therein are consolidation and elimination adjustments.

A.1.5.2 Significant intra group transactions

Chesnara plc undertakes centralised administration functions (predominantly for the UK business), the costs of which it charges back to its operating subsidiaries as an expense recovery at zero mark-up. During the years ended 31 December 2022 and 31 December 2021, the company recharged £4.8m and £4.8m respectively to its operating subsidiaries.

A.1.5.3 Solvency II lines of business

Although the group manages its business using the reporting segments referred to above, Solvency II introduces some pre-defined "lines of business". The table below provides some insight into the types of insurance the group has written, as classified on a Solvency II basis, and how these map across to the reporting segments used by the group to manage the business. The group contains policies classified as "Life insurance obligations" and "Non-life insurance obligations". Non-life insurance obligations are shown as "Health insurance" in the table below. All business is within the United Kingdom, Sweden and the Netherlands, as well as a small book of Norwegian policies included in the Movestic column below.

	Net technical provisions (SII measurement basis) 2022					
Line of business	**UK**	**Movestic**	**Waard Group**	**Scildon**	**Other group activities**	**Total**
Geographical area	UK	Sweden	Netherlands	Netherlands	UK	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Life insurance:						
With-profits insurance business	198,380	–	–	–	–	198,380
Index-linked and unit-linked insurance	3,761,994	3,619,321	412,606	1,407,958	42,089	9,243,968
Other life insurance	90,506	2,282	62,947	290,856	–	446,591
Total life insurance	**4,050,880**	**3,621,603**	**475,553**	**1,698,814**	**42,089**	**9,888,939**
Health insurance:						
Health insurance	104,753	25,358	1,415	–	–	131,526
Total health insurance	**104,753**	**25,358**	**1,415**	–	–	**131,526**
Total	**4,155,633**	**3,646,961**	**476,968**	**1,698,814**	**42,089**	**10,020,465**

	Net technical provisions (SII measurement basis) 2021					
Line of business	**UK**	**Movestic**	**Waard Group**	**Scildon**	**Other group activities**	**Total**
Geographical area	UK	Sweden	Netherlands	Netherlands	UK	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Life insurance:						
With-profits insurance business	251,375	–	–	–	–	251,375
Index-linked and unit-linked insurance	1,476,152	4,164,660	269,924	1,549,924	47,850	7,508,510
Other life insurance	63,610	1,348	51,302	322,819	–	439,079
Total life insurance	**1,791,137**	**4,166,008**	**321,226**	**1,872,743**	**47,850**	**8,198,964**
Health insurance:						
Health insurance	161,339	32,445	1,896	–	–	195,679
Total health insurance	**161,339**	**32,445**	**1,896**	–	–	**195,679**
Total	**1,952,475**	**4,198,453**	**323,122**	**1,872,743**	**47,850**	**8,394,643**

A.1 Business (continued)

A.1.5 Material lines of business and material geographical areas where business is carried out (continued)

A.1.5.3 Solvency II lines of business (continued)

	Net premiums earned (IFRS measurement basis)* 2022				
Line of business	**UK**	**Movestic**	**Waard Group**	**Scildon**	**Total**
Geographical area	UK	Sweden	Netherlands	Netherlands	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Life insurance					
With-profits insurance business	995	–	343	1,404	2,742
Index-linked and unit-linked insurance	78,534	850,038	24,920	122,650	1,076,142
Other life insurance	5,993	3,983	2,648	93,866	106,490
Total life insurance	**85,522**	**854,021**	**27,911**	**217,920**	**1,185,374**
Health insurance					
Health insurance	6,320	3,487	422	–	10,229
Total health insurance	**6,320**	**3,487**	**422**	**–**	**10,229**
Total	**91,842**	**857,508**	**28,333**	**217,920**	**1,195,603**

	Net premiums earned (IFRS measurement basis)* 2021				
Line of business	**UK**	**Movestic**	**Waard Group**	**Scildon**	**Total**
Geographical area	UK	Sweden	Netherlands	Netherlands	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Life insurance					
With-profits insurance business	1,078	–	386	1,681	3,145
Index-linked and unit-linked insurance	7,277	884,112	25,742	130,190	1,047,321
Other life insurance	(65,582)	4,132	3,036	78,082	19,668
Total life insurance	**(57,227)**	**888,244**	**29,164**	**209,953**	**1,070,134**
Health insurance					
Health insurance	8,274	4,290	520	–	13,084
Total health insurance	**8,274**	**4,290**	**520**	**–**	**13,084**
Total	**(48,953)**	**892,534**	**29,684**	**209,953**	**1,083,218**

** Net premiums earned as reported in the above table reflect premiums received on all policies in force during the year. This includes premiums on certain unit-linked savings and pensions policies that are categorised as "investment contracts" for IFRS reporting purposes in the group's Annual Report & Accounts. Where products are classified as "investment contracts" for IFRS reporting purposes the premiums received on such products are "deposit accounted" for, which means the premiums are not reported in the income statement. Consequently the premiums reported above do not agree to those reported in the company's 2021 IFRS financial statements.*

Underwriting performance in A.2.2 has been analysed by business segment as opposed to the Solvency II lines of business.

Product mix within the material line of business

Insurance with-profit participation: Most of the with-profits business resides in the two ring-fenced with-profits funds with the UK business – Save & Prosper Insurance WP and Save & Prosper Pensions WP. There are maturity guarantees on all of this business, including guaranteed minimum pensions and guaranteed minimum fund values. There is also some with-profits business in CA which is 100% re-insured with ReAssure Limited.

Index-linked and unit-linked insurance: Within CA, Movestic and Scildon, this line of business makes up the vast majority of life insurance managed business across the Group. Within CA, approximately two thirds of this is pensions business primarily made up of individual contracts, with some group money purchase schemes. In Movestic, unit-linked occupational pensions form the segment's core policy base. Scildon has both unit-linked and index-linked contracts, including a portfolio of group pensions contracts. . Within CASLP, there are unit-linked products, including platform business. Within Waard, there are unit-linked products in the Robein and Brand New Day portfolios, unit-linked mortgage savings products in the Argenta portfolio and a small number of index-linked and unit-linked savings products in the DSB and Hollands Welvaren portfolios.

Other life insurance: Most of this line of business exists within the CA, Movestic and Scildon segments and mainly includes a mixture of term assurance, annuity, endowment and whole life assurance contracts
CA has a reinsurance arrangement in place with Monument Re to reinsure the vast majority of its annuity liabilities, which has reduced the division's exposure to longevity risk, CASLP includes a small number of annuity and non-linked protection policies, alongside some single premium bonds, pensions and SIPPs. Waard comprises regular term life policies, mortgage savings policies and annuities.

A.1 Business (continued)

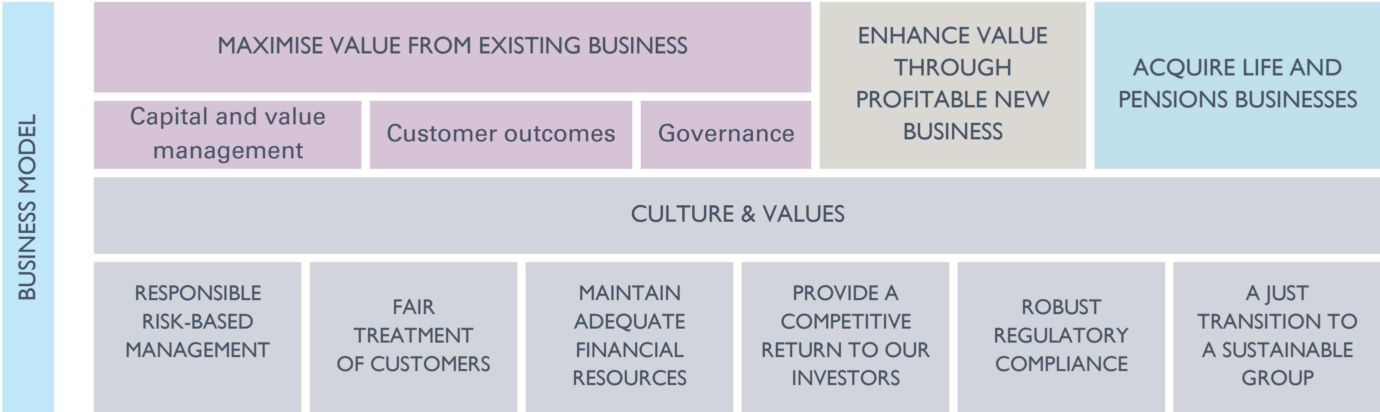
A.1.5 Material lines of business and material geographical areas where business is carried out (continued)

A.1.5.3 Solvency II lines of business (continued)

Health insurance: The vast majority of health insurance business sits in the CA and Movestic books of business and covers contracts for which the future benefits are primarily or wholly relating to health. Product types include critical illness and income protection contracts with most of these being index-linked in nature.

A.1.6 Significant business or other events that have occurred over the reporting period

The group analyses its significant business developments against its strategic objectives, culture and values. The group's strategic objectives can be summarised in the diagram below:



An update on progress against each category has been provided below.

Strategic focus

	AREA OF FOCUS	Summary for 2022
MAXIMISE VALUE FROM EXISTING BUSINESS	Capital and value management	UK – The acquisition of Sanlam Life & Pensions UK Limited (now renamed CASLP) was completed on 28 April 2022. This increased the number of policies by over 68,000 and added EcV of £54.5m to the division. – Combined UK division delivered cash generation† of £40.8m in the year, and combined foreseeable dividends of £56.0m. – As a result of the acquisition, central overheads can now be shared across a wider policy base, which has resulted in a benefit to CA Own Funds of £8.1m. – Work is progressing well on integrating CASLP into the division which includes preparing the business for moving to the division's target operating model for CASLP. The planned activity of transferring the policies of CASLP into CA is progressing in line with plans. – CA completed a transfer of £13.4m of capital out of its with-profit funds which increased solvency surplus by £7.8m. – Investment markets have influenced the results of the division over the year. Falls in equity prices and rises in yields have generally been positive to solvency but less favourable to the division's EcV. – CA solvency has increased during the period, largely driven by the aforementioned group cost sharing exercise, the with-profit capital extraction and the positive benefits from increasing yields and the fall in the equity symmetric adjustment. SWEDEN – 2022 has seen uncertainty in the Swedish and global financial markets, resulting in rising Swedish interest rates and inflation and falling equity markets. – These events were reflected in the lower returns on the policyholders' investment assets as well as Movestic's own investments. – Movestic's solvency ratio has strengthened over the year and it has proposed an expected year end 2022 dividend of £12.0m. – The division has continued to strengthen its offering and distribution within its relatively new custodian business. – Over 2022, incoming volumes have been in line with the prior year despite the financial markets' dampening effect. – Pension transfers continue to be a feature of the market through new regulations, particularly those introduced in July 2022, along with digitalisation, transparency, lower fees, and new working processes. The net transfer outflow has improved significantly due to the removal of competitors' aggressive pricing activities, coupled with the impact of Movestic's retention initiatives and the new transfer regulations. – Favourable claims development in the risk insurance segment has also been seen.

A.1 Business (continued)

A.1.6 Significant business or other events that have occurred over the reporting period (continued)

Strategic focus (continued)

	AREA OF FOCUS	Summary for 2022
MAXIMISE VALUE FROM EXISTING BUSINESS	Capital and value management	NETHERLANDS – Waard completed the acquisition of Robein Leven in April 2022 with the integration largely complete by the end of the year. Waard also entered into an agreement to acquire the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The transaction completed on 1 January 2023, adding 70,000 policies and £0.4bn of assets under management. These acquisitions further strengthen Waard's position as an acquirer of business and portfolios in the Netherlands. – Despite market pressures during 2022, both businesses continue to have strong solvency positions, inclusive of the use of the volatility adjustment: Scildon at 188% at 31 December 2022; and Waard at 591%. – Scildon launched an IT system improvement project for individual products that is expected to run until 2024 and generate cost efficiencies.

Note 1: EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group. Further information on economic value can be found in the glossary of terms.

	AREA OF FOCUS	Summary for 2022
MAXIMISE VALUE FROM EXISTING BUSINESS	Customer outcomes	UK – Following the acquisition of CASLP, its customer-facing website was developed and we have ensured customers continue to receive the same high quality standard of service. The division's process of aligning, where appropriate, CASLP's and CA's customer governance framework is progressing in line with plans. – The UK's operational resilience programme has remained a key focus. All regulatory deadlines have been met and work is now in progress on the next phase of the work, which includes identifying and remediating any weaknesses identified through the journey mapping phase of work. – Throughout the year the activity of seeking to stay in contact with customers and to reunite customers with unclaimed assets has continued, as has the activity on product reviews with remediation undertaken where required. – The FCA published their final paper on Consumer Duty in July 2022. An assessment of actions needed to meet the requirements of the paper has been undertaken for the division, with no major concerns identified and a plan is being implemented SWEDEN – A third party survey completed during 2022 demonstrated the importance of an occupational pension as the most important benefit when choosing a new employer, hence an important tool for employers to stay attractive. – A new concept 'Movestic Frihet', which includes personal advice on savings and insurance for customers approaching retirement, was launched during the year with positive response from the market. – A new partnership with Lexly was also entered into which gives Movestic customers access to online legal advisory services. – A new concept for onboarding of individuals within the direct market segment was launched during the first half of the year. – The processing of policy transfers was further digitalised during the year, both from the perspective of brokers and individual customers. – Launch of an opportunity for both existing and new individual customers to engage in new savings by subscribing to an endowment policy on the Movestic website. NETHERLANDS – Scildon's focus has been on providing flexible solutions and offerings to its clients, including sustainable options, and continuing to meet the needs of its customers during the impacts of the war in Ukraine and the cost of living crisis. – Work has continued on the Scildon pension portal and work also started to improve the existing system that services all other products providing improved functionality for customers. – Waard has provided certainty to the policyholders and staff of both Robein Leven and Conservatrix through its acquisition activity.

A. BUSINESS AND PERFORMANCE (CONTINUED)

A.1 Business (continued)

A.1.6 Significant business or other events that have occurred over the reporting period (continued)

Strategic focus (continued)

	AREA OF FOCUS	Summary for 2022
MAXIMISE VALUE FROM EXISTING BUSINESS	Governance	GROUP-WIDE – Our IFRS 17 programme is progressing well and we are on track to produce the half year 2023 figures as required. We retain our view that the transition to IFRS 17 will have minimal commercial impact on how we manage the business, the risks it is exposed to or the financial outcomes we expect. – Sustainability has remained a focus area. Efforts have been made to integrate sustainability risk in various internal processes in order to be compliant with changes in the Solvency II delegated regulation which entered into force in August 2022 and to develop the group vision and pathway to become a sustainable group. – The board executed the completion of a £200m Tier 2 debt raise in February 2022 – The foreign exchange hedge arrangement that was entered into during December 2022; UK – The integration of CASLP into the existing UK governance framework has been a focus and is largely complete. SWEDEN – Further implementation on the EU sustainability regulation (the SFDR and the EU Taxonomy) was carried out during the year, including integrating sustainability as a parameter in the advisory process. – During the year, a new Swedish NED, Marita Odélius Engström, joined the Movestic board and A&RC, with Karin Bergstein (who is a non executive director on the group board) also joining the Movestic board. NETHERLANDS – Waard has implemented a new actuarial tool during the year to strengthen its systems and controls. – Further implementation on the EU sustainability regulation (the SFDR and the EU Taxonomy) was carried out during the year. – The 2022 IFRS results were audited by the newly appointed local auditor, EY, following a tender process for both Waard and Scildon during 2021.

A.1 Business (continued)

A.1.6 Significant business or other events that have occurred over the reporting period (continued)

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	**Summary for 2022** SWEDEN – Sales volumes developed positively in 2022 and were 14% above 2021 for the unit linked segment. The custodian sales volumes were on par with the previous year despite the unfavourable financial market conditions. Sales volumes in early 2023 also appear positive. – The division delivered commercial new business profit of £3.4m (2021: £4.2m). The prior year included higher pension increments profit, largely due to salary and bonus processes being postponed in 2020 to 2021, which is not the case in 2022. – Movestic will continue to develop its offering to increase competitiveness and build customer loyalty. A special focus was also put on new volumes that became available on the Swedish transfer market from the second half of 2022. – The intense competition in the unit-linked market continues, resulting in Movestic's market share of new business currently being below the long-term target. Movestic saw some positive sales development in the broker channel during the year. In the custodian market, Movestic is well within the target range for custodian market share, achieving 9.5% on a rolling 12 month basis. NETHERLANDS – Despite significant market turmoil over the course of 2022, Scildon continues to generate commercial new business profits, with £6.1m earned in the year (2021: £5.2m). The overall volume of business increased by c3% versus 2021 against a term market that materially shrank during the year. – Underpinning this, Scildon APE and policy count continue to increase, now with more than 230,000 policies. The market share for the Scildon term lifestyle product is 18.2% (YTD to December 2022). – Scildon was awarded a 5 star rating for its lifestyle product by independent trade body, Moneyview.
ACQUIRE LIFE AND PENSIONS BUSINESS	**Summary for 2022** In July 2022, Chesnara announced the acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The transaction completed on 1 January 2023. The insurance portfolio has increased Waard's number of policies under administration by over 60%, transforming Waard into a second material closed-book consolidation business alongside Chesnara's existing UK platform. This is the seventh transaction undertaken in the Dutch market. Conservatrix's savings, annuity and funeral plan products are well aligned with Chesnara's existing life and pension liability mix in the Netherlands, and adds approximately 70,000 additional policies and £0.4bn of assets to the group. A capital contribution of £35m was provided by the group (£21.5m from the parent and the remaining £13.5m funded by Waard) to support the solvency position of the Conservatrix business and Conservatrix customers will benefit from becoming part of a well capitalised group, after a significant period of uncertainty. Future cash generation from the acquisition under steady state conditions is expected to be c£4 million per annum, supporting Chesnara's progressive dividend strategy. Waard will become a material contributor to the group's dividends, with expected total annual cash generation of £8 million. The Conservatrix transaction is expected to increase the group's EcV by c£21m on a pro-forma basis and provides further EcV accretion potential from future real world investment returns and the run-off of the risk margin. In addition, we also completed two transactions during April 2022 that were originally announced in 2021: Robein Leven in the Netherlands (announced in November 2021) and CASLP in the UK (announced in September 2021). These acquisitions added £21.4m day 1 EcV and are expected to add c£6m of steady state cash generation. Total group capital deployed in the three acquisitions of CASLP, Robein Leven and Conservatrix totalled over £110m, of which £85m was funded from holding company cash reserves. Including Conservatrix, this is expected to add c£42m of EcV to the group and c£10m of steady state cash generation.

A. BUSINESS AND PERFORMANCE (CONTINUED)

A.1 Business (continued)

A.1.6 Significant business or other events that have occurred over the reporting period (continued)

Culture and values

	AREA OF FOCUS	Summary for 2022
CULTURE & VALUES	Fair treatment of customers	– Across the group we have continued to focus on delivering good outcomes to our customers, recognising Consumer Duty requirements for UK customers. Divisional highlights include: – **UK** - Completed the acquisition of Sanlam Life & Pensions UK Limited (subsequently renamed to CASLP) and focused on continuing to deliver a high level of service to our customers. The division has continued work on ensuring it continues to meet the high standards expected by its regulators. This has included focusing on delivering its ongoing operational resilience programme as well as performing an initial assessment of the actions that are required to meet the new Consumer Duty rules which were finalised during the year. This included board sign-off of proposed plans to comply with the new rules. The division has also continued with its activity of seeking to stay in contact with customers and to reunite customers with unclaimed assets. The UK's administrative outsource service partners are held to stringent service level requirements. – **Sweden** - Continued with its digitalisation journey, having introduced a new pension policy transfer process during the year. The division has also focused on other ways it can support its customers. This has included introducing an advice service for those customers approaching retirement as well as introducing a new service which gives customers access to online legal advisory services. – **Netherlands** - Focused on continuing to provide flexible solutions to its customers, mindful of the impact of the cost of living crisis. For Waard's new acquisitions, a key focus has been on ensuring that customers continue to receive a continued high standard of service throughout the change in ownership process and new staff are successfully onboarded. – Where complaints do arise, we continue to manage them in accordance with the appropriate regulatory practice. – We closely monitor any regulatory developments to ensure we continue to treat our customers fairly in accordance with any changing regulatory requirements.
	Responsible risk-based management	– The ORSA process has been fully utilised in the context of providing risk oversight over the course of the year. – Delivered our continuous improvement regime regarding how we manage risk across the group, supported by our annual systems of governance review.
	Competitive return to shareholders	– Continued our track record of increasing our dividend for the last 18 years, even during turbulent investment market conditions. – Maintained a robust solvency position in all divisions and at group level which supports the continued dividend growth and provides substantial headroom for future acquisitions. – Completed two value adding acquisitions during the year, Robein Leven in the Netherlands and Sanlam Life & Pensions UK in the UK. – Announced the acquisition of the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering 'Conservatrix' N.V., which completed on 1 January 2023.
	Robust regulatory compliance	– Maintenance of robust levels of solvency throughout the group and all divisions throughout the year. – Continued to place a high priority on compliance and maintaining an open dialogue with our regulators. – Progressed our environmental, social and governance (ESG) strategy during the year, including establishing the Group Sustainability Committee which is responsible for overseeing climate-related risks and opportunities of the group. – Progressed the group's IFRS 17 project, broadly in line with plan, with an expectation that we will comply with reporting requirements in 2023.
	Maintain adequate financial resources	– The group has maintained adequate financial resources over the year and had a post-dividend solvency ratio of 197% at 31 December 2022. This remains well above the board's usual operating range of 140% to 160%. – Further information on the solvency position of the group at 31 December 2022 can be found in Section E "Capital management".

A.2 Underwriting performance

A.2.1 Introduction

Sections A.2, A.3 and A.4 of this report require qualitative and quantitative information to be provided on various different aspects of the performance of the group. Whilst this report in general provides information that is based on valuation rules required by the Solvency II reporting regime, sections A.2, A.3 and A.4 are required to be reported in accordance with the measurement basis as shown in the group's financial statements, which in Chesnara plc group's case, is IFRS. The disclosure rules of Solvency II require this information to be analysed by material line of business, as defined by the Solvency II rules. However, as the group is managed by business segment, rather than individual business lines, the underwriting performance has been presented in a format which is consistent with that disclosed within the group's financial statements.

A.2.2 Underwriting performance

The group has interpreted underwriting performance as being the IFRS profit before tax, as reported in the group's financial statements.

The table below summarises the underwriting performance of the Chesnara plc group by material business segment, in line with the presentation disclosed in the annual financial statements. Business was written in the United Kingdom, Sweden and the Netherlands.

	Underwriting performance 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Premiums earned	91,842	857,508	28,333	217,920	–	1,195,603
Claims incurred	(203,134)	(458,475)	(52,811)	(184,281)	–	(898,701)
Changes in other technical provisions	395,151	478,591	23,327	143,288	–	1,040,357
Expenses incurred	(44,249)	(42,452)	(4,076)	(27,717)	(14,231)	(132,725)
Other expenses	–	–	–	1	(9,497)	(9,496)
Investment performance (section A.3 for detail)	(297,659)	(876,845)	(6,598)	(302,327)	(3,585)	(1,487,014)
Other operating income	18,431	28,077	1,695	–	–	48,203
Fee & commission income	27,928	15,927	133	49,392	–	93,380
Profit/(loss) arising on business combinations and portfolio acquisitions	–	–	–	–	15,361	15,361
Consolidation adjustments	–	–	–	–	(11,868)	(11,868)
Underwriting performance (IFRS loss before tax)	**(11,690)**	**2,331**	**(9,997)**	**(103,724)**	**(23,820)**	**(146,900)**

	Underwriting performance 2021					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Premiums earned	(48,953)	892,534	29,684	209,953	–	1,083,218
Claims incurred	(228,931)	(612,128)	(66,676)	(201,084)	–	(1,108,819)
Changes in other technical provisions	114,421	(1,094,931)	30,208	(203,346)	–	(1,153,648)
Expenses incurred	(16,405)	(42,725)	(5,567)	(25,281)	(11,551)	(101,529)
Other expenses	6	(2,980)	467	9,571	(1,092)	5,972
Investment performance (section A.3 for detail)	179,662	821,381	11,929	160,006	11	1,172,989
Other operating income	13,681	32,887	–	–	–	46,568
Fee & commission income	22,139	18,029	75	49,730	–	89,973
Loss arising on business combinations and portfolio acquisitions	–	–	–	–	(93)	(93)
Consolidation adjustments	–	–	–	–	(5,819)	(5,819)
Underwriting performance (IFRS profit before tax)	**35,620**	**12,067**	**120**	**(451)**	**(18,544)**	**28,812**

Premiums earned: This represents the sum of gross premiums during the year reduced by the amount ceded to reinsurance undertakings. Deposit accounting has not been performed.

Claims incurred: This is the sum of the claims paid and the change in the provision for claims outstanding during the financial year, net of reinsurance.

Changes in other technical provisions: This represents the changes in provisions, net of reinsurance, for policyholder liabilities. These have been calculated using actuarial methods.

Expenses incurred: This represents all technical expenses incurred by the group during the year, on an accruals basis.

A.2 Underwriting performance (continued)

A.2.2 Underwriting performance (continued)

Other expense: Other technical expenses including amounts payable under profit sharing arrangements.

Investment performance: Further detail on investment performance can be found in section A.3 of this report. Investment performance includes a combination of interest / dividend income on assets held and realised and unrealised gains and losses.

Other operating income: This line item mainly consists of other investment related income (i.e. investment management fee rebate).

Fee and commission income: This represents policy-based fees, fund management-based fees and benefit-based fees.

Profit/(loss) arising on business combinations and portfolio acquisitions: The 2022 balance represents a profit arising on the completion of two transactions, which were announced in 2021: Robein Leven in the Netherlands and CASLP in the UK.

Consolidation adjustments: This represents the parent company transactions and also includes consolidation and elimination adjustments.

A.2.3 Overall results commentary

The group has reported a pre-tax loss of £146.9m (2021: pre-tax profit £28.8m). The loss in the year is dominated by the Scildon result, which reported a pre-tax loss of £103.7m. This has arisen as a result of an accounting mismatch between assets and liabilities, with yield increases in the year being the key factor causing this. The loss on economic activities was £151.8m for the year, with all adversely impacted by factors such as rising yields, coupled with falling equity markets. The result includes profit on acquisitions of £15.4m, comprising gains arising on the CASLP and Robein Leven deals in the UK and Netherlands. Total comprehensive income includes a positive movement in tax liability (owing to the operating losses) and a small foreign exchange gain on translation of the Dutch and Swedish divisional results.

UK

Reported a loss for the year driven by adverse economic returns; namely falling equity markets, rising interest rates and the impact of rising inflation, in contrast with the prior year which saw economic profits. A positive operating result was reported in the year, driven by favourable operating assumption change impacts and experience gains. The UK segment result includes the post-acquisition results of CASLP.

Sweden

The division has reported a small IFRS profit, although this is significantly down on the prior year. This is largely driven by economic factors, which has resulted in lower fund rebates arising from lower Funds Under Management and adverse investment returns on shareholder assets.

Netherlands

The Waard Group's results reflect the impact of investment market movements in the year, particularly the adverse value impact on bond holdings as a result of interest rate rises in the year. The division's results include the post-acquisition performance of Robein Leven, which was acquired during the year. The division also completed the acquisition of another small policy portfolio in the year.

Scildon's result is dominated by the impact of increases in yields over the year. In addition the division has reported some strain arising from higher than expected mortality over the year.

Other group activities

The Chesnara result largely represents holding company expenses and debt financing costs. The current year loss is higher than last year, largely due to additional interest costs on the new Tier 2 debt which was issued in February 2022. The result also includes some investment losses as a consequence of adverse market movements on directly held investments.

Consolidation adjustments relate to items such as the amortisation and impairment of intangible assets. The increase in the year is predominantly due to the extra charge arising from the AVIF asset recognised in relation to the acquisition of CASLP.

A.3 Investment performance

A.3.1 Investment performance

The investment performance of the group can be summarised in the below tables:

	Investment performance 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Dividend income	24,688	–	1,134	11,653	–	37,475
Interest income	13,699	–	7,794	10,567	538	32,598
Rental income from investment properties	4,453	–	305	13	–	4,771
Net fair value gains and losses:						
Equity securities designated as at fair value through income on initial recognition	(234,712)	(871,205)	(5,654)	(207,181)	–	(1,318,752)
Debt securities designated as at fair value through income on initial recognition	(98,282)	(5,842)	(10,177)	(117,441)	–	(231,742)
Derivative financial instruments	–	202	–	–	(4,123)	(3,921)
Investment properties	(7,505)	–	–	62	–	(7,443)
Total	**(297,659)**	**(876,845)**	**(6,598)**	**(302,327)**	**(3,585)**	**(1,487,014)**

	Investment performance 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Dividend income	2,822	–	290	9,213	–	12,325
Interest income	8,502	–	10,850	13,888	11	33,251
Net fair value gains and losses:						
Equity securities designated as at fair value through income on initial recognition	155,784	820,665	2,579	166,251	–	1,145,279
Debt securities designated as at fair value through income on initial recognition	12,554	111	(1,790)	(29,367)	–	(18,492)
Derivative financial instruments	–	605	–		–	605
Investment properties	–	–	–	21	–	21
Total	**179,662**	**821,381**	**11,929**	**160,006**	**11**	**1,172,989**

Some of the key movements in the investment market conditions of our divisions during the year are as follows:

- FTSE All World index decreased by 20% (year ended 31 December 2021: increased by 17%);
- Swedish OMX all share index decreased by 25% (year ended 31 December 2021: increased by 35%);
- The Netherlands AEX all share index decreased by 14% (year ended 31 December 2021: increased by 21%); and
- 10-year UK gilt yields have increased to 3.82% from 0.98%.

A.3.2 Investment in securitisation

The UK division has immaterial exposures to securitised assets in certain collective investment schemes. As at 31 December 2022, £3.5m (31 December 2021: £5.5m) was invested in securitised assets.

A.4 Performance of other activities

The group's only activity is that of life insurance, health insurance pension business. There are no other activities that take place in the group.

A.5 Any other information

There is no other information required to be disclosed regarding the performance of the business.

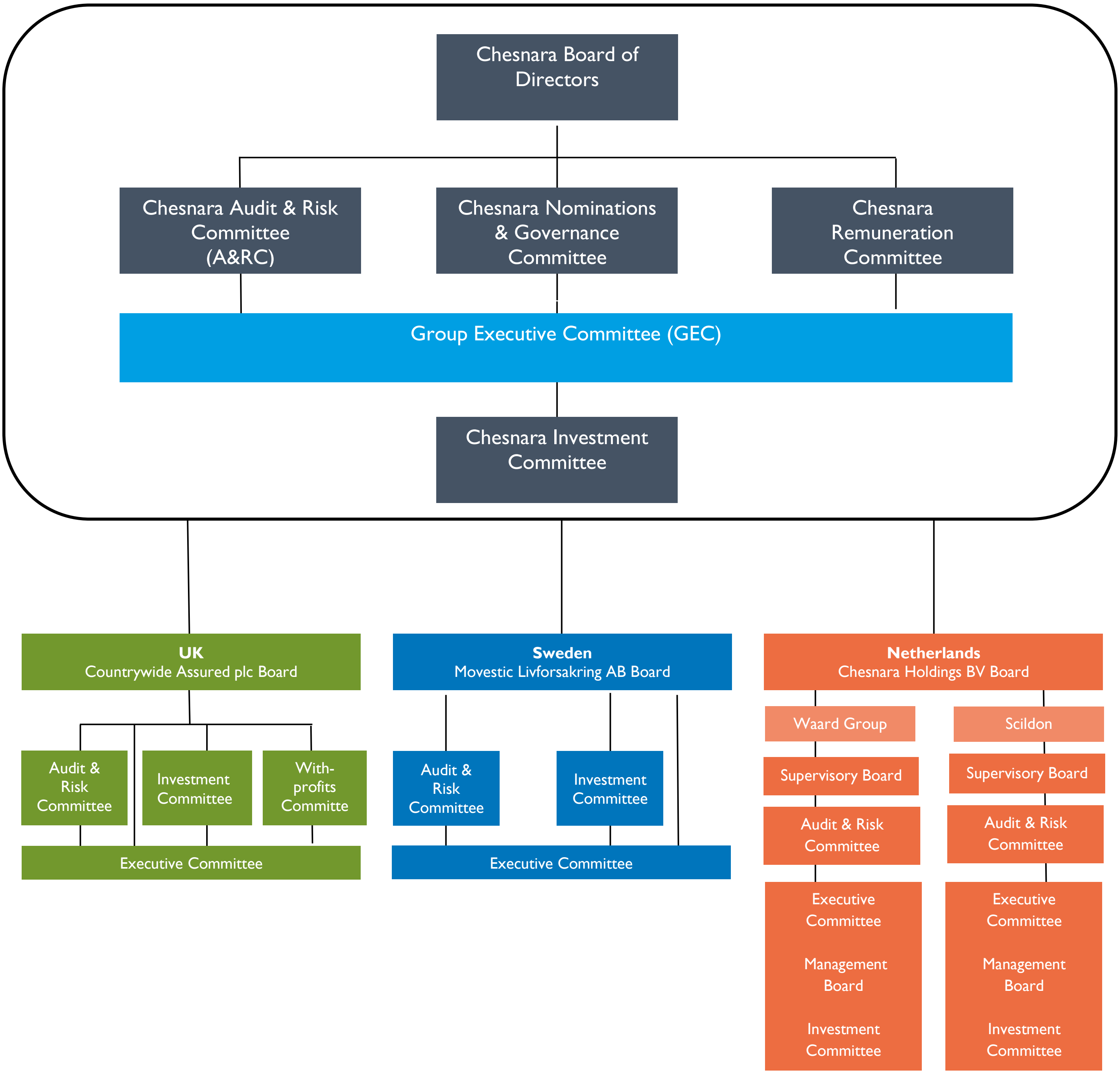
B.1 General information on the system of governance

B.1.1 Governance structure

Overview

The overarching structure for Chesnara's systems of governance consists of the board, board committees and executive committees. Chesnara maintains a group governance map which documents the detailed implementation of the system of governance. This includes the terms of reference of committees and detailed roles and responsibilities of key functions.

The group governance structure is summarised in the diagram below:



Notes:

- In the UK there is currently a separate CASLP Board. It is proposed to transfer this using a Part VII by then end of 2023.
- Each divisional Board of Directors has a reporting line to the Chesnara Board of Directors and each divisional Audit & Risk Committee has a reporting line to the Chesnara Audit & Risk Committee.

B.1 General information on the system of governance (continued)

B.1.1 Governance structure (continued)

Chesnara board responsibilities

The board of directors, comprising both executive and non-executive directors, is collectively responsible for promoting the success of the group by directing and supervising the group's affairs. Its role is to provide entrepreneurial leadership of the group within a framework of prudent and effective controls which enable risks to be determined, assessed and managed. It sets the group's strategic aims, ensures that the necessary financial and human resources are in place for the group to meet its objectives and creates the structure against which to review management performance. It also sets the group's values and standards and ensures that its obligations to its customers, shareholders and other stakeholders are understood and met.

Sub-committees

The Chesnara board operates the following board committees:

- **Chesnara Audit & Risk Committee:** The responsibilities of the committee include but are not limited to:
  - monitoring the integrity of the financial statements of the group, including the Annual Report and Accounts;
  - reviewing the adequacy and effectiveness of the group's internal control and risk management systems, including the identification of Principal Risks;
  - monitoring risk exposures across the group, including emerging risks and the financial risks to the group from climate change, advising the Board around matters where such exposures do not appear to accord with the group's risk appetite statement;
  - monitoring the use of capital;
  - reviewing and challenging risk information and the treatment of risks;
  - challenging the quarterly risk reports produced by the Group Chief Risk Officer and similar reports produced by him/her in connection with a proposed acquisition or disposal;
  - advising the Group Board on proposed changes to the group's risk appetite statement where this is deemed appropriate, taking account of the current and prospective macroeconomic and financial environment;
  - review and recommend to the Board the disclosures to be included in the Annual Report in relation to internal control, risk management and the viability statement;
  - reviewing risk management responsibilities across the group;
  - making recommendations to the Board about approving the remuneration and terms of engagement of, and monitoring and reviewing the independence and effectiveness of, the External Auditors;
  - in respect of a major proposed acquisition or disposal, oversee a due diligence appraisal of the proposition prior to the Board taking a decision to proceed with a view to ensuring that the Board is aware of all material risks associated with the proposal; and
  - to hold independent sessions with each of the external auditor, the Group Chief Risk Officer, the Group Chief Actuary and Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the risk work carried out. In addition, the Group Chief Risk Officer and Group Chief Actuary shall be given the right of direct access to the Chair of the Board and to the Committee.
- **Chesnara Remuneration Committee:** The responsibilities of the committee include but are not limited to:
  - implementing the Chesnara remuneration policy;
  - determining targets for performance related incentive schemes (as relevant);
  - determining the policy for and scope of pension arrangements and other benefits;
  - approving service agreements and any termination payments made under them;
  - setting remuneration principles for the group; and
  - reviewing and approving the Countrywide Assured and CASLP remuneration policy.
- **Chesnara Nominations and Governance Committee:** The role of the Nominations and Governance Committee is to ensure appointments are appropriate and that board members and executive committee members are 'fit and proper'. Its responsibilities include:
  - ensuring that there is a formal, transparent and rigorous procedure for appointments to the board;
  - evaluating the skills, knowledge and experience of the board;
  - ensuring the board's composition and balance are appropriate for the group's governance arrangements; and
  - giving full consideration to succession planning for directors and senior executives.

Chesnara also operates the following non-board committees:

- **Group Executive Committee (GEC):** This is the principal body to assist the Group CEO to carry out those responsibilities assigned by the board. Responsibilities include:
  - recommending strategy and objectives for the group in the development of its business within the principles determined by the Board, having regard to the interests of customers;
  - agreeing guidelines for divisions and business units based on approved group strategy;
  - reviewing group budgets and the 3-year plan prior to submission to the Board;
  - developing and reviewing Division and Business Unit objectives, plans and budgets;

B. SYSTEM OF GOVERNANCE (CONTINUED)

B.1 General information on the system of governance (continued)

B.1.1 Governance structure (continued)

- **Group Executive Committee (GEC) (continued)**
  - contributing to succession plans for senior roles as well as identifying and addressing key organisational skill gaps;
  - development, oversight, planning and delivery of capital management strategy across the group;
  - reviewing business performance against agreed group targets and ensuring this is supported by appropriate management information. In particular, and as part of this, a sub-group of Group CEO, Group FD and Group CRO will hold Quarterly Business Reviews for each Division and Business Unit;
  - ensuring the control, co-ordination and monitoring within the group of capital, risk and internal controls;
  - ensuring the ongoing adoption and appropriateness of the Group Risk Management Framework (GRMF) and Group Policies within it, including their annual review;
  - ensuring appropriate levels of authority are delegated to senior management throughout the group;
  - reviewing the governance structures across divisions;
  - safeguarding the integrity of management information and financial reporting systems;
  - propose to the Board the group Risk Appetite and monitor compliance with that appetite;
  - examining investments, divestments and major capital expenditure proposals and the recommendation to the Board of those which in a group context are material either by nature or by cost;
  - monitoring the on-going capital and liquidity position of the group;
  - sign-off of the quarterly risk report; and
  - any other matter the GCEO nominates.

- **Group Investment Committee:** This is responsible for:
  - Oversight of the application of investment related strategic matters throughout the group;
  - investment management for Chesnara plc or group holding companies; and
  - high-level oversight of investment strategy used by authorised subsidiaries within the three divisions.

  And also reviewing and ensuring that the group is:
  - setting investment strategy that is appropriate for shareholder needs and Chesnara's risk appetite;
  - overseeing implementation and performance of the shareholder funds; and
  - ensuring that Chesnara's shareholder investment governance framework is effective.

Chesnara group divisional or business unit boards and committees:

- **Divisional and business unit boards:** Responsible for promoting the success of the relevant business by directing and supervising its affairs and providing leadership within a framework of prudent and effective controls which take account of the group's governance requirements as set out in the group governance and responsibilities map as well as local regulations and good practice guidance.

- **Divisional and business unit executive committees:** Support the relevant Chief Executives and act in an advisory capacity to assist that Chief Executive in developing the vision, strategy and business plans for the business and to oversee the day-to-day management of it and any subsidiaries it may have. The relevant Chief Executive acts as chair of the committee, which consists of relevant senior managers within the business. The committees report into the division or business unit board.

- **Business Unit Audit & Risk Committees:** Responsible for reviewing the definition and application of group and division internal control and risk management requirements, including the GRMF, reviewing and challenging risk information and treatment within the division and reviewing risk management responsibilities across the division. The committees report into the divisional board but have a dotted reporting line into the Chesnara A&RC.

- **Business Unit Investment Committees:** Responsible for the review of investment strategy and policy across a division, and monitoring and challenging investment performance. The committees report into the divisional boards.

- **UK division With-profits Committee:** Responsible for ensuring that the interests of with-profits policyholders are appropriately considered within governance arrangements and to consider issues affecting with-profits policyholders as a whole or as separately identifiable groups of policyholders. The committee reports into the CA board.

B.1 General information on the system of governance (continued)

B.1.1 Governance structure (continued)

Senior management responsibilities

The role and responsibilities of the key Chesnara group members are summarised below:

- **Chair of the Chesnara board:** Responsible for:
  - chairing Board and general meetings;
  - leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agendas and reviewing its responsibilities;
  - upholding the highest standards of integrity, probity and corporate governance;
  - ensuring that there is appropriate delegation of authority from the Board to the Group CEO;
  - ensuring the provision of accurate, timely and clear information to Board Directors sufficient to enable the Board to make sound decisions, monitor effectively and provide advice to promote the success of the group;
  - providing counsel and challenge to the Group CEO;
  - arranging the regular evaluation of the performance of the Board, its Committees and individual Board Directors;
  - facilitating the effective contribution of NEDs and ensuring constructive relations between Chesnara Executive Directors and NEDs;
  - maintaining open dialogue with shareholders and ensuring that shareholder views are shared with the Board;
  - ensuring that a properly constituted and comprehensive induction programme is available for new Directors; and
  - initiating an independent review of the effectiveness of the Board on a periodic basis.

- **Chesnara board of directors:** Responsible for:
  - providing leadership of the group within a framework of prudent and effective controls which enable risk to be assessed and managed;
  - setting the group's strategic aims, ensure that the necessary financial and human resources are in place for the group to meet its objectives, and review management performance; and
  - setting the group's values and standards and ensuring that its obligations to its members and others are understood and met.

- **Chesnara non-executive directors (NEDs):** NEDs bring "dispassionate objectivity" and in addition to the responsibilities of the board directors they are required to:
  - constructively challenge and contribute to the development of strategy;
  - scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance; and
  - satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

- **Chesnara Senior Independent Director:** As well as performing the role of a NED, the Senior Independent Director is required to:
  - act as 'deputy' to the Chair of the board as and when required;
  - meet with the other NEDs, without the Chair being present at least once a year to appraise the Chair's performance and on such other occasions as are deemed appropriate;
  - be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chair or Chesnara executive directors;
  - act on the results of any performance evaluation of the Chair;
  - maintain sufficient contact with major shareholders, when requested, to understand their issues and concerns thereby assisting the board to develop a balanced understanding;
  - attend the Chesnara's AGM and be available for discussion with shareholders;
  - act as a sounding board for the Chair; and
  - act as a focal point through whom the NEDs, individually or collectively, may express any concerns.

- **Designated workforce NED:** Provides a focal point for the Board to perform its collective activity in engaging with the UK workforce, excluding those employed by the OSPs. The role is primarily to help ensure that the views and concerns of the UK workforce are brought the Board and taken into account during the exercise of its duties, with a secondary focus on the non-UK workforce through discussions with HR/Executives in overseas operations. Responsible for:
  - being visible and accessible to the UK workforce;
  - understanding the views and concerns of the UK workforce;
  - being aware of views and concerns arising in the non-UK workforce where these are not specific to the territory concerned;
  - articulating workforce views and concerns in board meetings;
  - ensuring the Board, and in particular the executive directors, take appropriate steps to evaluate the impact proposals and developments on the workforce consider what steps should be taken to mitigate any adverse impact;
  - feeding back to the UK workforce on Board actions and plans if required/appropriate; and
  - giving consideration to the workforce concerns of both Chesnara and a potential target with regard to the group's acquisition activities.

B.1 General information on the system of governance (continued)

B.1.1 Governance structure (continued)

- **Group Chief Executive Officer (Group CEO):** The board has delegated to the Group CEO the management of the group, apart from those matters reserved to the board. The Group CEO reports directly to the board and is a member of the board as well as the GEC and Investment Committee. The Group CEO's main responsibilities are: business strategy and management; investment and financing; risk management and controls; and ensuring effective communication with employees, regulators, financial institutions, investors, government bodies, industry bodies, third-party advisors and the media.

- **Group Finance Director (Group FD):** The Group FD oversees all financial aspects of group strategy and financial management and ensures the flow of financial information to the Group CEO, the GEC, the board and, where necessary, external parties such as investors or financial institutions. The Group FD is a member of the board and GEC.

- **Group Chief Risk Officer (Group CRO):** The Group CRO operates with independence within the group's businesses and oversees group-wide risk management processes and systems of reporting to the group's governance committees, in particular the Chesnara A&RC, on the group's risk exposures relative to its risk appetite and tolerance, and the extent to which the risks inherent in any proposed business strategy and plans are consistent with the board's risk appetite and tolerance. The group CRO attends the Chesnara board and Chesnara A&RC and is a member of the GEC and Investment Committee.

- **Group Chief Actuary:** The Group Chief Actuary oversees all actuarial aspects of group strategy and financial management, including providing relevant information to the Group CEO, the GEC and the board. The Group Chief Actuary attends meetings of the Chesnara board and A&RC by invitation and is a member of the GEC and Investment Committee.

- **Head of Strategic Development and Investor Relations**: The Head of Strategic Development and Investor Relations is responsible for driving forward Chesnara's wider strategic development. This includes delivery of future acquisitions as well as supporting investor engagement and is a member of the GEC.

- **Head of Corporate Development**: The Head of Corporate Development oversees all aspects of the group's inorganic growth strategy and capital management strategy and is a member of the GEC.

- **Group Company Secretary:** Is a member of the GEC and is responsible for:
  - ensuring the smooth running of the activities of the board and board committees, advising on board procedures and ensuring the board follows them;
  - keeping under close review all legislative, regulatory and corporate governance developments that might affect the group's operations and ensuring the board and its committees are fully briefed on these and that it has regard to them when taking decisions;
  - ensuring, where applicable, that all required standards and/or disclosures are observed and, where required, reflected in the Annual Report & Accounts;
  - inducting new board directors into the business, their roles and their responsibilities;
  - making arrangements for, and managing the whole process of, the Annual General Meeting and establishing, with the board's agreement, the items to be considered at the Annual General Meeting;
  - actioning all regulatory announcements as required; and
  - ensuring the website content is accurate, complete and compliant with all internal and external requirements.

- **Group General Counsel and Company Secretary:** Is a member of the GEC and is responsible for:
  - providing strategic legal advice supporting the CEO, Boards and Executive Team;
  - advising the Boards and the Executive on the regulatory, commercial and legal risks to enhance decision making and delivery;
  - developing and managing relationships with brokers, insurers and external law firms;
  - providing the necessary support and legal input on all transactions and contractual negotiations, responsible for protecting the interests of the company and ensuring proper due diligence is undertaken.
  - responsible for the applicable Group/UK company policies providing strategic support to the Chief Executive and the Executive Committee in matters relating to governance and legal compliance, ensuring policies and processes in this area are fit for purpose.
  - ensuring effective and best practice governance processes for the Boards and their Committees and the efficient administration of the Executive meetings or similar bodies as appropriate.
  - ensuring, where applicable, that all required standards and/or disclosures are observed and, where required, reflected in the Annual Report & Accounts;
  - inducting new board directors into the business, their roles and their responsibilities;
  - making arrangements for, and managing the process of, the Annual General Meeting and establishing, with the board's agreement, the items to be considered at the Annual General Meeting; and
  - actioning all regulatory announcements as required.

B.1 General information on the system of governance (continued)

B.1.1 Governance structure (continued)

- **Chair of the Audit & Risk Committee:** The committee chair reports formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and also formally reports to the board on how it has discharged its responsibilities. This report includes: the significant issues that it has considered in relation to the financial statements and how these were addressed; the assessment of the effectiveness of the external audit process and its recommendations on the appointment or re-appointment of the external auditor; and any other issues on which the board has requested the opinion of the committee.

- **Chair of the Remuneration Committee:** The committee chair reports formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and also formally reports to the board on how it has discharged its responsibilities. This report includes: the determination of the remuneration of the board Chair, Chesnara executive directors and the Group CEO's direct reports; the ongoing appropriateness and relevance of the Chesnara remuneration policy; the design of, and targets for, any performance related pay schemes operated within the group and the total annual payments made under such schemes; and any other issues on which the board has requested the opinion of the committee.

- **Chair of the Nominations & Governance Committee:** The committee chair reports formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and also formally reports to the board on how it has discharged its responsibilities. This report includes: its consideration of the structure, size and composition of the board, its committees, the directors and senior executives; diversity, including the skill mix, regional and industry experience, background and gender of directors; succession planning for directors and senior executives; governance practices and procedures, to ensure they remain appropriate and reflect best practices and principles; identifying and nominating candidates to fill relevant vacancies as and when they arise; recommendations to the board regarding the re-appointment of any NED at the conclusion of their specified term of office, the annual re-election by shareholders of any board director under the retirement by rotation provisions in Chesnara's Articles of Association and any matters relating to the continuation in office of any board director and the appointment of any board director to executive or other office other than to the positions of Chair and Group CEO.

- **Management of subsidiary companies:** The group conducts its core business activities through a number of Subsidiary legal entities, organised into separate divisions. The Board of each division will be comprised of an appropriate number and mix of executives and NEDs relevant to the business activities transacted. In addition, responsibility for apportionment of significant responsibilities amongst the division's directors and senior management, and overseeing the establishment and maintenance of systems and controls, will be allocated to an appropriate individual.

B.1.2 Material changes in the systems of governance

There have been no significant changes in the group's overall system of governance during the year although the group continues to invest time and resources into ensuring that the governance structures in place remain fit for purpose for the evolving landscape in which the group operates.

B.1.3 Information on the remuneration policy

B.1.3.1 Group remuneration principles

The group's principles on remuneration, which underpin the remuneration policies across the group, have been summarised below. The principles have been developed with recognition that remuneration policies and schemes are essential to attract, motivate and retain high calibre resource with the required skills and experience needed for their role and to contribute to the success of the group. The group's principles have also been designed recognising that the approach to remuneration needs to promote sound, prudent and effective management of its business.

Group remuneration principles:

- Remuneration will be aligned to the business and risk management strategy and take account of the long-term interests of the business;
- Remuneration policies and schemes will take into account all roles that involve significant influence and/or risk taking;
- Remuneration schemes will consider an appropriate balance between fixed, variable and deferred remuneration to promote good risk behaviours and avoid conflicts of interest;
- Governance and oversight will be provided by a Remuneration Committee or such similar body/individual as designated by the appropriate board;
- Remuneration policy will be adequately disclosed to all relevant stakeholders; and
- Remuneration policy will comply with the Solvency II Directive, including the local regulator's interpretation of Solvency II.

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.2 Chesnara directors' remuneration policy

The directors' remuneration policy has been summarised on the following pages. It was developed having full regard to the group's remuneration principles and also the remuneration requirements imposed on the company as a result of being listed on the London Stock Exchange. The summaries on the subsequent pages reflects the policy that was included in the group's annual report and accounts for the year ended 31 December 2022. Section B.1.3.3 has been used to summarise how the remuneration policies applying to other staff members across the group differ to this policy.

Executive director remuneration policy

Purpose and link to strategy	Operation	Performance measures and maximum
Base salary (fixed component of pay)		
To recruit and retain individuals with the skills and experience needed for a given role in which they will contribute to the success of the group.	In setting basic salaries for new executive roles, or reviewing the salaries for existing roles, the Committee will take into account, as it considers appropriate, some or all of the following factors: – assessment of the responsibilities of the role; – the experience and skills of the jobholder on their commencement and their development in it at the review point; – the group's salary budgets and results; – the jobholder's performance; – with the use of periodic benchmarking exercises, the external market rates for roles of a similar size and accountability; – inflation and salaries across the company; and – the balance between fixed and variable pay to help ensure good risk management disciplines. Where a new appointment is made, pay may be initially below that applicable to the role and then may increase over time subject to satisfactory performance and development in the role. Salaries are usually reviewed annually. There may be reviews and changes during the year in exceptional circumstances (such as new appointments to executive positions or significant changes in a jobholder's responsibilities).	Changes to responsibilities, increased complexity of the organisation, personal and group performance are taken into consideration when deciding whether a salary increase should be awarded.
Taxable benefits (fixed component of pay)		
To recruit and retain individuals with the skills and experience needed for a given role in which they will contribute to the success of the group and to reduce the potential for ill health to undermine executives' performance.	Executives receive life assurance, a company car, fuel benefit and private medical insurance. A cash equivalent may be paid in lieu of car and fuel benefits. Benefits may be changed in response to changing circumstances, whether personal to an executive or otherwise, subject to the cost of any changes being largely neutral.	No performance measures attached.

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.2 Chesnara directors' remuneration policy (continued)

Executive director remuneration policy (continued)

Purpose and link to strategy	Operation	Performance measures and maximum
Pensions (fixed component of pay)		
To recruit and retain individuals with the skills and experience needed for a given role in which they will contribute to the success of the group and to encourage responsible provision for retirement.	The executives can participate in a defined contribution pension scheme at the same level as all employees with employer contributions being 9.5% of basic salary. If pension limits are reached, the executive may elect to receive the balance of the contribution as cash.	No performance measures attached. Maximum pension contribution expressed as a percentage of basic salary to be the same as that awarded to other UK staff.
Short-term incentive (STI) scheme (variable component of pay)		
To drive and reward achievement of the group's business plan and key performance indicators. To help retention and align the interests of executives with those of shareholders.	Awards are based on the Committee's assessment and judgement of personal and corporate performance against specific targets and objectives in support of the group's business plan. These are assessed over each financial year. Provided the minimum performance criteria is judged to have been achieved, an award will be granted in two parts; at least 35% into deferred share awards which will vest after a three-year deferral period making a total of four years after the award grant; and the balance in cash. Dividend equivalents accrue in cash with interest thereon in respect of the deferred share awards between the date the award is granted and the date exercised. It is the intention of the Committee to grant awards annually and the performance criteria will be set out in the corresponding Remuneration Report. The STI Scheme includes malus and clawback provisions.	Performance is measured based on the financial results of the group and its strategic priorities, together with the performance of the executives in relation to specific personal objectives. The main weighting is given to financial results – typically 80%. The Committee determines the measures, their weighting and the targets for each financial year. The metrics may include, but are not limited to, costs, IFRS pre-tax profit, EcV operating profit, cash generation, group strategic objectives, including consideration of environmental, social and governance risks and performance, and personal performance. STI Scheme targets are commercially sensitive and therefore are not disclosed prospectively. Actual targets and results will be disclosed in the Annual Report immediately following each performance period.The Committee may substitute, vary or waive the performance measures in accordance with the scheme rules and will document its use of such discretion for the purposes of transparency. The maximum award is 100% of basic salary with each participant being assigned a personal maximum to be disclosed in the corresponding Remuneration Report with each award made.

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.2 Chesnara directors' remuneration policy (continued)

Executive director remuneration policy (continued)

Purpose and link to strategy	Operation	Performance measures and maximum
Long-term incentive (LTI) scheme (variable component of pay)		
To incentivise the delivery of the longer-term strategy of the group by the setting of stretching targets based on shareholder value, and to help to retain executives and increase their share ownership in the company.	Awards are made under a performance share plan, with nil price. The right to receive share awards will be based on achievement of performance conditions over a minimum three-year period. Dividend equivalents accrue in cash with interest thereon in respect of the share awards between the date the award is granted and the date of exercise. It is the intention of the Committee to grant awards annually and the performance criteria will be set out in the corresponding Remuneration Report. A further 2-year holding period applies beyond the 3-year vesting period, making a total of five years after the grant date. Awards are subject to malus and clawback provisions	Awards vest based on financial and/or strategic performance conditions which are aligned to the company's strategy. At least 50% of the assessment will be based on financial metrics. The Committee may substitute, vary or waive the performance measures in accordance with the Scheme Rules and will document its use of such discretion for the purposes of transparency. The maximum award is up to 125% of basic salary, with each participant being assigned a personal maximum to be disclosed in the corresponding Remuneration Report with each award made.

Non-executive directors' remuneration

Fees and expenses		
To recruit and retain independent individuals with the skills, experience and qualities relevant to the non-executive role and who are also able to fulfil the required time commitment.	Fees for the Chair are determined and agreed with the board by the Committee (without the Chair being party to this deliberation). Non-executive director fees are determined by the Chair and the executives. Fees are reviewed periodically. In their setting, consideration is given to market data for similar roles in companies of comparable size and complexity whilst also taking account of the required time commitment. All non-executive directors are paid a base fee. Additional fees are paid to the senior independent director, the chair of board committees and to other non-executive directors to reflect additional time commitments and responsibilities required by their individual roles.	Fees for the Chair and non-executive directors are not performance related. Reflecting the periodic nature of the fee reviews, increases at the time they are made may be above those paid to executives and / or other employees.

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.2 Chesnara directors' remuneration policy (continued)

Why these performance measures were chosen and how performance targets are set

STI Scheme - The performance measures for the STI Scheme reflect the main financial contributors to sustaining returns for shareholders and the group strategic objectives. This ensures that executives are incentivised on the important deliverables needed to support the business plan and strategy. The Committee determines the measures, their weighting and the targets for each financial year. The measures will be based upon the most relevant taken from a selection which may include, but are not limited to, costs, IFRS pre-tax profit, EcV operating profit, cash generation, group objectives, including consideration of environmental, social and governance risks and performance, and personal objectives. Where relevant, targets will be set with reference to board approved budgets. The maximum potential award requires significant outperformance against the targets set.

LTI Scheme - The performance measures for the LTI Scheme have been selected for their alignment to shareholder interests using to date an absolute measure (growth in group EcV) and a comparative measure (Total Shareholder Return (TSR)). The measures and targets are set by the Committee and it has been proposed that from 2023, an additional metric of Commercial Cash Generation be introduced. The maximum potential award for the group EcV measure requires significant outperformance of budgeted targets. The TSR measure uses the FTSE 350 Higher Yield Index over a 3 year period with averaging during the first and last month or an appropriate substitute.

In setting targets for both schemes, the Committee exercises its judgement in an effort to align the stretch in the targets with the company's risk appetite. Full details of the performance measures, weightings, targets and corresponding potential awards are set out in the annual Remuneration Report. The Committee can exercise discretion when determining outcomes as opposed to relying solely on formulaic outturns and utilises assurance inputs in so doing.

The Policy table notes that all of the financial targets for the STI Scheme are commercially sensitive as are the EcV and Commercial Cash Generation measures for the LTIP Scheme. The Committee has considered whether it could reasonably use transparent targets but concluded that transparency should not be sought at the expense of selecting the optimal measures and targets for the alignment of executive interests with those of shareholders even if these are not capable of being disclosed in advance.

Following a review of these schemes with the support of its advisers PwC, the Remuneration Committee was satisfied with the current terms and core structure but is proposing new 2023 STIS and LTIP schemes. If approved at the AGM, these will introduce increased malus and clawback protection, raise the maximum LTIP participation to 125% of salary for the Group CEO (from 100% currently) and the revised Remuneration Policy would reflect greater flexibility to change the performance measures for the LTIP including the introduction of commercial cash generation as the LTIP's third metric.

STI scheme

(i) Award is part cash and part share award which is deferred for a further 3 years. Currently the award is structured 65% cash and 35% deferred shares. This is provided that the total award to a participant is at least £20,000, otherwise the award is 100% cash with no deferral. The Committee may increase the weighting for the share award and adjust the de-minimis amount;

(ii) Awards may be subject to malus provisions which will reduce the number of shares or cash amounts payable on vesting in circumstances including:
- the discovery of a material misstatement in the accounts of the company or another member of the group;
- a regulatory breach by the group resulting in material financial or reputational harm;
- the discovery of an error in the assessment of the extent to which a performance target applicable to a participant's Cash Award has been satisfied;
- action or conduct of the participant amounting to fraud or gross misconduct;
- events or behaviour of the participant leading to the censure or reputational damage to a group member;
- a material failure of risk management of the company, a group member or a business unit of the group; or
- insolvency or corporate failure of the company or any group member or business of the group for which the participant is wholly or partly responsible.

In determining the reduction which should be applied, the Committee shall act fairly and reasonably but its decision shall be final and binding. For the avoidance of doubt, any reduction may be applied on an individual basis as determined by the Committee.

Cash and deferred share awards are subject to a 2-year clawback provision in substantially the same circumstances as apply to malus (as described above) for a period of two years after vesting. Clawback may be effected, among other means, by requiring the transfer of shares back to the company or as it directs, or by a cash payment.

(iii) It is the intention of the Committee to make a new award each year.

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.2 Chesnara directors' remuneration policy (continued)

Why these performance measures were chosen and how performance targets are set (continued)

LTI scheme

(i) In making a new award, the Committee will determine the measures, their weighting and targets to maintain a clear focus on longer-term strategic aims;

(ii) Includes a malus provision. Notwithstanding any other provision of the Rules, the Committee has the power to, at any time before an award has vested, reduce the number of shares subject to the relevant award or any cash amounts which may be paid pursuant to the relevant award (including to nil) in the circumstances of those set out under point (ii) above for the STI Scheme;

(iii) A 2 year clawback provision applies in substantially the same circumstances as apply to malus. Clawback may be effected, among other means, by requiring the transfer of shares back to the company or as it directs, or by a cash payment; and

(iv) It is the intention of the Committee to make a new award each year

Minimum shareholding requirement

In order to align the executives' interests with those of shareholders, a minimum shareholding requirement (the 'MSR') applies which is currently equal to 100%/200% of basic salary (for joiners before 1 May 2021/from 1 May 2021 respectively). Both salary and shareholding values are calculated before tax. The requirement is expected to be achieved within five years of appointment. It may be achieved by participating in the company's share plans and the Committee may, in assessing progress towards the minimum, take into account vesting levels and personal circumstances. Aside from shares that are chosen to be sold to pay for income tax and National Insurance liabilities, shares awarded under the STI and LTIP schemes must be retained if the minimum shareholding has not yet been met.

Post-employment provisions exist which require a departing executive to retain a post-employment minimum shareholding. For joiners before 1 May 2021, for a period of 12 months commencing on the date of departure this will be equal to the lower of 100% of final basic salary on departure or the level of shareholding attained on the date of departure. For a subsequent period of 12 months, the post-employment minimum shareholding to apply will be equal to the lower of 50% of final basic salary on departure or the level of shareholding attained on the date of departure.

In determining the post-employment minimum shareholding, only awards made since the date of the approval of the 2020 Policy shall be included. Both salary and shareholding values are before tax and shares bought by the executive in the open market and from their own resources are not subject to the post employment provision.

The Committee's proposed changes to the Remuneration Policy include that the 200% of salary shareholding requirement (to be held for the full 2 years post-employment) would apply for all future awards granted from 2023 to executive directors who joined prior to May 2021. This is believed to strike a balance between the current status and the requirement set-out at the time of each past LTIP grant with the recognition that shareholders have a preference for larger holdings to be held in full for 2 years post-employment.

With only two executives, the Committee is taking an approach to enforcement of the Policy which it considers to be proportionate. Executives will be required to attest to comply with the Policy as part of accepting an award.

Expenses

In line with the company's Expenses Policy, all directors may receive reimbursement of reasonable expenses incurred in connection with company business, including settling any tax incurred in relation to these.

B. SYSTEM OF GOVERNANCE (CONTINUED)

B.1 General information on the system of governance (continued)

B.1.3 Information on the remuneration policy (continued)

B.1.3.3 Remuneration policy as applied to other members of staff

The following table outlines any differences in the company's policy on executive director remuneration from other employees of the group.

Remuneration element	Difference in policy
Salary and fees	There are no differences in Policy. The Committee takes into account the company's overall salary budget and percentage increases made to other employees. It also sets the remuneration for senior management, that being the first layer of management below board level.
All taxable benefits	There are no differences in Policy although the benefits available vary by role and jurisdiction. For example, executive cars and health insurance benefits are broadly consistent with the equivalent benefits when offered to other UK personnel but executives receive a fuel allowance which is a benefit not offered to other staff who receive a car allowance.
Annual bonus	This is an integral part of the company's philosophy with all UK employees below board level being eligible to participate in a bonus scheme which is based on personal performance and achievement of financial targets. The CEO in Sweden participates in annual bonus schemes which reflect the achievement of business targets and personal goals. In line with Swedish regulation, part of the payment of this bonus is deferred. Other employees in Sweden no longer participate in a bonus scheme although there remains some roll-off of deferred elements of past arrangements. Since 1/1/19 there has no longer been a bonus scheme for the Dutch businesses. The Scildon scheme in place at the time of purchase has been closed.
Long-term plans	Only Chesnara's executives are currently entitled to participate in the long-term plans as these are the roles which have most influence on, and accountability for, the strategic direction of the group and the delivery of returns to shareholders. This may be reviewed as appropriate in the light of growth and/or other changes in the company.
Pension	The level of contribution made by the company to executives is the same as that offered to other UK employees.
SAYE	The company operates a Save As You Earn (SAYE) share scheme in the UK. This is a tax efficient, HMRC-recognised, all-employee scheme in which executive directors are eligible to participate.

B.1.4 Material transactions with shareholders and persons who exercise a significant influence on the group

The table below, provides information on transactions that the group has entered into during the year with shareholders and persons who have significant influence on the group.

Transactions with persons who have significant influence on the group

The company has deemed that the people who have significant influence on the group is limited to those directors who are members of the Chesnara plc board. The transactions in the year can be summarised as follows, which includes non-executive directors fees as well.

	2022 £'000	2021 £'000
Short-term employee benefits	1,204	2,342
Post employee benefits	65	85
Share-based payments	869	593
Total	**2,138**	**3,020**

Transactions with shareholders

The following table summarises the transactions with Chesnara's shareholders during the year:

	2022 £'000	2021 £'000
Dividends paid	**34,296**	**33,277**

B.1.5 Assessment of the adequacy of the system of governance

A full assessment was performed in the second half of 2022. The Chesnara board concluded that the Chesnara system of governance is considered to be fit for purpose for Solvency II and other applicable regulations. The review identified areas where improvement was desirable but not essential and recommended that these should be prioritised appropriately alongside other business requirements.

B. SYSTEM OF GOVERNANCE (CONTINUED)

B.2 Fit and proper requirements

Chesnara plc retains individual fit and proper policies (or their local equivalent) for all business units. These policies are signed off by the respective business unit board which is responsible for ensuring appropriate resources are in place to deliver effective and efficient management of the business. The individual business units take appropriate steps to ensure that e.g. board members, senior managers and individuals responsible for key functions meet the requirements as established by the relevant fit and proper policy.

The requirements are expected to be proportionate to the nature, scale and complexity of the individual roles and responsibilities of these various positions. Checks are carried out on initial appointment and are re-assessed and verified every year to the extent required by local regulation. The results of all assessments are reported to the relevant business unit boards or chair and CEO as required by local regulation. During the year, all relevant employees were assessed against appropriate fit and proper tests. These tests included some or all of the following:

- Fit and proper questionnaires;
- Criminal record checks;
- Credit referencing;
- Curriculum Vitae detailing skills, qualifications and experience;
- Continuous professional development / performance management framework;
- Membership of professional institutes; and
- The recruitment and selection process in place at the time of appointment.

All directors and senior employees of Chesnara plc, including relevant roles as required by local regulation in its business units, also have to confirm their fitness and propriety annually. Each year, personal performance assessments include consideration of fitness and propriety of all employees and senior managers as required in each territory. The business units within the group notify their local regulators, as required, of any changes to the identity of the persons responsible for the Controlled Functions along with all the information needed to assess whether any new persons appointed to these roles are fit and proper. The fit and proper policy is transparent and made available to all relevant employees to review and shows that all decisions made on the fitness and propriety of an individual are made in a consistent manner within the business unit.

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

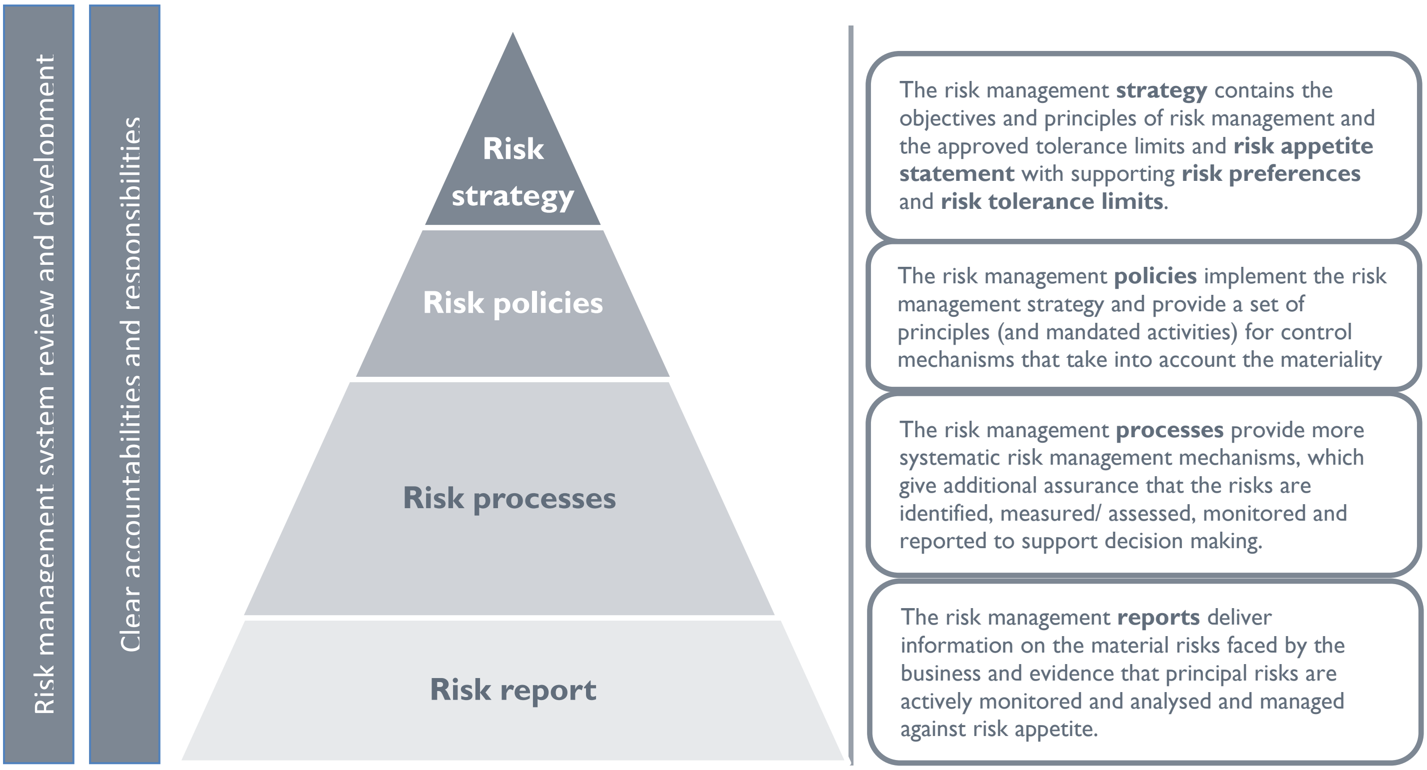
B.3.1 Risk management system

Overview

Chesnara group has defined its risk management system for application at group, divisional and business unit levels.

The risk management system is summarised in the diagram below:

Risk management system	The risk management system supports the identification, assessment, and reporting of risks along with coordinated and economical application of resources to monitor and control the probability and/ or impact of adverse outcomes within the board's risk appetite or to maximise realisation of opportunities



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

B.3.1 Risk management system (continued)

Risk universe

Chesnara's risk universe provides its assessment of a comprehensive view of all risks that a business like Chesnara is exposed to, or could potentially be exposed to in the future. Consistent where appropriate with the standard formula categorisation, it is constructed with greater granularity to provide assurance that all the potential risks are considered within the risk management system design. It applies across all divisions and business units for structuring the identification, assessment, management and reporting of risks/controls to enable an aggregate understanding of the risk profile at both a group and divisional level.

The top two (of three) levels are portrayed in the diagram below:

Level 1	Insurance	Market & liquidity	Counterparty default	Strategy	Strategic acquisition	Operational	Information systems
Level 2	Expense	Interest rates	Reinsurer	Design	Capability	Conduct	Infrastructure failure
	Mortality	Equity	Outsourcer	Execution	Execution	Regulatory breach	Cyber attack
	Morbidity	Property	Supplier	External change	Benefits realisation	People	Policyholder data security
	Longevity	Credit spread	Bank deposit	Internal change		Execution/ process	Corporate Data security
	Income protection	Market concentration	Corporate			Financial crime	
	Disability	Currency	Government (Domestic)			Physical resources	
	Lapse	Liquidity	Government (Non-domestic)			Industry standards breach	
	Unemployment	Inter-dependency	Derivative			Business continuity plan failure	
	Revision	Reinvestment	Counterparty concentration				
	Catastrophe						

Risk management strategy

The primary risk objective of the Chesnara group, which applies to all divisions, business units and outsourcers, is to:

"Maintain the solvency and liquidity of the group and its underlying divisions and business units whilst delivering continuity of business services; fair customer outcomes; a regulatory compliant service to customers and making dividend payments to the group's shareholders in line with expectations set."

Chesnara group and its divisions have a defined risk strategy and supporting risk appetite framework (an overview is shown below). The group's risk appetite framework enables the board to articulate the amount of risk the group is willing to take and provides boundaries to when potentially too much, or too little, risk is being taken. This provides guidance to enable management to take-on "appropriate" risks and the "appropriate" amount of risk as part of the pursuit of its strategic objectives.

Each division and business unit is required to have a risk appetite, which is consistent with, and aligned to, the group's risk appetite framework, at generally subordinate levels of materiality and approved by the divisional board.

B. SYSTEM OF GOVERNANCE (CONTINUED)

B.3.1 Risk management system (continued)

Risk management strategy

Primary Objective
Single board approved statement describing overall appetite for risk, covering all risk categories

Risk Appetite Statements
Statements articulating the appetite for risk exposure aligned to key business performance measures

Risk Preference
Statements to define preferences towards risk exposure on a risk by risk basis

Risk Tolerances
Quantification of the upper and lower boundaries of risk that the board is willing to accept

Business decision making

For other strategic and operational decisions, so that all business decisions are risk-informed on a forward looking basis, each division and business unit carries out processes such that:

(a) forward looking risk analysis is an integral part of business planning;
(b) risk assessments are made of all significant change proposals;
(c) risk analysis, including ongoing identification and monitoring of implementation risks, is an integral part of project governance; and
(d) Own Risk and Solvency Assessment is considered at the end of every board meeting to consider whether any of the matters discussed, or decisions taken, may have a material impact on the ORSA, and to establish whether further analysis is needed.

Risk management policies

Chesnara has established Group-wide Risk and Internal Control Policies that are annually reviewed by the Group Board.

Divisions / Business Units are required to adopt Group policies in a manner appropriate to their regulatory environment and, in addition, have their own Risk and Internal Control Policies specific to their operations. These are approved by the respective Boards. The table on the following page sets out the list of Board Risk and Internal Control Policies, which all business units should have in place as a minimum, subject to annual review.

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

B.3.1 Risk management system (continued)

Risk management policies (continued)

Policy Title	Policy Type	Group/Chesnara	Division/BU
Actuarial Function	IC		√
Asset and Liability Management	Risk		√
Business Continuity	Risk	√	√
Capital Management	Risk	√	√
Compliance Function	IC		√
Concentration Risk	Risk	√	√
Conduct	Risk		√
Conflicts of Interest	IC	√	√
Data Quality	IC		√
Debt & Leverage	IC	√	
Fit & Proper	IC	√	√
Insurance Risk	Risk		√
Internal Audit	IC		√
Investment Risk	Risk	√	√
IT/Data Security	IC	√	√
Outsourcing	Risk		√
Operational Risk	Risk		√
ORSA	IC	√	√
Liquidity Risk	Risk	√	√
Reinsurance & Mitigating Actions	Risk		√
Remuneration	IC	√	√
Reporting & Disclosure	IC	√	√
Reserving	IC		√
Risk Management System	IC	√	√
Valuation (of assets and liabilities)	IC	√	√

These risk management policies articulate principles and practices including: objectives, reporting procedures, roles and responsibilities, key processes and controls.

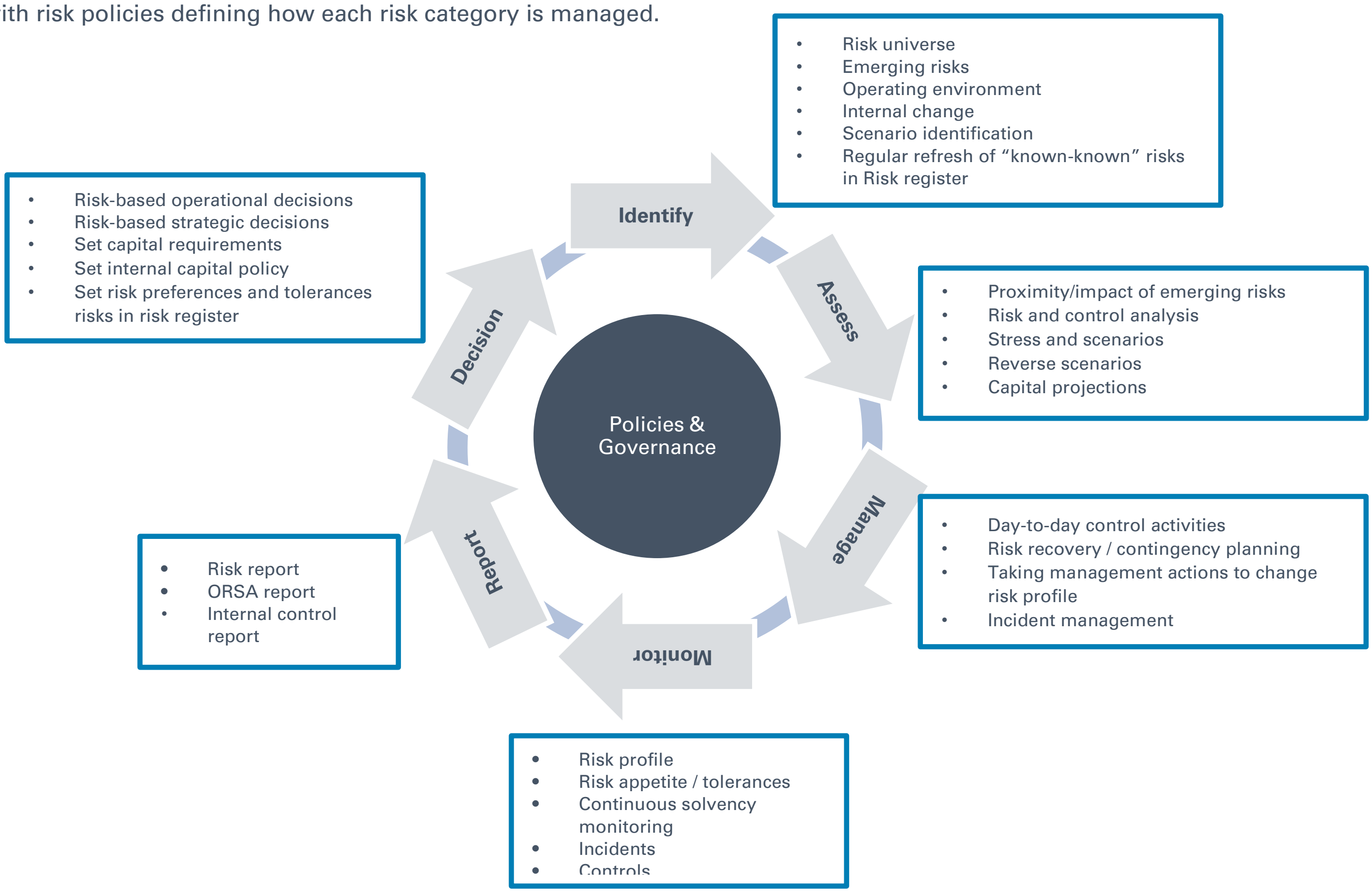
Each policy is owned by an allocated member of the Group, Division or Business Unit Senior Management Team who is responsible for reviewing the policy and attesting policy compliance on an annual basis.

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

B.3.1 Risk management system (continued)

Risk management processes

The group has established risk management processes for application at a group, divisional and business unit level and with risk policies defining how each risk category is managed.



Each division and business unit maintains a risk register, which intends to comprehensively list risks, which might create, enhance, accelerate, prevent, degrade or delay the achievement of the objectives, along with the key controls to manage those risks. The group maintains a risk register of risks which, are specific to its activity and reports these, along with the principal risks of each division and business unit, to the Chesnara Audit & Risk Committee on at least a quarterly basis. An aggregate risk register is not maintained.

For each of the risks contained within the risk register, the senior manager responsible assesses the risk both with and without controls applied in terms of its likelihood and consequences. The consequences are considered in terms of impact on: customers; economic value; cash flow; reputational; regulatory; and other business impacts.

The group corporate governance and responsibilities map defines the scoring mechanism for assessment of impact against these criteria at a group level and sets-out the thresholds for establishing the principal risks. Each division or business unit similarly includes its board-approved thresholds in its own governance and responsibilities map. This mechanism is shared with the group risk function to enable aggregation.

Each board must approve at least annually the materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk.

At least quarterly, the group, divisional and business unit executive teams scan the horizon to identify potential risk events (e.g. political; economic; technological; environmental, legislative and social), assessing their proximity and potential impact. On an ongoing basis, they consider the impact of internal operational and strategic changes on its risk profile.

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

(continued)

B.3.1 Risk management system (continued)

Risk management information and communication

On a quarterly basis, the group risk team produces a quarterly risk report which presents the group-level risk information, supplemented by the appropriate escalations from divisional and business unit risk reports. These quarterly group risk reports are presented to the Chesnara A&RC and include:

- A summary of the principal risks identified within the risk register by risk category;
- Consideration of significant changes in the risk profile including emerging risks;
- Monitoring against approved risk appetite tolerances;
- Evidence of continuous compliance with solvency requirements;
- Forward looking considerations; and
- Information on incidents / crystallised risk events.

In addition, each division and business unit Audit & Risk Committee is presented with a similar report of the granular risk information pertinent to its business and including that information escalated into the group risk report (e.g. the slice of principal risks in line with the group's reporting requirements).

On an annual basis, or more frequently if required, a group ORSA report is produced which aggregates the divisional and business unit ORSA findings and supplements these with an assessment specific to group activities. The group and divisional ORSA policies outline the key processes and contents of these reports. An annual ORSA disclosure will be made to the regulatory authority within two weeks of the approval by the board of the ORSA report.

Risk management responsibilities

The board is responsible for the adequacy of the design and implementation of the group's risk management system and internal control system and its consistent application across divisions and business units therein. All significant decisions for the development of the group's risk management system are the board's responsibility.

The group Audit & Risk Committee monitors the group's risk profile and adherence to the board's risk appetite, advising the board on any required actions to change the risk profile as well as proposed changes to the risk framework. The committee also reviews and recommends to the board the disclosures to be included in the Annual Report in relation to internal controls, risk management and the viability statement.

Divisional and business unit boards are responsible for the adequacy of the design of their own risk management systems and ensuring they are consistent with the group's risk management system policy.

Divisional and business unit Audit & Risk Committees monitor the risk profile and adherence to the board's risk appetite, advising the board on any required actions to change the risk profile as well as proposed changes to the risk framework.

The Group Executive Committee monitors the risk appetite and risk profile position a ensure that the group and the divisions and business units therein as a whole comply with the group's risk appetite statement. The committee also review all key risk inputs prior to Audit & Risk Committee/Board distribution and oversees all risk management activity in the first instance.

The Group Chief Risk Officer is responsible for advising the board regarding the effectiveness of the group and divisional risk management systems and reporting to it on the risk profiles of the group and its divisions against the board's risk appetite. The Group CRO is also responsible for providing board approved risk management practices to the divisions for their implementation.

The Divisional or Business Unit Risk Functions are responsible for implementing and embedding the group's risk management systems policy within their areas. It is incumbent upon the Chief Risk Officer (or relevant Head of the Risk Function) of each division of business unit to support the local board in determining which categories of risk are pertinent to its business model and strategic focus. To support the aim of achieving group consistency of risk management practice and to provide group oversight of risk management and internal control, each Divisional- or Business Unit- Chief Risk Officer (or relevant Head of the Risk Function) has a dotted reporting line into the Group Chief Risk Officer.

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

B.3.2 Process undertaken to conduct an Own Risk and Solvency Assessment

Overview

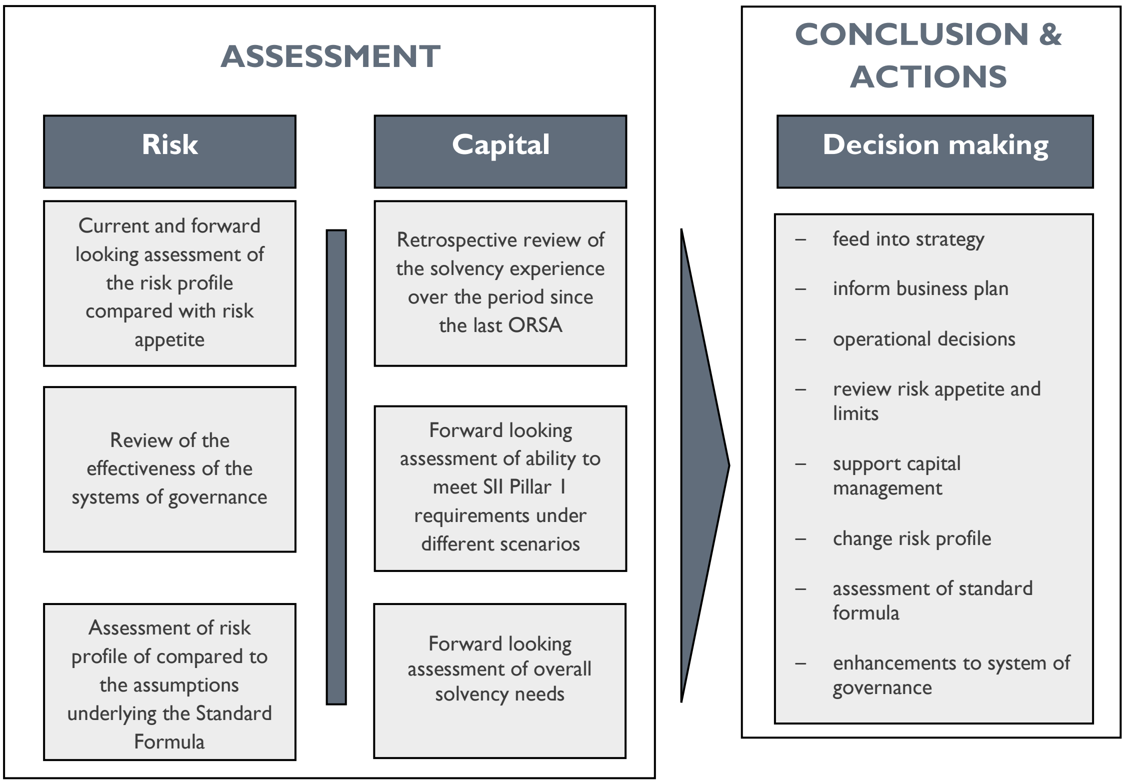
Within the Chesnara group, each division and business unit has its own ORSA policy and process approved by the relevant board. The purpose of the group report is to: assess the risk and solvency position at a group level taking into account the individual solo ORSA reports; record risks that are emerging that may impact the group; ensure that the board has a good understanding of the business model, the risks associated with the model, the governance in place to assess and manage risks; and to ensure there is sufficient capital to cover a set of defined stresses/scenarios commensurate with the Chesnara board's risk appetite.

The aim of the ORSA is to support the board to make risk-informed strategic and operational decisions and is therefore a key tool to enable effective management of the business.

The ORSA follows a defined ORSA process which is documented in the ORSA policy. This policy is reviewed on annual basis and approved by the board. The ORSA process is described in more detail below, and incorporates several key processes to manage risk and capital.

The output from the ORSA process is an ORSA report, which is produced on an annual basis, or more frequently if there is a material change in the risk profile. The ORSA report is reviewed by senior management and approved by the board.

The diagram on the following page provides a summary of the overall ORSA process. Key stages of the process have been further described below the diagram.



Assessment of risk profile compared with risk appetite

The ORSA report includes the current view of the risk profile of the business. This includes:

- a summary of the principal risks, across the group as identified by risk owners, and documents the controls in place to limit the potential impact or likelihood of occurrence;
- an illustration of the group risk capital split by major risk categories (e.g. market, credit etc.) and, for those significant risk categories containing a number of risks, a further breakdown (e.g. equity, property, interest within market risk);
- a summary of the emerging risks identified by the business and any analysis performed to understand their potential impact; and
- a summary of the principal strategic risks facing the organisation.

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

B.3.2 Process undertaken to conduct an Own Risk and Solvency Assessment (continued)

Overview

As part of the risk management processes, the risk profile is regularly reviewed, updated and monitored against risk appetite and communicated to the Chesnara Audit & Risk Committee at least quarterly.

The group ORSA report will include a retrospective, current and forward looking review of the risk profile compared with the board's approved group risk appetite and tolerance limits.

Review of the effectiveness of the system of governance

The outcome of the review of the systems of governance is summarised in the ORSA report, together with any plans to further develop the governance framework. As part of this, any deficiencies identified with the ORSA process are highlighted along with plans to remediate these. The scope of the review is approved in advance by the board each year.

Assessment of risk profile compared to the Standard Formula

All insurance companies within the Chesnara group currently apply the Standard Formula to calculate the SCR under Solvency II. The Standard Formula is also used within Chesnara to calculate the group SCR itself.

An annual assessment is performed to evaluate whether the group's risk profile is significantly different to the risk profile assumed by EIOPA when deriving the Standard Formula approach. The results of the assessment are reviewed and approved by the board.

This assessment consists of a qualitative review with any potentially significant differences further evaluated using quantitative approaches. Should any quantified differences be considered to be material in aggregate, further consideration is given to the different approaches that could be taken as an alternative to the Standard Formula (e.g. capital add-on, undertaking specific parameters, partial internal model, full internal model) and the implications of each of these, with a preferred approach agreed by the Board.

The approach used to assess the appropriateness of the Standard Formula for the group is as follows:

- Assess the appropriateness of the standard formula for each of Chesnara's regulated insurers;
- Assess whether the aggregation of the insurers invalidates the appropriateness;
- Assess whether the standard formula is appropriate for each of Chesnara's material, non-regulated companies;
- Assess that the aggregation of SCRs across all companies within the Group and that this does not invalidate the appropriateness of the standard formula; and
- Assess the appropriateness of the diversification of the SCR across all companies within the Group.

In the event of a material change to the risk profile, the appropriateness of the Standard Formula will be reassessed.

Retrospective review of solvency experience

The ORSA evidences continuous compliance with regulatory solvency requirements by reviewing the solvency position during the period since the last ORSA.

The Group and each Division and Business Unit undertake solvency calculations to evaluate the solvency position on at least a quarterly basis and more often as agreed with the respective Boards. The Group has defined the following principles for adoption by all:

- The Group requires each Division and Business Unit to have a Board-approved frequency (at least quarterly) for full solvency calculations to be performed;
- For periods in between full calculations, processes must be in place to ensure a broad understanding of whether the solvency position has changed substantially;
- Management will ensure a good understanding of the Solvency position at any point in time. In particular, it will be clear if any Capital Management Policy Buffers, Risk Appetite Tolerances or Regulatory Minima have been breached. This information will be used to drive, as appropriate, the internal ladder of intervention activities described in the local Capital Management Policy;
- Demonstration of continuous compliance should be performed with and without allowance for any elements of the Long Term Guarantee Package being used at that time.

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

B.3.2 Process undertaken to conduct an Own Risk and Solvency Assessment (continued)

Assessment of ability to meet regulatory solvency requirements

From a forward-looking perspective, the ORSA evidences continuous compliance with regulatory solvency requirements by projecting the expected capital position, taking into account the business plan, dividend payments and the capital management policy. The projections also consider the impact of a range of pre-specified stress and scenario tests. The results are summarised in the ORSA report.

The ORSA report will evidence consistency between the business planning basis and the ORSA projection basis and include explicit documentation of consideration of the business plan and assumptions within the ORSA report.

The base projections are based on best estimate assumptions including real-world (rather than risk-free) investment returns, include appropriate levels of new business (where relevant), and take account of all significant business decisions (for example, any anticipated changes in outsourcing costs or arrangements). All elements of the Solvency II balance sheet are projected, using a Board-approved methodology suitable for each element, with a summary of the Solvency II balance sheet as at the end of each year of the business planning period presented in the ORSA Report.

All key assumptions are approved by the Board in advance of the ORSA process.

The purpose of the projections will be to ensure that Chesnara and its material insurers are able to meet their regulatory capital requirements under a range of pre-specified (and agreed in advance by the Board) stress and scenario tests, and taking into account a range of potential future changes in the business as well as the stated Capital Management Policy. The projections and conclusions thereof will form a key input into the business plan.

The ORSA considers the conclusions of Chesnara's, and its subsidiaries, reverse stress testing exercise, identifying potential events that could cause the business model to fail. The definition of business model failure is agreed in advance by the board and reviewed on an annual basis.

The ORSA also considers the transferability and availability of cash within the group and its subsidiaries. This involves assessing whether there are any shortages across the group during the business planning period after the capital management policies across the entities have been followed locally and at a group level, and taking into account the obligations of Chesnara in terms of both planned capital repayments and continuation of its dividend strategy.

Forward looking assessment of overall solvency needs

The purpose of the Own Solvency Needs Assessment ("OSNA") is for the company to form its own view of its solvency needs over the business planning horizon, taking into account factors such as:

- **Risk appetite:** Whether the board wishes to hold capital levels to achieve a different confidence level of meeting the liabilities to that specified by the SCR as part of the Solvency II regulatory solvency requirements.
- **Limitations within the regulatory calculation of own funds**: There may be restrictions on the calculation of the Solvency II own funds that Chesnara would wish to alter for an accurate internal assessment. Such might be the level of cost-of-capital to allow for within the risk margin calculation, any applicable restrictions around asset admissibility, or prescribed methods to value technical provisions such as the contract boundaries rules.
- **Appropriateness of the standard formula to calculate capital requirements:** Whether the conclusions from the comparison of the group risk profile with the assumptions underlying the SII SCR (Standard Formula) identify any potential shortfalls in the capital requirements.
- **Future solvency needs taking account of the business plan**: Whether the solvency projections or sensitivity analysis has resulted in any desire to hold additional capital, taking into account the future business plan as well as potential future changes in its risk profile due to the business strategy and economic/financial environment.
- **Non-quantifiable risks:** Whether the board wishes to reserve any additional capital to allow for risks that are more difficult to quantify, and hence may not have resulted in explicit capital requirements as a result of quantitative analysis, such as strategic or reputational risk. A cross check is applied to demonstrate coverage of the principal risks and emerging risk log.
- **Nature and quality of own funds:** Whether there are issues regarding the nature and quality of own fund items or other resources appropriate to cover the risks identified.
- **Availability of own funds**: Whether the own funds are available and transferable to cover adverse conditions within the group in a timely manner, given any liquidity, capital management policy or regulatory constraints on capital fungibility.

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

B.3.2 Process undertaken to conduct an Own Risk and Solvency Assessment (continued)

The assessment will also take into account any internal solvency buffers as specified within each entity's Capital Management Policies as well as the Group's Capital Management Policy, considering also whether these buffers are sufficient.

The Group will adopt a proportionate approach to the Overall Solvency Needs Assessment. Initially a high level qualitative assessment will be carried out annually to determine how the internal solvency assessment ("OSNA") would, at the current valuation date, differ from the Solvency II position, taking into account the factors described above.

Should this assessment determine that OSNA would likely result in the group being in a worse solvency position than that assessed under Solvency II, then a more robust quantitative assessment will be carried out and conclude with a robust quantitative analysis of the capital implications of the factors described above.

Otherwise, the Solvency II position will be determined as the key driver of capital and the group's solvency needs will be based on this, alongside the buffer specified in the group capital management policy.

The time horizon will be considered and justified as part of the assessment, but would ordinarily be the same as the business planning time horizon.

Group ORSA report – decision making

The board and GEC take account of results and insights from the ORSA process for the purpose of capital management and business planning. Hence, the ORSA process has explicit consideration at both executive and board level of the conclusions and potential insights and actions.

In practice, the ORSA process and business planning process, and their underlying sub-processes, run continuously throughout the year but with formal overall summary reports less frequent. Therefore, alignment of the two processes, including feeding key conclusions and outcomes from one to the other, is achieved largely by ensuring that regular risk and solvency information is considered alongside business performance and planning information at the regular GEC meetings. Information, considerations and conclusions are escalated to the board as appropriate.

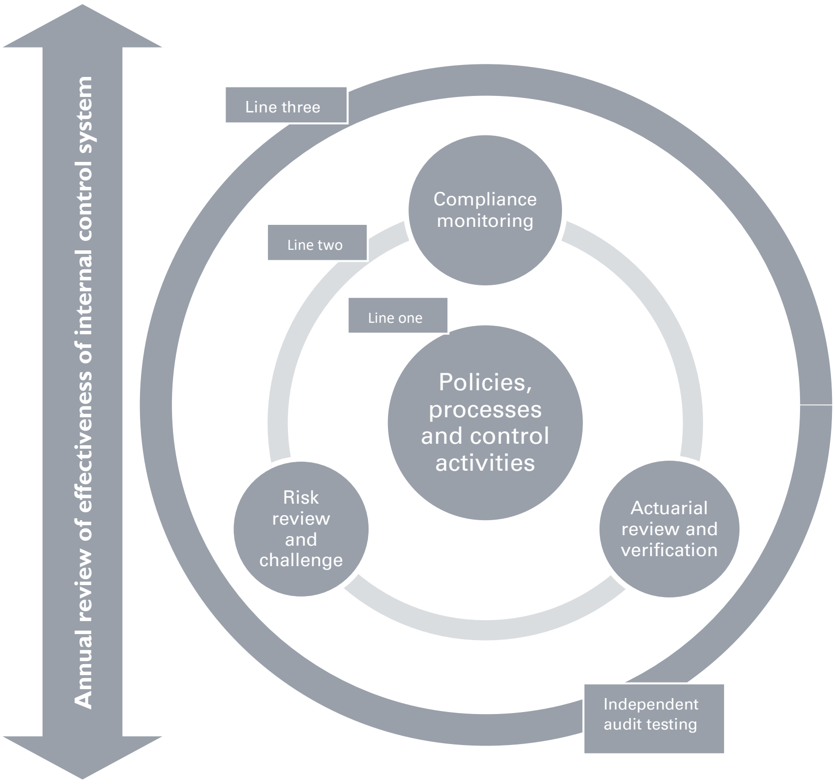
B.4 Internal control system

B.4.1 Description of internal control system

Chesnara group has defined an internal control system for application at group, business unit and divisional levels. The internal control system assures the achievement of the group's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It is comprised of defined policies, processes and control activities that are independently tested and reviewed according to the three lines of defence model. The internal control system is underpinned by policies providing the basis for financial reporting and valuation activity.

The internal control system can be described using the diagram below:

Internal control system	The internal control system supports the achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.



The three lines of defence model is a standard approach to safeguarding the internal control framework. The 1st line consists of senior management and their teams who together own the risks and carry responsibility for their management and control. The 2nd line is the risk management and compliance functions who develop the risk management principles and review/challenge the adequacy of the control environment. The 3rd line is the internal audit function that provides independent assurance to the Audit & Risk Committee from its reviews of the control environment.

The control functions are functions with responsibility for advisory, monitoring, verification and independent assurance activities for day to day business activities. They have direct reporting line to the administrative body. Includes the actuarial function, the risk function and the compliance function.

Policies are sets of principles to guide decisions and process design. A process is a series of activities that deliver an objective and are the implementation of policies. A control activity is part of the process which serves to reduce the likelihood of a risk materialising or reduces the impact of a risk if it materialises. Key control activities are documented in risk policies.

The internal control report provides information on the adequacy of the internal control system to the board and senior management.

Three lines of defence model for internal control

The Chesnara group operates a "Three Lines of Defence Model" for the management of risks and internal controls which is adapted and applied by each division and business unit in proportion to the size and complexity of the business. This is illustrated in the diagram on the following page. Broadly this means that the risk function is responsible for providing a framework for risk management, the business functions are responsible for implementing the framework and the internal audit function is responsible for independently validating the appropriateness of both the design and its implementation.

B.4 Internal control system (continued)

B.4.1 Description of internal control system (continued)

1st Line Business functions	• Ownership of risk management policies defining key controls • Operation of business processes including control activities • Governance of outsourcers processes and controls
2nd Line Risk functions	• Develop risk managment system principles and practices • Review and challenge of risk management policies and adequacy of control environment
3rd Line Audit function	• Independent testing of control activities • Provide an independent perspective and challenge the process

Internal control system 1st line procedures

Chesnara has an established process for undertaking an annual review of the adequacy of its internal control system. A key component of this activity is the review of board policies and attestations regarding the adequacy of the risk management policies design and operation. The risk management policies articulate the principles and practices for implementation of controls within operational processes. Each policy document is owned by an allocated member of senior management who is responsible for regular attestation of compliance with it. Each is reviewed and approved by the relevant divisional or business unit board in which the policy operates. This procedure enables:

- board oversight of the key controls defined for the management of risks and their operation;
- management to reflect upon the adequacy of design- and operation- of their key controls;
- the risk function to challenge the adequacy of controls and drive risk management and control developments; and
- audit testing.

Internal control system 2nd line procedures

Risk review and challenge

The risk function is responsible for developing the group risk management framework and the underlying principles and practices. The risk function is also responsible for reviewing the completeness and appropriateness of risk policies (including the identification of risks and effectiveness of controls) and provides oversight to the adherence of Line 1 to the agreed standards in these board-approved policies.

Compliance monitoring

The group and its divisions undertake compliance monitoring activity to assess the adequacy of implementation of regulations and legislation into business as usual activity. The activities of the compliance function are described in more detail in section B.4.2 below.

Actuarial review and verification

The group and its divisions undertake actuarial reviews to assess the reliability of valuations and calculations of technical provisions. This includes consideration of the methodology and assumptions, an assessment of the information systems used for the valuations systems and an assessment of the quality of the data. The activities of the actuarial function are described in more detail in section B.6 below.

Internal control system 3rd line procedures

The 3rd line describes the independent assurance and testing provided by the internal audit function. The activities of the internal audit function are described in more detail in section B.5 below.

Internal control system reporting

The group and divisional boards are responsible for monitoring the internal control system of the group and its divisions respectively. To assist the board in its duties the board receives group and divisional annual internal control reports. These reports contain:

- directors statement of the adequacy of the risk management and internal controls system;
- description of the internal control system
- description of monitoring and reporting activity undertaken in the reporting period;
- results of monitoring activity including audit findings and attestations; and
- description of any significant changes to the control environment over the reporting period.

The board also receives internal and external audit reports which contain the auditors' findings and recommendations.

B.4 Internal control system (continued)

B.4.2 Implementation of compliance function

B.4.2.1 Overview

The compliance functions of the group operate at a regulated insurance company level within each of its business units. Each compliance function within the group has its responsibilities, authority, resources and operational independence to carry out tasks set out in a compliance policy or charter, which is approved by the relevant board.

The compliance functions within the group are independent and objective in relation to the operational activities of the business units that they oversee, and are each headed up by a compliance officer.

The compliance functions ensure that procedures are in place to ensure that all regular regulatory reporting and ad-hoc requests are satisfied within the timescales set.

The compliance functions in each business unit ensure that all employees have an adequate level of compliance knowledge and they advise the relevant board on compliance with applicable laws, regulations and administrative provisions that apply, including those adopted pursuant to the Solvency II Directive. The compliance functions are responsible for ensuring that an assessment of the possible impact of any changes in the regulatory environment on the operations of the undertaking concerned has been performed and performing the identification and assessment of compliance risk.

Each compliance function is responsible for the identification, measurement and monitoring of the risks that can impact the business in respect of the specific areas of responsibility within the compliance function, for example regulatory risk. They ensure that an effective control environment is in place to manage those risks, including an appropriate Compliance Policy, working collaboratively with the other defence functions. The regular assessment and reporting of risks is carried out in line with each business unit's risk policy, and reported to the relevant board and the Audit & Risk Committee. Each compliance function across the group maintains a compliance plan that provides detail of how the compliance function shall achieve its responsibilities.

B.4.2.2 Reporting lines

At a business unit level, each compliance function reports directly to the CEO for management purposes, and directly to the board in delivering its obligations. Compliance function reporting at group level is facilitated through business unit reporting to the Chesnara board. This enables the Chesnara board to become aware of any material compliance matters across the group.

B.4 Internal control system (continued)

B.4.2 Implementation of compliance function (continued)

B.4.2.3 Responsibilities

The table below provides a summary of the key responsibilities of each compliance function:

Responsibility	UK	Movestic Livförsäkring	Waard Group	Scildon	Description
Regulatory reporting [1]	X	-	X	X	Ensure all regulatory reporting is completed in a timely manner.
Regulatory meetings	X	X	X	X	Ensure that when update meetings take place with the relevant regulatory bodies records are maintained of those meetings.
Conduct risk review [2]	X	-	X	X	Oversee annual review of conduct risk measures and mitigation.
Compliance risk oversight	X	X	X	X	Identify any compliance related risks and ensure they are included within the risk framework. Monitor these risks on a regular basis.
Fit and Proper	X	X	X	X	Oversee the process to ensure that the relevant division's fit and proper policy has been appropriately implemented.
Advice	X	X	X	X	Provide advice to all areas of the business and to the board on regulatory matters.
Training	X	X	X	X	Provide training on regulatory matters as required to all areas of the business and the board.
AML oversight [3]	X	X	-	X	Ensure all anti money laundering procedures and policies are adhered to and reviewed on an annual basis.
Compliance plan	X	X	X	X	Prepare and deliver the board-approved compliance plan.

[1] This responsibility falls to the legal department in Movestic
[2] Conduct risk is not reviewed separately in Movestic, it is included as part of the annual assessment of all compliance risks.
[3] Anti money laundering does not have a separate report in the Waard Group but is included in the general compliance assessment reporting. For Movestic anti-money laundering is the responsibility of the legal department together with the appointed officer for controlling and reporting obligations (a position currently held by the Compliance Officer).

B.4.2.4 Reporting

As part of delivering its obligations, each compliance function across the group produces the following key reports:

– **Compliance board report:** Provides the board with a detailed compliance function update, covering items such as regulatory changes, regulatory interaction, compliance monitoring, complaints information and conduct risk.
– **Money-Laundering Reporting Officer report:** Report on the anti-money laundering risks and controls within the business to the extent this task is in the remit of the compliance function (as embedded in the wider compliance reports of some business units).
– **Annual assurance report:** An annual summary of the monitoring activities carried out by the OSP compliance functions and the compliance function (UK only).
– **Outsource service provider report:** A summary report covering breaches, SLAs, compliance monitoring, AML and regulatory change at an outsourcer level where appropriate for a business unit and as embedded in the wider compliance reports of some.

B.5 Internal audit function

B.5.1 Overview

Implemented at a divisional level, internal auditing is an independent and objective assurance activity that sits within each divisions' governance structure, and is guided by a philosophy of adding value to improve the operations of the group. It assists management in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes both internally and within any relevant outsourcer provider.

Each internal audit function across the group operates independently of management, and has no operational responsibilities. In addition, each internal audit function has regular direct access to the relevant Audit & Risk Committee, including formal access to the relevant non-executive directors without the executive directors being present.
The Waard Group utilises the in-house internal audit function of Scildon.

In respect of UK (CA plc, CASLP) Scildon and the Waard Group, the appointment of the head of internal audit is made on a recommendation by the relevant Audit & Risk Committee, with the internal audit function deriving its authority from this committee. In Movestic, a specific board member is ultimately responsible for the external service provider's delivery and will make the recommendation for appointment.

B.5.2 Reporting lines

Each internal audit function across the group has a direct reporting line to its divisional Audit & Risk Committee. Each head of internal audit reports functionally to this Committee and administratively to the divisional CEO with any relevant matters being escalated up to the Chesnara Audit & Risk Committee.

B.5.3 Responsibilities

The table below provides a summary of the key responsibilities of each internal audit function across the group:

Responsibility	Description
Devise audit plan	An internal audit plan is drawn up on an annual basis which includes the proposed scope, timing and resource requirements for the forthcoming year.
Carry out audits and make recommendations	This involves audit planning, an internal controls assessment and the drafting of audit reports containing suggested improvements and recommendations.
Follow up recommendations	All agreed audit recommendations are periodically followed-up to ensure they have been implemented.

B.5.4 Reporting

In delivering the responsibilities within B.5.3, each internal audit function across the group produces a number of reports that are presented to the relevant Audit & Risk Committee. These include:

- an annual audit plan, which includes a rationale for the audits included / excluded selected plan, associated timings and any resource constraints; and
- a quarterly/bi-annual report, prepared for the Audit & Risk Committee, that includes: a summary of progress against and/or changes to the audit plan; key findings, significant issues and key themes arising from the performance of audits; and an analysis of management's progress implementing the agreed action points recommendations made by internal audit.

At a Chesnara group level the Chesnara Audit & Risk Committee receives summaries of internal audit activity for each division as well as its own quarterly report relating to Chesnara plc.

B.6 Actuarial function

B.6.1 Overview

The actuarial function is split along legal entity lines, with Countrywide Assured (CA), CASLP, Movestic, Scildon and the Waard Group all having their own actuarial functions. They are supported by the group actuarial function team for their Solvency II reporting.

The Group Chief Actuary heads up the group actuarial function. Each entity's actuarial function is headed up by a Chief Actuary who has day-to-day responsibility for delivering thse actuarial function's responsibilities. Scildon outsource the role of Actuarial Function Holder, as defined in the Solvency II regulations.

B.6.2 Reporting lines

The Group Chief Actuary oversees all actuarial aspects of group strategy and financial management, including providing relevant information to the Group CEO, the group executive committee and the board.

B.6.3 Responsibilities

The Group Chief Actuary has the responsibility to advise the Group CEO and Group FD of any concerns regarding the sufficiency of financial assets to meet liabilities. To aid this, the Group Chief Actuary has responsibility for:

Responsibility	Description
Support	Acting as a focal point for actuarial matters and advice across the group. Overall control of the group's approach to economic value reporting. Support the chief actuaries within the divisions and business units as appropriate with guidance on the group approach to actuarial matters.
Technical provisions	Oversight of methodologies, models, bases and calculation of technical provisions within group companies.
Solvency	Advising the Group CEO of any concerns regarding the sufficiency of financial assets to meet liabilities to policyholders.
Risk capital	Oversight of the modelling of risk capital for the group ORSA, including advising on suitable stress and scenario testing.
New business	Oversight of the reporting metrics used for assessing the benefit of new business written, advising the Group FD on appropriate measures to meet users' requirements.
Reinsurance	Oversight of the reinsurance arrangements within the group.
Asset-liability matching	Oversight of asset-liability matching within the group.
Acquisitions	Support assessment of potential acquisition targets through (i) oversight of the review of all actuarial matters and (ii) provision of advice to the Group CEO and Group FD.
Investments	The Chief Actuary is a member and the chair of the Investment Committee and advises the committee in respect of asset-liability matching as the Group Head of Investments. The Group Head of Investments is responsible for (a) the investment policy and (b) the concentration risk policy.

B.6.4 Reporting

The Group Chief Actuary attends meetings of the Chesnara board and Chesnara A&RC and is a member of the GEC.

The Group Chief Actuary reports to the Chesnara Audit & Risk Committee and the Chesnara board:
- the results of each quarterly valuation of technical provisions, covering the results of the calculations, including commentary on any material changes in data, methodologies or assumptions;
- the report also considers any deficiencies in the process or output and makes recommendations, in such cases, on how improvements can be introduced; and
- the assumptions and methodologies used.

B.7 Outsourcing

B.7.1 Overview

Chesnara plc's operating model is to maintain a skilled and experienced corporate governance team and outsource operating activity to professional specialists should this suit the particular division's or business unit's structure. When services are outsourced, a governance team will maintain oversight of the outsourced operations.

The extent to which activities are outsourced varies, dependent on the operating model and local regulatory requirements of the respective entities. Such activities are undertaken and monitored in line with the local policy and governance frameworks.

B.7.2 Responsibilities

Each regulated entity recognises its accountability for services outsourced and has a defined governance model for outsourcers that provide critical services. Critical services can be defined as *"services that are vital for the ongoing operation of business"*.

A summary of the critical services that have been outsourced across the group during the year has been provided below:

Critical services	UK	Movestic Livförsäkring	Waard Group	Scildon
Administration of life and pensions policies including call centre operations	X	–	–	–
Actuarial services including valuations of technical provisions	X	–	–	X*
Investment of assets or portfolio management including unit pricing	X	–	X	X
Claims handling	X	–	–	–
Compliance	X	–	–	–
Internal audit	–	X	–	–
Financial reporting**	X	–	–	–
Provision of IT support including cloud services, data storage and information security	X	X	X	–

* Scildon outsources their Actuarial Function Holder as defined in the Solvency II regulations but the arrangements do not include the calculation of the technical provisions.
** CA outsources elements of their financial reporting. The full consolidation of the financial reporting (IFRS and SII) is completed by the group.

Overall accountability is retained by the group and oversight of outsourced activities is a significant element of the responsibilities of executive management. The maintenance of service and performance standards is governed through a strict regime of service level agreements and through continuous monitoring of performance. This includes responsibility to ensure that outsourced activities are carried out in accordance with laws, regulations and industry best practice standards and adhere to the principles and practices of treating our customers fairly by delivering fair customer outcomes. All outsourced activities are contracts specific to the local jurisdiction of the entity.

To ensure effective control of outsourced activities, a documented outsourcing policy is in place within each entity. The aim of these policies is to set out rules and principles for outsourcing of activities. In particular, they aim to ensure that:

- there are processes in place for how to enter into outsourcing agreements in a way that takes into account the effects of the agreement on the company's operation; and
- the implementation of suitable reporting and monitoring routines, to ensure effective control of the outsourced activities and manage the associated risks.

At a group level, outsourced activity is monitored via local board reporting to the Chesnara board. This enables the group to oversee outsourced activity effectively, facilitating any action deemed necessary to be taken in a timely manner.

Strategic and operational matters are raised in the Group CEO report, which will include any relevant information escalated in the board reporting within each division. The group risk function is responsible for the identification and monitoring of risks associated with outsourcing. The function receives quarterly risk reports from each division and any material risks identified are included in the group risk report that is presented to the board (also on a quarterly basis). An overview of outsourcer activity at an operational level is provided in the business review and compliance sections of the quarterly board reporting.

B.8 Any other information

There is no other material information regarding the system of governance of Chesnara plc that is deemed necessary to include.

C. RISK PROFILE

Introduction

The sections below provide a qualitative and quantitative summary of the risk profile for each category of risk. Where information is specific to each risk category, it has been set out under the relevant heading. Where the information is common across all risk categories, or a holistic view is required presenting all risks together, it has been included in Section C.7. In particular:

- **Quantitative risk profile:** Section C.7.1 illustrates the quantitative risk profile of the group at 31 December 2022 using the risk capital requirements calculated when applying the "standard formula". The standard formula does not require all of the risks that are covered in sections C.1 to C.6 below to have capital held against them. Section C.7.1 shows how the risk profile, and any concentrations of risk, at 31 December 2022 compares with the position at 31 December 2021
- **Risk mitigation**: Section C.7.2 sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness.
- **Stress and scenario testing**: Section C.7.3 provides a description of the methods used, the assumptions made and the outcome of the stress and scenario testing carried out for the material risks.

In addition to new business Chesnara also seeks growth through acquisitions. As a result, Chesnara is exposed, over the longer term, to the risk of not achieving future acquisitions, potentially due to a lack of availability of attractive deals, or as a result of factors affecting Chesnara's ability to compete or execute deals (e.g. regulatory constraints, inability to raise sufficient funding etc).

The risk profile is as would be expected for an international insurance business. Over the course of the year, the following new factors have contributed to our assessment of the risk profile:

- During 2022, the risks from the global pandemic have materially reduced, with nearly all restrictions being lifted globally; however, there remains an ongoing risk of further outbreaks/variants, and more recently a resurgence has occurred in China. Chesnara and its subsidiaries have remained operationally stable, with most areas of the business transitioning to some form of hybrid working model.

- EIOPA delivered its SII 2020 review in December 2020, with various recommendations that have the potential to materially impact (yet to be quantified) the SII balance sheet and also regulatory governance. In November 2022, EIOPA advised that, as a result of the economic challenges during 2022, it had carried out an impact assessment for the Solvency II review proposals based on current market conditions as opposed to the original assessment from 2020 and found no material changes that would warrant a reconsideration of the proposals.

- On 17 November 2022 the Chancellor of the Exchequer, Jeremy Hunt, gave his Autumn Statement alongside the release of the highly awaited response to the Solvency II reform consultation. This will potentially result overall in a package of reforms which is significantly more beneficial in terms of capital treatment for long-term insurers than the original proposals. The reforms are seen by the Government as part of delivering on the benefits of Brexit. Consultation on specific technical aspects of the reform measures (led by the PRA) is expected to run over 2023, despite an original expectation that this would be carried out before the end of 2022.

- The PRA issued a 'Dear CEO' letter with 'Thematic feedback on the PRA's supervision of climate-related financial risk and the Bank of England's Climate Biennial Exploratory Scenario exercise' on 21st October 2022 adding to previously published guidance and observations on firm practices in embedding an understanding of climate risks. PRA found that firms have taken good steps, with governance and risk management improving.

- On 29 March 2021, the FCA (PS21/3) and PRA (PS6/21) released their finalised policy statements on operational resilience. The PRA considers that for firms to be operationally resilient, they should be able to prevent disruption from occurring to the extent practicable; adapt systems and processes to continue to provide services and functions in the event of an incident; return to normal running promptly when a disruption is over; and learn and evolve from both incidents and near misses. Chesnara continues to progress activity under the UK operational resilience project. In line with the regulatory deadlines, the first self-assessment was presented to the A&RC/Board in March 2022. The next key regulatory deadline is 31 March 2025; the deadline by which all firms should have sound, effective, and comprehensive strategies, processes, and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service (IBS) in the event of a severe but plausible disruption. To support this the project is currently in the process of running a schedule of real life severe but plausible scenario testing.

- The new accounting standard, IFRS17 became effective from 01 January 2023. The project has progressed the development of processes and reporting which will become operational during 2023. However there is still significant work to embed the new processes into BAU.

Introduction (continued)

- In July 2022, the FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 - A New Consumer Duty. The Consumer Duty, with an implementation date of 31 July 2023 (2024 for closed books), will set higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers.

- A number of legislative changes in Sweden during 2020 and 2021, resulted in fewer restrictions on customers transferring their policies. As a result, Movestic transfer rates increased significantly in 2020 and remained high throughout 2021. This was largely driven by competitor offerings being more attractive, the most significant of which was withdrawn at the end of 2021. Following this withdrawal, during 2022 transfers out have trended downwards as was forecast to be expected, closer to the long term assumption.

- However, rising inflation was already being reported at the end of 2021 and has continued through 2022, peaking at 11.1% in the UK in November before falling to 10.7% in December. Base UK interest rates have also risen from 0.1% to 3.5% during 2022. Similar effects have been experienced globally, particularly in the West. Significant economic volatility globally and particularly in the UK is being driven by supply chain pressures and soaring energy prices. An interim risk report was produced in October 2022 for the A&RC summarising some of the emerging risks from the current geo-political and domestic volatility, documenting known risks and mitigants providing assurance that the risks are being adequately managed.

- In February 2022 Russia invaded Ukraine. A high level risk assessment was conducted to assess any direct or indirect exposures. The assessment considered any exposure in terms of Investments, Customers, External Relationships and Third Parties, Staff, Business Metrics and Information Security. Overall there were no direct exposures identified with the main risks coming from the volatility to financial markets and a potential increase to cyber risk with the possibility of a rise in Russian sponsored cyber-attacks.

- Completion of a Tier 2 debt raise in February 2022 improving the cash holdings of Chesnara, as well as the Group's solvency position, to support the funding of acquisitions

- Completed a currency hedge at Group level in December 2022, which reduces currency risk arising from sterling appreciating against the Euro and/or SEK, and improves the Solvency position at Group level.

Assets invested in accordance with the prudent person principle
Each insurance company within the group has in place a board-approved investment policy which incorporates the requirements of the prudent person principle. The general requirements of the prudent person principle regarding invested assets are that assets should be invested such that:

- they are appropriate to meet the liabilities that they are designed to match;
- an appropriate level of liquidity should be maintained and forecast to be maintained having regard to the maturity profile of the liabilities they are designed to match;
- the asset portfolio should not be overly concentrated in any particular area, such as counterparty, particular industry etc.; and
- they are in the best interest of policyholders and beneficiaries.

Where third party asset managers are employed to manage assets on behalf of the group, mandates are put in place to ensure that the prudent person principle continues to be adhered to.

The Chesnara and divisional boards set risk preferences for invested assets, having full regard for the prudent person principle, and these are applied by senior management when making investment decisions. The risk preferences that are set cover a range of aspects relating to invested assets, such as credit risk, equity, property and currency exposures, interest rate risk, liquidity risk and the use of derivatives. Regular reporting over the investment position and performance is performed to ensure ongoing adherence to the investment policy and associated risk preferences.

C. RISK PROFILE (CONTINUED)

C.1 Underwriting risk

C.1.1 Qualitative review of risk profile

Underwriting risk

Material underwriting risks affecting the Chesnara group include mortality, morbidity, longevity, expense and lapse.

Mortality/morbidity risk arises in all divisions of Chesnara on contracts that pay out in the event of death or sickness. The risk is that deaths/sickness experience being higher than expected, resulting in higher than expected claims pay-outs. This can arise due to trend risk (e.g. changes in experience over time) or catastrophe risk (e.g. one off events or pandemics). Much of this risk is controlled through: the use of reinsurance; regular experience investigations and industry analysis to support best estimate assumptions and identify trends; and options on certain products to vary premiums in the light of adverse experience.

Longevity risk arises on deferred annuity and annuities in payment contracts, mainly affecting the Countrywide Assured and Scildon businesses. The risk is that future mortality experience is lighter than that assumed in longer pay out periods and potential losses. Industry models to estimate future mortality improvements are used to monitor this risk.

Expense risk is the risk that future expenses turn out to be higher than expected. This may arise if expenses exceed budgeted levels, or if there are one-off unexpected costs e.g. regulatory change costs, or if future expense inflation is higher than expected. As part of the group book is in run off, it is also exposed to the expense risks associated with a reducing book, where fixed costs need to be spread over a lower in force policy base. Part of the group operating model is to outsource support activities to professional specialists where appropriate and aims to reduce the impact of fixed and semi-fixed costs, which may otherwise occur as the in-force business runs off.

Lapse risk arises mainly in Movestic, Scildon and Countrywide Assured due to the loss of future charge income if policyholder discontinuance is higher than expected. This can be driven by external events such as economic recession or reputational damage, or by internal factors such as poor fund performance or customer service delivery. However, a significant part of the group's book of business has been in force for a significant period. Therefore, lapse experience tends to be relatively stable over time.

C.2 Market risk

C.2.1 Qualitative review of risk profile

Market risks result from fluctuations in asset values (equities, property, etc.), foreign exchange rates and interest rates and affects the group's ability to fund its promises to customers and other creditors, as well as pay a return to its shareholders. Market risk emerges in different ways through each of the different funds. It arises directly in the non-linked policyholder funds and shareholder fund and indirectly in the linked funds where future charge income is dependent on the investment performance of the underlying funds. Maintaining a well-diversified asset portfolio is used to manage the impact of market risk. Market risk also arises in the with-profits funds within Countrywide Assured due to the existence of minimum guaranteed benefits for with-profit policyholders.

C.3 Credit risk

C.3.1 Qualitative review of risk profile

Credit risk arises in all divisions directly via investment of non-linked policyholder funds and surplus assets and indirectly within unit-linked funds, through the impact on annual management charge income. The risk can materialise in the form of defaults or downgrades, or via the impact of credit spreads on corporate bond values.

Within the with-profits policyholder funds in CA plc, credit risk is generally borne by policyholders. However any defaults, or significant downgrades, could increase the cost of the guarantees in the funds. The portion of the with-profits funds which is attributable to shareholders is exposed to credit risk.

C.4 Liquidity risk

C.4.1 Qualitative review of risk profile

Liquidity risk is the risk that adequate liquid funds are not available to settle liabilities as they fall due and is managed by forecasting cash requirements, including timing and amounts of intra-group cash flows, and by adjusting investment and cash management strategies to meet those requirements. Other liquidity issues could arise from counterparty failures, a large spike in the level of claims or other unexpected expense. The group's objective regarding the management of liquidity risk is to ensure a high level of confidence of an adequate level of liquidity in the business.

C.4.2 Expected profit included in future premiums

The expected profit in future premiums as at 31 December 2022 was £141.8m (31 December 2021: £176.8m).

The expected profits included in future premiums (EPIFP) result from the inclusion in technical provisions of premiums on existing (in-force) business that will be received in the future, but that have not yet been received. Any premiums already received by the undertaking are not included within the scope of EPIFP. Single premium contracts where the premium has already been received are also excluded.

C.5 Operational risk

C.5.1 Qualitative review of risk profile

Operational risk is the risk of loss arising from inadequate or failed internal processes, human errors or failing systems. The group and its divisions are exposed to operational risks which arise in the daily activities and running of the business. Operational risks may, for example, arise due to technical or human errors, failed internal processes, insufficient personnel resources or fraud caused by internal or external persons.

The group perceives operational risk as an inherent part of the day-to-day running of the business and understands that it cannot be completely eliminated. However, the group's objective is to always control or mitigate operational risks, when it is possible to do so in an appropriate and cost effective way.

Within the UK, part of the group operating model is to outsource support activities to specialist service providers typically covering IT, legal and compliance, policy administration, claims management, complaints management, finance and accounting, actuarial, investment operations and fund management. Consequently, some of the operational risk arises within the group's outsourced providers, and therefore operational risk management in this regard is heavily focused on the reviewing, overseeing and monitoring the operational controls that exist within the outsourced arrangements. Operational and expenses risks may also arise if the outsource service providers do not have adequate business continuity plans or if the outsource provider defaults on the contract (e.g. due to financial difficulties) requiring the service to be transferred to another provider.

C.6 Other material risks

C.6.1 Qualitative review of risk profile

Counterparty default risk

Counterparty default risk arises for all other third party agreements that Chesnara group and its subsidiaries have in place with financial institutions and other service providers/suppliers. This includes, for example, reinsurers, banks, outsourced administrative service providers, and independent financial advisors in Sweden and Netherlands. Should these counterparties default, Chesnara risks financial loss, subject to the extent of unrecoverable loss in the event of default, and also potential loss of service to customers or other business continuity risks. All counterparties including reinsurers, intermediaries and financial institutions are assessed for creditworthiness and before outsource arrangements are made full due diligence is carried out. Controls are in place across the group to limit the maximum exposure to single counterparties, to limit the minimum level of credit ratings for acceptable counterparties, and to monitor these credit ratings. Control and assurance is also provided in various contractual protections.

C.6 Other material risks (continued)

C.6.1 Qualitative review of risk profile (continued)

Conduct risk

Conduct risk is the risk of failure to comply with regulatory standards and guidance, breach internal standards of achieving good customer outcomes, or of not treating customers fairly. Conduct risk may also arise due a change in regulatory standards, particularly if this is applied retrospectively to policies that were set up a number of years ago. Where the group is open to new business there is also exposure to the conduct risks associated with the design, sales and marketing of new products

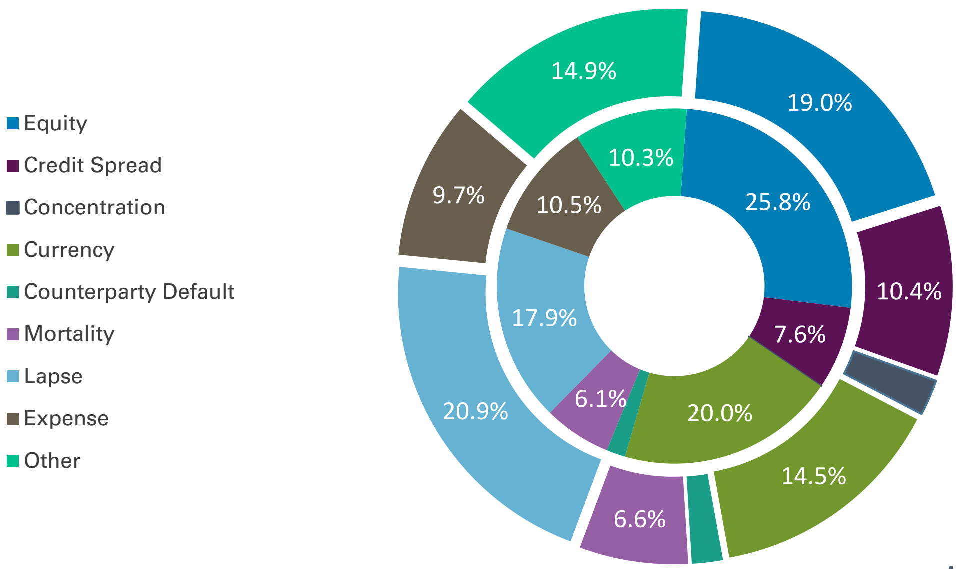
C.7 Any other information

C.7.1 Risk profile (quantitative)

This section considers the risk profile of Chesnara using the risk capital requirements calculated by the standard formula as at 31 December 2022.

Chesnara has a well-diversified risk portfolio at a Group level, with no large risk concentrations (i.e. no single risk category is above 30%), although it should be noted that Movestic and CA have high (>25%) lapse risk exposures and Movestic also have high (>25%) equity risk exposures. The risk profile has been fairly stable during 2022, is well understood, and is not currently intended to significantly.

The equity exposure has reduced during the year as a result of a reduction in equity asset values. The currency exposure reduction has resulted mainly from the group currency risk hedge, put in place in December 2022.



Note:
Outer ring = 31 December 2022
Inner ring = 31 December 2021

C.7 Any other information

C.7.1 Risk profile (quantitative) (continued)

The charts below illustrate the risk profiles at a divisional level using the risk capital requirements calculated by the standard formula as at 31 December 2022.

C.7 Any other information (continued)

C.7.2 Risk mitigation techniques and monitoring

Risk assessment

Section B.3.1 sets out the risk management system for Chesnara and section B.3.2 explains how Chesnara carries out its Own Risk and Solvency Assessment. This provides the framework by which individual risks are identified, assessed, monitored and managed. As part of this framework, Chesnara quantifies the capital impact of different risks by:

- Determining the risk capital requirements using the standard formula as part of the quarterly financial reporting cycle.
- Performing additional stress and scenario testing to support the ORSA.

An assessment is carried out on an annual basis to confirm that the standard formula remains appropriate for establishing the regulatory capital requirements for Chesnara. This assessment is approved by the board.

The quantitative and qualitative review in the previous sections showed that there have been no material changes in risks over the reporting period.

Risk mitigation

Chesnara has an established risk management system, which incorporates risk strategies, policies, control processes and reporting. The risk management system provides the framework to monitor and manage risks, and to assess the effectiveness of controls and risk mitigation techniques.

Within the risk management system, there are a number of specific risk policies covering all the main categories of risk. The risk policies set out the reporting procedures, roles and responsibilities, and the processes and controls to manage risk. A summary of the key controls and risk mitigation techniques for each of the main risk areas is shown in the table below.

Risk category	Key controls and risk mitigation techniques
Underwriting risk	
– Mortality/Morbidity	– Reinsurance programmes to manage mortality and morbidity risk. – Regular experience investigations, and industry analysis, to support best estimate assumptions and identify trends. – Options on certain contracts to vary premiums in the light of adverse experience
– Expense risk	– Stringent regime of budgetary control, monitored as part of the annual planning and quarterly reporting cycles. – Outsourcing strategy to help reduce the impact of semi and fixed costs as the existing CA plc book runs off. – Options on certain contracts to increase policy charges.
– Lapse risk	– Regular experience investigations to support best estimate assumptions and identify trends. – Active investment management to support competitive policyholder returns. – Stringent management of customer service delivery and adherence to treating customers fairly (TCF) principles
Market risk	– Wide range of investment funds to avoid significant concentrations of risk. – Individual fund mandates to diversify risks and produce competitive returns. – Matching of assets and liabilities to reduce the impact of adverse interest rate movements. – Established investment governance framework to provide review and oversight of external fund managers, and monitor adherence to investment policy.
Credit and counterparty default	– Operation of controls which limit the level of exposure to any single counterparty and impose limits on exposure by credit rating. – Reinsurance treaties with multiple reinsurers to help reduce reliance on a single reinsurance counterparty.
Liquidity	– Monthly cash flow forecasts to anticipate funding requirements over the following 12 months – Monthly treasury reporting showing the liquid assets held and how this compares to the minimum threshold set
Operational risk	– Close oversight of the performance and risk management of all internal functions and outsourced service providers. – Rigorous service level measures for outsourced service providers and management information flows under its contractual arrangements. – Ongoing monitoring and testing of internal and outsourced service provider business continuity plans and financial assessments
Conduct risk	– Close oversight of the performance and risk management of all internal functions and outsourced service providers. – The compliance functions across the group maintain compliance plans which include comprehensive compliance monitoring programmes. The activities of the compliance functions are summarised in Section B.4.2

C.7 Any other information (continued)

C.7.3 Stress and scenario testing

C.7.3.1 Overview

Chesnara uses the standard formula to determine its regulatory capital requirements and these are calculated and reported on a quarterly basis. As part of the Own Risk and Solvency Assessment (ORSA) Chesnara performs a forward looking assessment of its ability to meet the regulatory capital requirements under a range of stresses and scenarios.

Full details of the stresses and scenarios, including both qualitative and quantitative climate change risk, the methodologies used and the results are included in the Group ORSA report which is approved by the Board and has been submitted to the PRA. The stress and scenario tests approved by the board and included in the ORSA are summarised in the table below.

These were selected for the ORSA based on the outcomes of Executive workshops, and follow the principles set out in the group stress and scenario testing framework. As well as current known risks, the stresses and scenarios take account of forward looking and emerging risks. The stress and scenarios selected are approved by the board.

	Stress
1	All yields fall (parallel)
2	All yields rise (parallel)
3	Equity asset values fall
4	Equity asset values fall (no symmetric adjustment)
5	Sterling appreciates v all other currency
6	Bond yields fixed, swap rates fall
7	Credit spreads widen
8	Credit spreads widen plus credit downgrades
9	Expense basis
10	Inflation increase (short term)
11	Persistency
12	2022 PRA LIST test (simplified and using Chesnara parameters)
13	Ongoing Ukraine / Russia conflict
14	Climate change

C.7.3.2 Methodology

The stress and scenario tests were carried out with a base date of 30 June 2022.

Assets are recorded at market value, liabilities are calculated based on best estimate assumptions, with risk capital (SCR) determined in accordance with the standard formula. A risk margin is also held on the balance sheet to reflect the capital cost of holding capital to support the SCR.

In quantifying the financial impact of each stress, the balance sheet is projected forward to 31 December 2022 and it is assumed that each stress occurs immediately after, with no subsequent recovery during the projection period.

After applying the stress, risk capital is recalculated in accordance with the standard formula in order to re-establish the regulatory capital requirements.

C. RISK PROFILE (CONTINUED)

C.7 Any other information (continued)

C.7.3 Stress and scenario testing (continued)

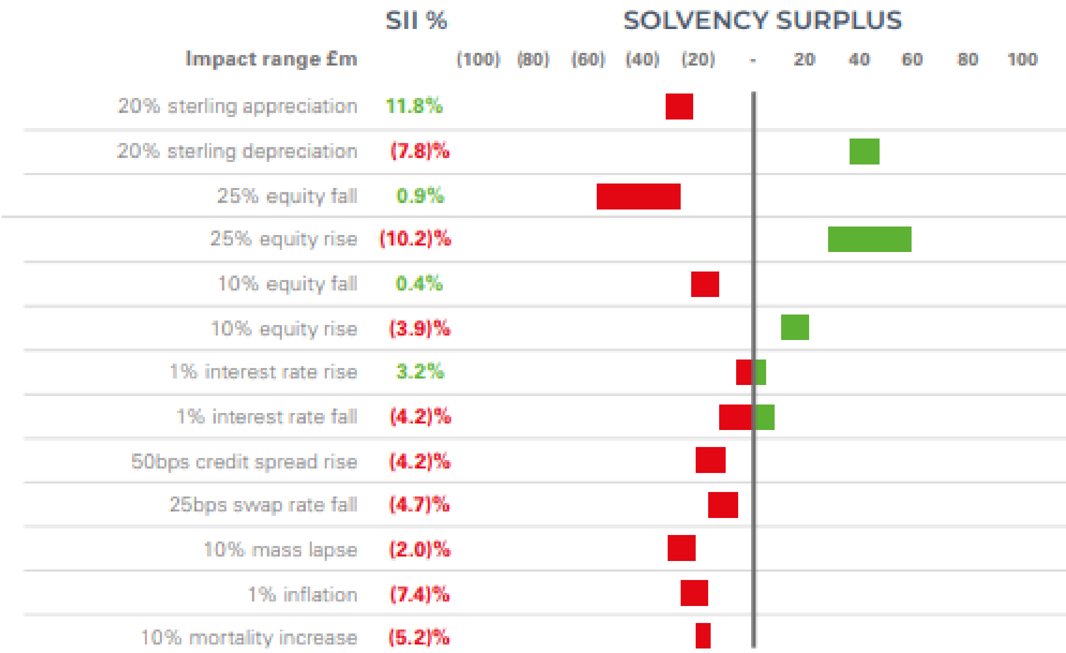
C.7.3.3 Outcomes from the stress and scenario testing

Each stress and scenario test was performed using the methodology described above, and the solvency ratio (the ratio of own funds to the solvency capital requirement) was compared to the base financial position.

The analysis concluded that the free assets at 31 December 2022 were sufficient to withstand all of the stresses and scenarios approved by the board, and continue to meet its regulatory capital requirements. Chesnara is a resilient group in terms of its current solvency position, that can comfortably withstand all the stress and scenario tests chosen by the Board, starting from the forecast solvency position at 31 December 2022.

The detailed results from the stresses and scenarios outlined above are included in the ORSA report, which is subsequently approved by the board and privately submitted to the Prudential Regulation Authority.

As part of the financial year end process undertaken at 31 December 2022, a range of sensitivities are also performed to show the impact on Chesnara's key financial metrics, with summary results disclosed in the Chesnara Group Annual Report & Accounts. The diagram below provides some insight into the immediate impact of certain sensitivities that the group is exposed to. Each individual bar in the diagram illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive (green) or negative (red).



Whilst the sensitivities above provide a useful guide, in practice, how the position reacts to changing conditions is complex and the exact level of impact can vary due to the interactions of events and the starting position.

C.7 Any other information (continued)

C.7.3 Stress and scenario testing (continued)

C.7.3.3 Outcomes from the stress and scenario testing

Insight

Currency sensitivities

A sterling appreciation reduces the value of surplus in our overseas divisions and any overseas investments in our UK entities; however, this is partly mitigated by the group currency hedge. The impact of a sterling depreciation is not symmetrical because the currency hedge only removes a limited amount of upside potential.

Equity sensitivities

The equity rise sensitivities cause both Own Funds and SCR to rise, as the value of the funds exposed to risk is higher. The increase in SCR can be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment. The converse applies to an equity fall sensitivity, although the impacts are not fully symmetrical due to management actions and tax. The Tier 2 debt value also changes materially in these sensitivities. The change in symmetric adjustment can have a significant impact (25% equity fall: -£12m to the SCR, 25% equity rise: +£39m to SCR). The EcV impacts are more intuitive as they are more directly linked to Own Funds impact. CA and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities.

Interest rate sensitivities

An interest rate rise currently has a more adverse effect on group Economic Value than an interest rate fall. This is a change in exposure following the rise in interest rates over 2022. However, group solvency is still less exposed to rising interest rates as a rise in rates causes capital requirements to fall, increasing solvency.

50bps credit spread rise

A credit spread rise has an adverse impact on surplus and future cash generation, particularly in Scildon due to corporate and non-local government bond holdings that form part of the asset portfolios backing non-linked insurance liabilities. The impact on the other divisions is less severe.

25bps swap rate fall

This sensitivity measures the impact of a fall in the swap discount curve with no change in the value of assets. The result is that liability values increase in isolation. The most material impacts are on CA and Scildon due to the size of the non-linked book.

10% mass lapse

In this sensitivity Own Funds fall as there are fewer policies on the books, thus less potential for future profits. This is largely offset by a fall in SCR, although the amount of eligible Tier 2 capital also falls. The division most affected is Movestic as it has the largest concentration of unit-linked business.

1% inflation rise

This sensitivity measures a permanent increase in inflation in every future year over and above our modelled assumptions. Such a rise in inflation increases the amount of expected future expenses. This is capitalised into the balance sheet and hits the solvency position immediately.

10% mortality increase

This sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Introduction

This section of the Solvency and Financial Condition Report shows how the assets and liabilities of the group have been valued, both for Solvency and IFRS reporting purposes. The below table summarises the own funds (as measured on a solvency basis) and net assets (as measured on an IFRS basis) and provides a reference where further information has been provided.

		31 December 2022		31 December 2021	
	Section reference	Solvency II value £'000	Statutory accounts value £'000	Solvency II value £'000	Statutory accounts value £'000
Assets	***Section D1***	10,965,938	11,133,714	9,281,233	9,402,717
Net technical provisions	***Section D2***	(10,020,465)	(10,315,842)	(8,394,643)	(8,643,637)
Other liabilities	***Section D3***	(470,933)	(484,755)	(299,108)	(300,911)
Assets less liabilities		**474,450**	**333,117**	**587,482**	**458,169**

Below is the build up from the divisional values to the overall group position for both the statutory and solvency values.

	Solvency II value 31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets	4,493,907	3,856,256	584,000	1,901,859	129,916	10,965,938
Net technical provisions	(4,155,633)	(3,646,961)	(476,968)	(1,698,814)	(42,089)	(10,020,465)
Other liabilities	(150,274)	(23,865)	(22,056)	(70,627)	(204,111)	(470,933)
Assets less liabilities	**188,000**	**185,430**	**84,976**	**132,418**	**(116,284)**	**474,450**

	Statutory accounts value 31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets	4,549,887	3,933,521	698,856	1,933,677	17,773	11,133,714
Net technical provisions	(4,203,908)	(3,808,533)	(503,775)	(1,799,626)	–	(10,315,842)
Other liabilities	(177,144)	(23,022)	(14,672)	(52,826)	(217,090)	(484,755)
Assets less liabilities	**168,835**	**101,965**	**180,409**	**81,225**	**(199,317)**	**333,117**

	Solvency II value 31 December 2021					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets	2,282,932	4,462,260	383,124	2,097,734	55,183	9,281,233
Net technical provisions	(1,952,475)	(4,198,453)	(323,122)	(1,872,743)	(47,850)	(8,394,643)
Other liabilities	(164,284)	(29,374)	(9,460)	(73,446)	(22,544)	(299,108)
Assets less liabilities	**166,173**	**234,433**	**50,542**	**151,545**	**(15,211)**	**587,482**

	Statutory accounts value 31 December 2021					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets	2,286,624	4,544,183	386,607	2,130,120	55,183	9,402,717
Net technical provisions	(2,000,716)	(4,409,246)	(339,160)	(1,894,515)	–	(8,643,637)
Other liabilities	(155,158)	(28,700)	(5,564)	(76,184)	(35,305)	(300,911)
Assets less liabilities	**130,750**	**106,237**	**41,883**	**159,421**	**19,878**	**458,169**

D.1 Assets (continued)

Introduction (continued)

The table below shows separately each class of asset under Solvency II values and the statutory accounts (IFRS) value at the group level:

	Note	31 December 2022 Solvency II value £'000	31 December 2022 Statutory accounts value £'000	31 December 2021 Solvency II value £'000	31 December 2021 Statutory accounts value £'000
Assets					
Deferred acquisition costs	*1.01*	–	62,806	–	63,328
Intangible assets	*1.02*	–	105,302	–	58,834
Property, plant & equipment held for own use	*1.03*	7,859	7,859	7,830	7,830
Investments (other than assets held for index-linked and unit-linked contracts)		1,611,155	1,609,876	1,628,369	1,628,360
Property (other than own use)		1,215	1,215	1,071	1,071
Holdings in related undertakings, including participations	*1.04*	56,342	55,065	1,339	1,338
Bonds		911,312	911,312	975,977	975,977
Government bonds	*1.05*	454,851	454,851	564,456	564,456
Corporate bonds	*1.05*	456,202	456,202	411,521	411,521
Collateralised securities	*1.05*	260	260	–	–
Collective investments undertakings	*1.05*	634,334	634,334	649,014	649,014
Derivatives	*1.06*	7,162	7,162	170	170
Deposits other than cash equivalents	*1.05*	775	773	799	790
Assets held for index-linked and unit-linked contracts	*1.07*	9,173,549	9,173,549	7,491,468	7,491,468
Loans and mortgages		26,021	26,701	21,166	20,114
Loans on policies	*1.08*	841	841	318	318
Loans and mortgages to individuals	*1.09*	22,937	23,617	20,847	19,796
Other loans and mortgages	*1.10*	2,243	2,243	–	–
Insurance and intermediaries receivables	*1.11*	17,828	17,828	7,359	7,359
Reinsurance receivables	*1.12*	21,801	22,068	23,983	24,366
Receivables (trade, not insurance)	*1.13*	30,559	30,559	21,548	21,548
Own shares (held directly)	*1.14*	–	–	–	–
Cash and cash equivalents	*1.15*	70,431	70,431	71,543	71,543
Any other assets, not elsewhere shown	*1.16*	6,735	6,735	7,967	7,967
Total assets		**10,965,938**	**11,133,714**	**9,281,233**	**9,402,717**

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

D.1 Assets (continued)

Introduction (continued)

Below is the build up from the divisional values to the overall group position for both the statutory and solvency values.

	Solvency II value 31 December 2022					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets						
Deferred acquisition costs	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Property, plant & equipment held for own use	–	1,131	438	6,173	117	7,859
Investments (other than assets held for index-linked and unit-linked contracts)	542,615	42,005	112,907	796,851	116,777	1,611,155
Assets held for index-linked and unit-linked contracts	3,905,092	3,770,831	418,883	1,078,743	–	9,173,549
Loans and mortgages	–	–	25,180	310	531	26,021
Insurance and intermediaries receivables	1,677	4,751	9,975	1,425	–	17,828
Reinsurance receivables	21,195	–	606	–	–	21,801
Receivables (trade, not insurance)	9,250	–	3,551	7,858	9,900	30,559
Own shares (held directly)	–	–	–	–	–	–
Cash and cash equivalents	13,638	32,401	12,403	10,499	1,490	70,431
Any other assets, not elsewhere shown	440	5,137	57	–	1,101	6,735
Total assets	**4,493,907**	**3,856,256**	**584,000**	**1,901,859**	**129,916**	**10,965,938**

	Statutory accounts value 31 December 2022					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets						
Deferred acquisition costs	905	51,904	–	9,997	–	62,806
Intangible assets	55,075	26,072	3,520	21,823	(1,188)	105,302
Property, plant & equipment held for own use	–	1,131	438	6,173	177	7,859
Investments (other than assets held for index-linked and unit-linked contracts)	542,875	41,294	223,296	796,849	5,822	1,609,876
Assets held for index-linked and unit-linked contracts	3,905,092	3,770,831	418,883	1,078,743	–	9,173,549
Loans and mortgages	–	–	25,860	310	531	23,617
Insurance and intermediaries receivables	1,677	4,751	9,975	1,425	–	17,828
Reinsurance receivables	21,195	–	873	–	–	22,068
Receivables (trade, not insurance)	9,250	–	3,551	7,858	9,900	30,559
Own shares (held directly)	–	–	–	–	–	–
Cash and cash equivalents	13,638	32,401	12,403	10,499	1,490	70,431
Any other assets, not elsewhere shown	440	5,137	57	–	1,101	6,735
Total assets	**4,549,887**	**3,933,521**	**698,856**	**1,933,677**	**17,773**	**11,133,714**

D.1 Assets (continued)

Introduction (continued)

	Solvency II value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets						
Deferred acquisition costs	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Property, plant & equipment held for own use	–	1,901	314	5,450	165	7,830
Investments (other than assets held for index-linked and unit-linked contracts)	560,286	66,816	51,755	910,056	39,456	1,628,369
Assets held for index-linked and unit-linked contracts	1,682,771	4,366,470	280,366	1,161,861	–	7,491,468
Loans and mortgages	–	–	20,848	318	–	21,166
Insurance and intermediaries receivables	1,618	3,592	813	1,336	–	7,359
Reinsurance receivables	23,271	–	712	–	–	23,983
Receivables (trade, not insurance)	5,150	–	1,078	7,784	7,536	21,548
Own shares (held directly)	–	–	–	–	–	–
Cash and cash equivalents	9,447	17,261	27,132	10,929	6,774	71,543
Any other assets, not elsewhere shown	389	6,220	106	–	1,252	7,967
Total assets	**2,282,932**	**4,462,260**	**383,124**	**2,097,734**	**55,183**	**9,281,233**

	Statutory accounts value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Assets						
Deferred acquisition costs	1,122	53,619	–	8,587	–	63,328
Intangible assets	2,570	28,304	4,152	23,808	–	58,834
Property, plant & equipment held for own use	–	1,901	314	5,450	165	7,830
Investments (other than assets held for index-linked and unit-linked contracts)	560,286	66,816	51,755	910,047	39,456	1,628,360
Assets held for index-linked and unit-linked contracts	1,682,771	4,366,470	280,366	1,161,861	–	7,491,468
Loans and mortgages	–	–	19,796	318	–	20,114
Insurance and intermediaries receivables	1,618	3,592	813	1,336	–	7,359
Reinsurance receivables	23,271	–	1,095	–	–	24,366
Receivables (trade, not insurance)	5,150	–	1,078	7,784	7,536	21,548
Own shares (held directly)	–	–	–	–	–	–
Cash and cash equivalents	9,447	17,261	27,132	10,929	6,774	71,543
Any other assets, not elsewhere shown	389	6,220	106	–	1,252	7,967
Total assets	**2,286,624**	**4,544,183**	**386,607**	**2,130,120**	**55,183**	**9,402,717**

Bases, methods, assumptions and inputs used in asset valuation for Solvency purposes, and difference between the amounts recorded in the financial statements:

In general, assets are recognised and valued in line with IFRS accounting principles and consequently valued at fair value. For assets valued using fair value, Chesnara relies on quoted prices in active markets to value its investments. Quoted market prices in an active market provide the most reliable evidence of fair value and are used without adjustment to measure fair value whenever available. The company assesses whether markets are active by considering both the frequency and volume of trades and whether these are sufficient to provide appropriate pricing information.

Further detail by material asset class has been provided below.

D.1 Assets (continued)

D.1.01 Deferred acquisition costs (DAC)

Basis and methods for IFRS valuation

Deferred acquisition costs are stated at amortised cost, less impairment. On initial recognition the carrying value is based on cost. These costs are subsequently amortised over the expected life of the underlying policyholder contract to which they relate. Impairment losses are booked at the point of identification.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

Judgement is applied in deciding the amount of direct costs that are incurred in acquiring the rights to the policyholder contract. Judgement is also applied in establishing the amortisation of the assets representing these contractual rights. Estimates are applied in determining the lifetime of the policyholder contracts and in determining the recoverability of the contractual rights assets by reference to expected future income and expense levels.

Inputs for IFRS valuation

- Direct costs that are incurred in acquiring the rights to a policyholder contract.
- Estimated life of policyholder contracts to which the acquisition costs relate.

Solvency II valuation

The general rule is that intangible assets, other than goodwill, are recognised in the Solvency II balance sheet at a value other than zero only if they can be sold separately and the insurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets. As deferred acquisition costs fail to meet these criteria, these are valued at zero in line with Solvency II rules.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes for both IFRS and Solvency II purposes.

D.1.02 Intangible assets

a. Acquired value of in-force business (AVIF)

Basis and methods for IFRS valuation

The acquired value of in-force is stated at amortised cost. This represents an estimate of fair value on initial recognition, which is subsequently amortised over its estimated economic life. AVIF assets are presented net of impairment losses, which are recognised when a trigger event has been identified.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

The group applies accounting estimates and judgements in determining the fair value, amortisation and recoverability of acquired in-force business relating to insurance and investment contracts. In the initial determination of the acquired value of in-force business, the group uses actuarial models to determine the expected net cash flows (on a discounted basis) of the policies acquired. The key assumptions applied in the models are driven by the expected behaviour of policyholders on termination rates, expenses of management and age of individual contract holders as well as global estimates of investment growth, based on recent experience at the date of acquisition. The assumptions applied within the models are considered against historical experience of each of the relevant factors.

The acquired value of in-force business is amortised on a basis that reflects the expected profit stream arising from the business acquired at the date of acquisition. Acquired value of in-force business is tested for recoverability by reference to expected future income and expense levels. Such impairment testing requires a degree of estimation and judgement. In particular, the value is sensitive to the rate at which future cash flows are discounted and to the rates of return on invested assets.

Inputs

Best estimates of future cash flows arising from the in-force book on acquisition, as extracted from the group's actuarial valuation models.

Solvency II valuation

Intangible assets, other than goodwill, are recognised in the Solvency II balance sheet at a value other than zero only if they can be sold separately and the insurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets. The AVIF asset does not meet these criteria and is therefore valued at zero in the group Solvency II balance sheet.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year there were no changes made to either the recognition or valuation basis or estimation processes.

D.1 Assets (continued)

D.1.02 Intangible assets (continued)

b. Acquired value of customer relationships (AVCR)

Basis and methods for IFRS valuation

AVCR is stated at amortised cost. The initial "cost" is taken to be the fair value on acquisition. This is subsequently amortised over its expected economic life. Impairment losses are recognised at the point of a trigger event being recognised.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

The acquired value of customer relationships arising from business combinations is measured at fair value at the time of acquisition. This comprises the discounted cash flows relating to new insurance and investment contracts which are expected to arise from existing customer relationships. This is sensitive to the rate at which future cash flows are discounted and to the rates of return on invested assets.

Inputs

Discounted cash flows relating to new insurance and investment contracts which are expected to arise from existing customer relationships.

Solvency II valuation

Intangible assets, other than goodwill, are recognised in the Solvency II balance sheet at a value other than zero only if they can be sold separately and the insurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets. The AVCR asset does not meet this criterion and is therefore valued at zero in the group Solvency II balance sheet.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to either the recognition or valuation basis or estimation processes.

c. Software assets

Basis and methods for IFRS valuation

Software assets in respect of internal development software costs are stated at cost less accumulated depreciation and impairment losses. Software assets are amortised on a straight-line basis over their estimated useful life, which typically varies between three and five years.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

A software asset is only recognised if all of the following conditions are met:

I. An asset is created that can be identified;
II. It is probable that the asset created will generate future economic benefits; and
III. The development costs of the asset can be measured reliably.

Input:

- Initial development costs.
- Useful economic life of the asset.

Solvency II valuation

Intangible assets, other than goodwill, are recognised in the Solvency II balance sheet at a value other than zero only if they can be sold separately and the insurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets. Bespoke computer software tailored to the needs of the undertaking and "off the shelf" software licences that cannot be sold to another user shall be valued at zero.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to either the recognition or valuation basis or estimation processes.

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

D.1 Assets (continued)

D.1.03 Property, plant & equipment held for own use

Basis and methods for IFRS valuation

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful economic lives of the property and equipment on the following basis:

- Computers and similar equipment	3 to 5 years
- Fixtures and other equipment	5 years

The application of IFRS 16 Leases in the prior year resulted in leases previously classified as operating leases under IAS 17 being recognised within this category as right-of-use assets.

Solvency II valuation

There are no differences between IFRS and SII for valuation purposes.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to either the recognition or valuation basis or estimation processes.

D.1.04 Holdings in related undertakings, including participations

Basis and methods for IFRS valuation

Holdings in related undertakings, including participations are accounted for under IFRS using the "equity method". This means that the associate is initially carried at cost, and then subsequently adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

The impairment of an existing holding in a related undertaking.

Inputs

Movement in the value of net assets of the associate.

Solvency II valuation

Under Solvency II valuation rules, the carrying value is determined by applying Solvency II valuation rules to the underlying assets and liabilities, whereas under IFRS the carrying value is determined with reference to the share of net assets as valued on an IFRS basis.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to either the recognition or valuation basis or estimation processes.

D.1.05 Non-linked investment assets

Basis and methods for IFRS valuation

Non-linked assets are measured at fair value, with the exception of deposits other than cash equivalents held within Scildon which are reported at book cost. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market are their bid prices as at the balance sheet date.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS valuation

Observable market prices.

Solvency II valuation

There are no differences between IFRS and SII for valuation purposes, barring the immaterial difference that arises on the deposits other than cash equivalents held by Scildon.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

D.1 Assets (continued)

D.1.06 Derivatives

Basis and methods

Derivative financial instruments are measured at fair value and comprise forward exchange contracts. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS valuation

Observable market prices.

Solvency II valuation

There are no differences between IFRS and SII for valuation purposes.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.07 Assets held for index-linked & unit-linked funds

Basis and methods for IFRS valuation

Assets held for index-linked & unit-linked funds are measured at fair value. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets (other than those held in collective investment schemes) quoted in an active market, are their bid prices as at the balance sheet date. For collectives, fair value is taken to be the published bid price.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS valuation

Observable market prices.

Solvency II valuation

There are no differences between IFRS and SII for valuation purposes.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.08 Loans on policies

Basis and methods for IFRS valuation

Loans on policies are measured at fair value.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS valuation

Observable market prices.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1 Assets (continued)

D.1.09 Loans and mortgages to individuals

Basis and methods for IFRS valuation

At inception, loans and mortgages to individuals are measured at fair value, which is taken to be the acquisition value. Subsequent to this "loans and mortgages to individuals" is stated at amortised cost less impairment losses using the effective interest rate method.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

Loans and mortgages to individuals are reviewed annually for impairment.

Inputs for IFRS valuation

The key input that is used for determining the effective interest rate is an estimate of the future cash flows that are expected to be received on the mortgage portfolio. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the expected life of the mortgage portfolio such that it equals the amount paid on initial recognition. After initial recognition, where there are indications in future periods that the estimated future cash flows no longer support the carrying value of the asset, in impairment is recognised.

Solvency II valuation

Under Solvency II, loans and mortgages to individuals are valued at fair value using a valuation model.

Inputs for Solvency II valuation

The discounted cash-flow model by which the future cash-flows are modelled into a current fair value, uses a range of inputs, such as, market rates of interest, contract-end-date, interest-reset date, consumer mortgage tariffs per category and a constant prepayment rate.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.10 Other loans and mortgages

Basis and methods for IFRS valuation

Other loans and mortgages are measured at fair value.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS valuation

Observable market prices.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.11 Insurance & intermediaries receivables

Basis and methods for IFRS valuation

Insurance and intermediaries receivables are measured at fair value. Fair value is taken to be the value of the receivable on initial recognition. Should a subsequent indication of impairment be identified then the carrying value is adjusted to reflect the reduced value of the receivable.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

Insurance and intermediaries receivables are reviewed annually for impairment.

Inputs for IFRS valuation

Period end statements and calculations that reflect amounts outstanding as at the balance sheet date from policyholders, reinsurers, financial institutions and other sundry debtors.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1 Assets (continued)

D.1.12 Reinsurance receivables

These comprise reinsurers' share of accrued policyholder claims. Reinsurance recoverables, representing reinsurers' share of technical provisions, are covered further in section D.2.

Basis and methods for IFRS valuation

Reinsurance receivables, representing amounts due by reinsurers, are measured at fair value, taken as being the amount of reinsurance that is expected to be recoverable on initial recognition of the reinsurance asset. A reinsurance asset is recognised when the associated claim to which it relates is recognised.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

Assumptions are made regarding the extent to which a reinsurance receivable has a risk of not being fully recoverable. At each balance sheet date an assessment is performed regarding whether there should be any provisions raised against reinsurance receivables.

Inputs for IFRS valuation

Reinsurance accounts prepared in accordance with the provisions contained within the underlying reinsurance treaties.

Solvency II valuation

Reinsurance receivables are valued in Solvency II on the same basis as for IFRS, barring reinsurance recoverables which are valued using Solvency II reserving methodologies rather than IFRS reserving methodologies.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.13 Receivables (trade, not insurance)

Basis and methods for IFRS valuation

Receivables are measured at fair value. Fair value is taken to be the value of the receivable on initial recognition. Should a subsequent indication of impairment be identified then the carrying value is adjusted to reflect the reduced value of the receivable.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

Receivables are assessed annually for impairment.

Inputs for IFRS valuation

Invoices that reflect the initial recognition value.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1 Assets (continued)

D.1.14 Own shares

Basis and methods for IFRS valuation
Own shares held are not recognised as an asset under IFRS, but recognised as part of equity.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation
None.

Inputs for IFRS valuation
Number of own shares held and price paid for the shares.

Solvency II valuation
Under Solvency II, own shares are recognised on the market value balance sheet as an asset.

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.15 Cash and cash equivalents

Basis and methods for IFRS valuation
Cash and cash equivalents include cash-in-hand, deposits held at call with banks and other short-term highly liquid investments and are measured at fair value. Highly liquid is defined as having a short maturity of three months or less at their acquisition.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation
None.

Inputs for IFRS valuation
- Bank and term deposit statements.
- Bank reconciliation timing differences.

Solvency II valuation
There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.1.16 Any other assets, not elsewhere shown

Basis and methods for IFRS valuation
This category of assets only includes prepayments. Prepayments are valued by spreading the up-front cost of an asset or service over the time period over which the service is received / time period over which the asset is consumed.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation
Judgement is applied in estimating the benefit arising from the prepayment and the duration over which the asset is recognised.

Inputs for IFRS valuation
The initial prepaid cost and spreading profile.

Solvency II valuation
There are no differences between the IFRS and SII valuation methods as the carrying value in the IFRS balance sheet is deemed to represent the fair value of the asset.

Changes made to the recognition and valuation bases used or on estimations made during the period
During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.2 Technical provisions

D.2.1 Value of technical provisions

The following table analyses the net technical provisions / insurance liabilities under Solvency II and IFRS values. The figures below are 'net' as they show both the gross position and also the associated reinsurance recoverables.

	31 December 2022		31 December 2021	
	Solvency II value £'000	Statutory accounts value £'000	Solvency II value £'000	Statutory accounts value £'000
Net technical provisions:				
Health (similar to non-life):				
Best Estimate / statutory accounts value	15,406	20,564	18,653	22,326
Risk margin	1,606		2,278	
Reinsurance recoverables	(1,996)	(2,779)	(2,527)	(3,135)
Total	**15,016**	**17,785**	**18,404**	**19,191**
Health (similar to life):				
TP calculated as a whole	104,466		162,121	
Best Estimate / statutory accounts value	23,180	139,911	29,532	208,319
Risk margin	2,135		3,013	
Reinsurance recoverables	(!3,271)	(17,793)	(17,391)	(22,980)
Total	**116,510**	**122,118**	**177,275**	**185,339**
Life (ex-health and index-linked and unit-linked):				
Best Estimate / statutory accounts value	687,370	924,234	743,856	975,562
Risk margin	38,019		46,316	
Reinsurance recoverables	(80,419)	(!45,267)	(99,718)	(189,594)
Total	**644,970**	**778,967**	**690,454**	**785,968**
Index-linked and unit-linked:				
TP calculated as a whole	9,095,736		7,359,715	
Best estimate / statutory accounts value	139,642	9,465,694	147,451	7,730,438
Risk margin	44,946		49,178	
Reinsurance recoverables	(36,356)	(68,721)	(47,834)	(77,299)
Total	**9,243,968**	**9,396,973**	**7,508,510**	**7,653,139**
Total net technical provisions	**10,020,464**	**10,315,843**	**8,394,643**	**8,643,637**

The technical provisions for Group consist of technical provisions (TP) calculated as a whole, best estimate liabilities ('BEL') and the risk margin. This section considers the TP calculated as a whole, BEL and risk margin separately, describing the basis, methods and main assumptions. Where relevant, this section highlights differences in basis, methods and main assumptions between the lines of business.

TP calculated as a whole

The technical provisions calculated as a whole are used to represent the policyholder value of unit-linked contracts and are set with reference to the unit fund as at the valuation date.

BEL basis and methodology

The BEL corresponds to the probability-weighted average of future policyholder cash-flows in excess of any TP calculated as a whole allowing for items such as premiums, claims, expenses and lapses. The calculation takes account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure supplied by EIOPA (Movestic, Waard and Scildon) and the PRA (CA, CASLP and Chesnara).

For CA, CASLP & Waard, the calculation is conducted at a per-policy level for all business with negative BELs being permitted. Similarly, no implicit or explicit surrender value floor is assumed.

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

BEL basis and methodology (continued)

For Movestic, the calculation is conducted at a per-policy level for the health and unit-linked life business. For the non-life health business and the life (excluding health and unit-linked business) the best estimate is calculated on grouped policy data. Each group consists of a homogeneous risk group.

For Scildon, per-policy data for all business (including the group pension business) is collected and used to calculate the best estimate.

Policyholder cash flows

The cash-flow projections include all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over the lifetime of the policy. Specifically:

- claim payments including both guaranteed and discretionary;
- expenses;
- premiums;
- renewal and initial commission;
- investment related cash-flows; and
- taxation payments.

Below is the build up from the divisional values to the overall group position for both the statutory and solvency values.

	Solvency value 31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Net technical provisions:						
Health (similar to non-life):						
Best Estimate	–	15,406	–	–	–	15,406
Risk margin	–	1,606	–	–	–	1,606
Reinsurance recoverables	–	(1,996)	–	–	–	(1,996)
Total	**–**	**15,016**	**–**	**–**	**–**	**15,016**
Health (similar to life):						
TP calculated as a whole	104,466	–	–	–	–	104,466
Best Estimate	(625)	21,779	2,026	–	–	23,180
Risk margin	1,732	377	26	–	–	2,135
Reinsurance recoverables	(820)	(11,814)	(637)	–	–	(13,271)
Total	**104,753**	**10,342**	**1,415**	**–**	**–**	**116,510**
Life (ex-health and index-linked and unit-linked):						
Best Estimate	412,824	2,975	61,081	210,490	–	687,370
Risk margin	5,922	225	4,491	27,381	–	38,019
Reinsurance recoverables	(129,860)	(918)	(2,626)	52,985	–	(80,419)
Total	**288,886**	**2,282**	**62,946**	**290,856**	**–**	**644,970**
Index-linked and unit-linked:						
TP calculated as a whole	3,827,657	3,776,534	276,023	1,215,523	–	9,095,736
Best estimate	(47,871)	(176,131)	135,037	186,518	42,089	139,642
Risk margin	19,763	18,918)	1,533	4,732	–	44,946
Reinsurance recoverables	(37,555)	–	14	1,185	–	(36,356)
Total	**3,761,994**	**3,619,321**	**412,607**	**1,407,958**	**42,089**	**9,243,968**
Total net technical provisions	**4,155,633**	**3,646,961**	**476,968**	**1,698,814**	**42,089**	**10,020,464**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Statutory value 31 December 2022					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Net technical provisions:						
Health (similar to non-life):						
Statutory accounts value	–	20,564	–	–	–	20,564
Risk margin	–					
Reinsurance recoverables	–	(2,779)	–	–	–	(2,779)
Total	**–**	**17,785**	**–**	**–**	**–**	**17,785**
Health (similar to life):						
Statutory accounts value	111,526	25,570	2,815	–	–	139,911
Risk margin						
Reinsurance recoverables	(2,197)	(14,227)	(1,369)	–	–	(17,793)
Total	**109,329**	**11,343**	**1,446**	**–**	**–**	**122,118**
Life (ex-health and index-linked and unit-linked):						
Statutory accounts value	468,908	3,856	86,391	365,079	–	924,234
Risk margin						
Reinsurance recoverables	(143,394)	(985)	(888)	–	–	(145,267)
Total	**325,514**	**2,871**	**85,503**	**365,079**	**–**	**778,967**
Index-linked and unit-linked:						
Statutory accounts value	3,837,787	3,776,534	416,826	1,434,547	–	9,465,694
Risk margin						
Reinsurance recoverables	(68,721)	–	–	–	–	(68,721)
Total	**3,769,066**	**3,776,534**	**416,826**	**1,434,547**	**–**	**9,396,973**
Total net technical provisions	**4,203,909**	**3,808,533**	**503,775**	**1,799,626**	**–**	**10,315,843**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Solvency value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Net technical provisions:						
Health (similar to non-life):						
Best Estimate	–	18,653	–	–	–	18,653
Risk margin	–	2,278	–	–	–	2,278
Reinsurance recoverables	–	(2,527)	–	–	–	(2,527)
Total	**–**	**18,404**	**–**	**–**	**–**	**18,404**
Health (similar to life):						
TP calculated as a whole	162,121	–	–	–	–	162,121
Best Estimate	(3,064)	29,805	2,791	–	–	29,532
Risk margin	2,370	592	51	–	–	3,013
Reinsurance recoverables	(89)	(16,356)	(946)	–	–	(17,391)
Total	**161,338**	**14,041**	**1,896**	**–**	**–**	**177,275**
Life (ex-health and index-linked and unit-linked):						
Best Estimate	471,564	1,859	49,494	220,939	–	743,856
Risk margin	6,362	240	5,101	34,613	–	46,316
Reinsurance recoverables	(162,941)	(751)	(3,293)	67,267	–	(99,718)
Total	**314,985**	**1,348**	**51,302**	**322,819**	**–**	**690,454**
Index-linked and unit-linked:						
TP calculated as a whole	1,542,530	4,372,815	281,148	1,163,222	–	7,359,714
Best estimate	(30,659)	(236,940)	(12,369)	379,569	47,850	147,451
Risk margin	13,047	28,785	1,116	6,230	–	49,178
Reinsurance recoverables	(48,766)	–	29	903	–	(47,834)
Total	**1,476,152**	**4,164,660**	**269,924**	**1,549,924**	**47,850**	**7,508,510**
Total net technical provisions	**1,952,475**	**4,198,453**	**323,122**	**1,872,743**	**47,850**	**8,394,643**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Statutory value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Net technical provisions:						
Health (similar to non-life):						
Statutory accounts value	–	22,326	–	–	–	22,326
Risk margin	–					
Reinsurance recoverables	–	(3,315)	–	–	–	(3,135)
Total	**–**	**19,191**	**–**	**–**	**–**	**19,191**
Health (similar to life):						
Statutory accounts value	169,920	34,813	3,586	–	–	208,319
Risk margin						
Reinsurance recoverables	(1,783)	(19,455)	(1,742)	–	–	(22,980)
Total	**168,137**	**15,358**	**1,844**	**–**	**–**	**185,339**
Life (ex-health and index-linked and unit-linked):						
Statutory accounts value	549,443	2,673	66,878	356,568	–	975,562
Risk margin						
Reinsurance recoverables	(187,918)	(791)	(885)	–	–	(189,594)
Total	**361,525**	**1,882**	**65,993**	**356,568**	**–**	**785,968**
Index-linked and unit-linked:						
Statutory accounts value	1,548,353	4,372,815	271,323	1,537,947	–	7,730,438
Risk margin						
Reinsurance recoverables	(77,299)	–	–	–	–	(77,299)
Total	**1,471,054**	**4,372,815**	**271,323**	**1,537,947**	**–**	**7,653,139**
Total net technical provisions	**2,000,716**	**4,409,246**	**339,160**	**1,894,515**	**–**	**8,643,637**

Future developments that will have a material impact on the cash-flows within the BEL calculation are allowed for appropriately and include items such as demographic, legal, medical, technological, social, environmental and economic developments. Cash-flows included in the BEL are gross of any amounts recoverable from reinsurance. Reinsurance recoverables are calculated separately, by a similar cash-flow approach as per the BEL taking into account the key features of relevant treaties, and sit within the assets on the SII balance sheet.

Through the cash-flow approach, Chesnara does not use any significant simplified methodology in calculating technical provisions.

Probability weighting
The probability weighting applied to each cash-flow explicitly takes account of the probability that the cash-flow will occur for the policyholder at each future time.

BEL description of main assumptions
<u>Discount rates</u>
The time-value of money is taken into account via discounting the cash-flow at a future time with reference to risk-free interest rates prescribed by EIOPA (Movestic, Scildon and Waard) and the PRA (CA, CASLP and Chesnara). The risk-free rates vary by time for each currency and are derived with reference to interest rate swaps, with an adjustment to remove the credit risk. For insurance companies within the Chesnara group, CA, CASLP, Waard Leven and Scildon all apply the volatility adjustment, though do not apply the matching adjustment. Waard Schade and Movestic do not apply the matching adjustment or volatility adjustment.

<u>Demographic assumptions</u>
The calculation of the probability weighting for each future cash-flow requires information on the likelihood of the policy still being in-force at the time that the cash-flow would materialise. This requires assumptions on the mortality, lapse and morbidity of the policy, as well as the point at which the policy matures. The approach to deriving appropriate assumptions for these demographics involves:

- Analyses of actual experience;
- Assessment on both amounts and policy bases;
- Comparison to standard tables (not for lapses);

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

Demographic assumptions (continued)

- Ensuring appropriate time periods are used to minimise volatility in own-experience results; and
- Expert judgement.

Assumptions are derived using analysis of actual experience and set separately for each class of business covering for example:

- Assurance products
- Term products
- Annuity products
- Critical illness products

Where applicable, assumptions are also required for future mortality improvement.

Expense assumptions

Latest management views on expenses for Chesnara are included within the calculation of the BEL and appropriate allowance within the SCR components. Where certain services are outsourced as identified in section B.7.2, the full cost associated with these arrangements are included in the BEL.

Policyholder behaviour - lapse and surrender assumptions

It is necessary to make assumptions regarding the number of policies that are terminated early by policyholders as these can have a variety of effects on the value of future liabilities. These policyholder discontinuances include:

- Lapsing a policy such that no future premiums or benefits are payable.
- Making the policy paid-up by stopping paying premiums but with the policy continuing for the remainder of the term with a reduced level of benefits.
- Early retirement or transfer under a pension policy.

Assumptions on lapses and surrenders are based on each division's own statistics and experiences together with other factors and circumstances that we believe will have a significant impact on the future lapse and surrender rates.

Risk margin

The risk margin is calculated in accordance with the Solvency II specifications. The risk margin represents the cost of capital which would be added to the BEL to arrive at a fair value of the liabilities i.e. the price at which a notional purchaser (the "reference undertaking") would take on the liabilities assuming a rational market.

The Chesnara group risk margin is calculated as the sum of the individual divisions' risk margins (i.e. CA, CASLP, Movestic, Waard Group and Scildon).

For each division, the risk margin for the whole portfolio of liabilities is calculated by projecting aspects of the Solvency Capital Requirement (SCR) for the division, applying a cost of capital rate to the projected SCR and then discounting the cost of capital using a risk-free rate.

Each division uses a simplified calculation for deriving the risk margin in accordance with Article 58 in the Solvency II Delegated Acts, where risk drivers are used to project the SCR at each future time.

The rate used in the determination of the cost of providing that amount of eligible Own Funds (Cost-of-Capital rate) is the same for all insurance undertakings and is defined in the regulations as 6% p.a.

The risk-free rate used for discounting in the risk margin calculation is that of the base risk-free rate term structure for each division, without any matching adjustment or volatility adjustment.

Group adjustments

As part of the consolidation process, a Chesnara group level adjustment is applied to the aggregated position to appropriately allow for group level expenses not recharged out to the individual entities.

It is noted that the following adjustments are also applied at Chesnara group level relating to the Solvency Capital Requirement:

- appropriate allowance for contributions to the group SCR owing to investments held at a Group level; and
- adjustment to currency risk to assess group's overall risk to currencies other than GBP. Each regulated insurer within the group will be assessing their SCR assuming a 25% fall of overseas currencies against their local currency, so GBP for CA & CASLP, SEK for Movestic and EUR for Waard & Scildon. The group assessment looks at all assets & liabilities of group against GBP. The group level currency risk is also adjusted to allow for the FX hedge which was implemented in December 2022.

D.2 Technical provisions (continued)

D.2.2 Level of uncertainty within the technical provisions

In terms of the BEL calculation, a characteristic of the discounted cash-flow technique which is core to the requirements is the reliance on assumptions regarding future experience. Any such assumptions are inherently uncertain, although detailed analysis is applied to mitigate the risk of misestimating.

D.2.3 Comparison of technical provisions valuation methods, bases, assumptions and values for Solvency purposes and IFRS

A comparison of the technical provisions under both IFRS and Solvency II bases is shown in the table below. All figures are net of reinsurance.

		31 December 2022					
		UK	Movestic	Waard Group	Scildon	Chesnara plc	Group Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
IFRS technical provisions	*1*	4,203,908	3,808,532	503,774	1,799,627	–	10,315,842
Allow negative provisions	*2*	(46,684)	–	–	(39,361)	–	(86,045)
Changes to assumptions	*3*	(3,713)	–	(31,862)	(84,182)	–	(119,757)
Contract boundary restrictions	*4*	7,998	–	–	(9,382)	–	(1,384)
Other adjustments for SII	*5*	(33,294)	(182,697)	(994)	–	42,088	(174,897)
SII BEL		4,128,215	**3,625,836**	**470,918**	**1,666,702**	**42,088**	**9,933,759**
SII risk margin	*6*	27,417	21,127	6,050	32,112	–	86,706
SII technical provisions		4,155,632	**3,646,963**	**476,968**	**1,698,814**	**42,088**	**10,020,465**

		31 December 2021					
		UK	Movestic	Waard Group	Scildon	Chesnara plc	Group Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
IFRS technical provisions	*1*	2,000,716	4,409,246	339,160	1,894,515	–	8,643,637
Allow negative provisions	*2*	(61,800)	–	–	(39,556)	–	(101,356)
Changes to assumptions	*3*	(5,254)	–	(20,724)	(15,778)	–	(41,756)
Contract boundary restrictions	*4*	10,812	–	–	(7,281)	–	3,531
Other adjustments for SII	*5*	(13,778)	(242,689)	(1,582)	–	47,850	(210,198)
SII BEL		**1,930,696**	**4,166,558**	**316,854**	**1,831,900**	**47,850**	**8,293,858**
SII risk margin	*6*	21,779	31,895	6,268	40,843	–	100,785
SII technical provisions		**1,952,475**	**4,198,453**	**323,122**	**1,872,743**	**47,850**	**8,394,643**

The main differences between the two bases can be explained as follows:

- Note 1: IFRS technical provisions continue to be largely based on the respective Solvency I regimes. The main difference between IFRS and the Solvency I regime is the inclusion of an additional cost of guarantee ('CoG') reserve in each of the with-profit funds in CA which aims to better model the guarantees to which the funds are exposed.
- Note 2: Negative technical provisions are not allowed under IFRS, but are permitted under SII. For some divisions this is a clear source of difference.
- Note 3: Many demographic assumptions are modelled under IFRS with a margin of prudence above the corresponding SII assumption. This is of particular relevance to the Waard Group and Scildon, where the majority of IFRS insurance contract provisions are calculated on a tariff basis, which is based on historical assumptions. Under SII these historical assumptions are replaced with best-estimate assumptions based on recent experience and current market data, as required.

D.2 Technical provisions (continued)

D.2.3 Comparison of technical provisions valuation methods, bases, assumptions and values for Solvency purposes and IFRS (continued)

- Note 4: Under Solvency II it is a requirement to establish contract boundaries to determine whether an insurance obligation or reinsurance obligation is to be treated as existing or future business (with only existing business considered in scope for the calculation of technical provisions). The impact shown above primarily relates to products with reviewable premiums, whereby premiums are assumed to cease at the next review date for the purposes of calculating technical provisions under Solvency II.
- Note 5: This represents the impact of other changes in methodology that have been introduced under Solvency II. For example, under IFRS the unit-linked reserves are calculated as the sum of a unit reserve and a sterling reserve and the non-linked reserves are calculated using a net premium approach, whereas in both cases the Solvency II BEL is calculated using a discounted cash flow approach. Of particular relevance to Movestic, the IFRS technical provision for investment contracts is equal to the value of underlying investments, whereas the corresponding SII technical provision is generally lower because allowance can be made for the expected future profits.
- Note 6: The risk margin does not exist under IFRS and so is an additional technical provision under Solvency II.

D.2.4 Use of long term guarantee package

The implementation of Solvency II permitted the use of a number of adjustments, referred to as the "long term guarantee package". The company's use of the individual components within the long term guarantee package has been outlined below:

- **Matching adjustment**: This has not been applied by the group.
- **Volatility adjustment**: This has been applied for CA, CASLP, Scildon and Waard Leven.
- **Transition risk-free interest rate-term structure**: This transitional measure has not been applied by the group.
- **Transitional deduction to technical provisions**: This transitional measure has not been applied by the group.

The impact of applying the volatility adjustment for CA, CASLP, Scildon and Waard Leven on the group solvency position is set out in the table below:

	With VA £'000	No VA £'000	Difference £'000
Gross technical provisions	**10,152,507**	**10,163,752**	**-11,244**
Basic own funds	**403,111**	**395,330**	**7,781**
Excess of assets over liabilities	474,540	466,759	7,781
Restricted own funds due to ring-fencing and matching portfolio	22	22	0
Eligible own funds to meet Solvency Capital Requirement	**605,064**	**597,283**	**7,781**
Tier 1	*405,064*	*397,283*	*7,781*
Tier 2	*200,000*	*200,000*	*0*
Tier 3	*0*	*0*	*0*
Solvency Capital Requirement	**306,678**	**309,786**	**-3,108**
Solvency surplus	**298,386**	**287,497**	**10,889**
Solvency ratio	**197.3%**	**192.8%**	**4.5%**
Eligible own funds to meet Minimum Capital Requirement	605,064	597,283	7,781
Tier 1	*405,064*	*397,283*	*7,781*
Tier 2	*200,000*	*200,000*	*0*
Tier 3	*0*	*0*	*0*
Minimum Capital Requirement	**99,718**	**100,675**	**-957**

An analysis of the difference in 'Excess of assets over liabilities' and 'eligible own funds to meet Solvency Capital Requirement' is set out in section E.1.4.

D.2.5 Reinsurance recoverables

This section provides a description of the recoverables from the reinsurance contracts.

Value of reinsurance recoverables

A breakdown of the value of reinsurance recoverables, by line of business, has been provided in section D.2.1 above.

Methodology and assumptions

The methodology and assumptions used for calculating the value of reinsurance recoverables is identical to that used for the calculation of the BEL with the cash-flow items being the reinsurer's share of all cash in-flows and out-flows.

D.2 Technical provisions (continued)

D.2.5 Reinsurance recoverables (continued)

Adjustment for expected default

The gross reinsurance recoverables are adjusted to take account of expected losses due to default of the reinsurance counterparty.

Methodology

The adjustment to take account of expected losses due to default of a reinsurance counterparty is calculated as the present value of the lost reinsurance recoverables due to reinsurer default. It therefore relates to the stream of future reinsurance recoverables and to the probability of default in each future time period. It is carried out separately for each reinsurer. The loss on default is limited to a percentage of the recoverables from the time of default onwards (loss given default or LGD%), based on the collateral arrangements of the specific reinsurance arrangement. The LGD% is subject to a minimum of 50%.

Assumptions

In the above methodology, the recoverables and discount factor used are as defined previously. Additional assumptions required are the probability of default, and the percentage recovery rate. The probability of default is derived with reference to the credit rating of the reinsurer. Tables of default probabilities corresponding to credit ratings are obtained from a credit ratings agency.

The maximum 50% recovery rate upon default is defined in regulation. Whilst a recovery rate of greater than 50% is not permitted, Chesnara uses a rate lower than 50% where its assessment identifies reason to believe that 50% recovery on default would not be reliable.

D.2.6 Changes in assumptions

The methodology for setting the assumptions for the Solvency II calculations as at 31 December 2022 is unchanged from the valuation as at 31 December 2021.

Solvency II regulations require a probability-weighted basis for the experience assumptions. To achieve this, the assumptions have taken account of:

- experience in recent years;
- trends observed in recent years; and
- any other known or likely factors that may affect future behaviour.

As a rule, it is assumed that recent experience (over the last few years) represents the central position for the probability weighted assumption, unless there are reasons why this is considered not immediately appropriate. To do this, actual experience is reviewed in comparison with expected experience, with a trigger for serious consideration to be given to amending an assumption when it deviates materially.

Key assumption changes over 2022 include:

Assumption	Division	Description
Economic	All	Updated EIOPA yield curves utilised plus updates to inflation parameters, and VA where applicable. For CA, CASLP and Chesnara, the yield curve moved to the PRA curve (rather than EIOPA).
Mortality / morbidity		Mortality assumptions have been reviewed to take account of recent investigations, resulting in the following across the divisions.
	CA	Assurance mortality assumptions having been strengthened slightly and the mortality improvement factors on annuity business being updated to use CMI 2021 tables.
	CASLP	Annuitant mortality has been updated to use the CMI 2022 tables, leading to a small reduction in reserves.
	Waard Group	Following recent acquisitions, Waard's mortality assumptions have been updated from using an older table (GBM9500) to the latest Dutch Actuarial Society tables at Q222. This lead to a reduction in reserves, primarily as these tables allow for mortality improvements within the modelling. The Dutch Actuarial Society subsequently issued a revised standard assumption set, though this would only have had a minor impact and hence has not been adopted on materiality grounds.
	Movestic	No changes applied.
	Scildon	Base mortality assumptions have been strengthened to reflect experience resulting in an. This is partially offset by adopting the latest Ditch Actuarial Society tables which resulted in a reduction in reserves.

D.2 Technical provisions (continued)

D.2.6 Changes in assumptions (continued)

Key assumption changes over 2022 include:

Assumption	Division	Description
Persistency		Persistency assumptions have been reviewed to take account of recent investigations resulting in the following across the divisions.
	CA	Overall, persistency assumptions have been weakened, though the impact on reserves is negligible.
	CASLP	Lapse assumptions have been updated to reflect experience, with a negligible impact on reserves.
	Waard Group	Lapse assumptions have been refreshed, though resulting in only a small change in reserves.
	Movestic	No major change has been applied on transfer assumptions relative to the previous year, though the modelling has been refined to allow variation by fee size as a second driver (alongside prior assumption on transfers varying by policy duration). This update has minimal financial impact.
	Scildon	Recent experience on newer term assurance products has resulted in a strengthening of assumptions, hence increasing reserves.
Expenses	All	Expense assumptions have been updated to reflect the latest management assessment of projected costs.

D.3 Other liabilities

Introduction

The table below shows separately each class of liabilities under Solvency II values and the Statutory Accounts value.

		31 December 2022		31 December 2021	
	Note	Solvency II value £'000	Statutory accounts value £'000	Solvency II value £'000	Statutory accounts value £'000
Other liabilities					
Other technical provisions	*3.1*	–	1,645	–	–
Provisions other than technical provisions	*3.1*	8,011	8,011	1,022	1,022
Deferred tax liabilities	*3.2*	2,912	12,856	16,927	15,379
Derivatives	*3.3*	10,638	10,638	–	–
Debts owed to credit institutions	*3.4*	2,031	2,031	30,422	31,547
Financial liabilities other than debts owed to credit institutions	*3.5*	11,425	12,393	16,252	17,836
Insurance & intermediaries payables	*3.6*	147,816	148,457	130,160	130,804
Reinsurance payables	*3.7*	50,949	49,210	72,721	72,266
Payables (trade, not insurance)	*3.8*	37,151	37,151	31,604	31,604
Subordinated liabilities	*3.9*	200,000	200,356		
Any other liabilities, not elsewhere shown	*4.0*	–	2,007	–	2,453
Total liabilities		**470,933**	**484,755**	**299,108**	**300,911**

D.3 Other liabilities (continued)

Introduction (continued)

Below is the build up from the divisional values to the overall group position for both the statutory and solvency values.

	Solvency II value 31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Other liabilities						
Other technical provisions	–	–	–	–	–	–
Provisions other than technical provisions	7,378	129	504	–	–	8,011
Deferred tax liabilities	9,382	195	1,729	2,497	(10,891)	2,912
Derivatives	119	–	–	–	10,519	10,638
Debts owed to credit institutions	2,031	–	–	–	–	2,031
Financial liabilities other than debts owed to credit institutions	1,699	9,462	168	–	96	11,425
Insurance & intermediaries payables	71,941	1,585	15,827	58,463	–	147,816
Reinsurance payables	48,135	2,232	328	254	–	50,949
Payables (trade, not insurance)	9,589	10,262	3,500	9,413	4,387	37,151
Subordinated liabilities	–	–	–	–	200,000	200,000
Any other liabilities, not elsewhere shown	–	–	–	–	–	–
Total liabilities	**150,274**	**23,865**	**22,056**	**70,627**	**204,111**	**470,933**

	Statutory accounts value 31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Other liabilities						
Other technical provisions	–	–	1,645	–	–	1,645
Provisions other than technical provisions	7,378	129	504	–	–	8,011
Deferred tax liabilities	34,549	123	(7,941)	(15,304)	1,429	12,856
Derivatives	119	–	–	–	10,519	10,638
Debts owed to credit institutions	2,031	–	–	–	–	2,031
Financial liabilities other than debts owed to credit institutions	1,699	10,431	168	–	95	12,393
Insurance & intermediaries payables	71,941	1,585	16,468	58,463	–	148,457
Reinsurance payables	48,135	493	328	254	–	49,210
Payables (trade, not insurance)	9,589	10,262	3,500	9,413	4,387	37,151
Subordinated liabilities	–	–	–	–	200,356	200,356
Any other liabilities, not elsewhere shown	1,703	–	–	–	–	2,007
Total liabilities	**177,144**	**23,023**	**14,672**	**52,826**	**217,090**	**484,755**

D.3 Other liabilities (continued)

Introduction (continued)

	Solvency II value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Other liabilities						
Provisions other than technical provisions	34	484	504	–	–	1,022
Deferred tax liabilities	11,763	(13)	3,619	13,789	(12,231)	16,927
Derivatives	–	–	–	–	––	–
Debts owed to credit institutions	274	–	–	–	30,148	30,422
Financial liabilities other than debts owed to credit institutions	–	15,940	154	–	158	16,252
Insurance & intermediaries payables	72,633	1,692	3,629	52,206	–	130,160
Reinsurance payables	66,902	4,690	296	833	–	72,721
Payables (trade, not insurance)	12,678	6,581	1,258	6,618	4,469	31,604
Any other liabilities, not elsewhere shown	–	–	–	–	–	–
Total liabilities	**164,284**	**29,374**	**9,460**	**73,446**	**22,544**	**299,108**

	Statutory accounts value 31 December 2021					
	Countrywide Assured £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Other liabilities						
Provisions other than technical provisions	34	484	504	–	–	1,022
Deferred tax liabilities	492	182	(921)	16,527	(901)	15,381
Derivatives	–	–	–	–	–	–
Debts owed to credit institutions	274	–	–	–	31,273	31,547
Financial liabilities other than debts owed to credit institutions	–	17,526	154	–	156	17,836
Insurance & intermediaries payables	72,633	1,692	4,273	52,206	–	130,804
Reinsurance payables	66,902	2,235	296	833	–	70,266
Payables (trade, not insurance)	12,678	6,581	1,258	6,618	4,469	31,604
Any other liabilities, not elsewhere shown	2,145	–	–	–	308	2,453
Total liabilities	**155,158**	**28,700**	**5,564**	**76,184**	**35,305**	**300,911**

Bases, methods, assumptions and inputs used in liability valuation for Solvency purposes, and difference between the amounts recorded in the financial statements:

In general liabilities are recognised and valued for solvency purposes in line with IFRS accounting principles and consequently valued at fair value.

Further detail by material liability class has been provided below.

D.3 Other liabilities (continued)

D.3.1 Provisions other than technical provisions

Basis and methods for IFRS valuation

Provisions other than technical provisions represent small residual balances held in respect of historical complaint redress provisions and are measured at fair value. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

An estimation of future costs required to settle the obligation is required, together with an estimate of the future economic benefits to be derived from the contracts under-pinning the need for a provision.

Inputs for IFRS valuation

Net present value of future cash flows calculation.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3.2 Deferred tax liabilities

Basis and methods for IFRS valuation

Deferred tax liabilities are recognised in the IFRS balance sheet in accordance with IAS12. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The IFRS deferred tax liability is comprised of the tax on the profit arising on the transition to the new tax regime in 2012 in the UK, which is expected to run-off over a ten-year period, together with temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, namely deferred acquisition costs (DAC) and deferred income (DIL). The deferred tax in respect of deferred acquisition costs is amortised over the expected lifetime of the underlying investment management service contract. Deferred tax in respect of deferred income is amortised over the expected period over which it is earned.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

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 enacted or substantively enacted at the balance sheet date.

Inputs for IFRS valuation

- Enacted or substantively enacted tax rates at the balance sheet date.
- Identified temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Solvency II valuation

The valuation of deferred tax liabilities under Solvency II follows the same recognition criteria applied under IAS12 for statutory reporting purposes.

Valuation differences arising from the application of Solvency II recognition principles will be taxed at the prevailing deferred tax rate. These include the deferred tax arising on the valuation difference in the technical provisions between IFRS and Solvency II and the removal of deferred tax balances in respect of DAC and DIL, which are not recognised under Solvency II valuation principles.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3 Other liabilities (continued)

D.3.3 Derivatives

Basis and methods

Derivative financial instruments are measured at fair value and comprise forward exchange contracts. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

No significant assumptions or judgements are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for IFRS Valuation

Observable market prices.

Solvency II valuation

There are no differences between IFRS and SII for valuation purposes.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3.4 Debts owed to credit institutions

Basis and methods for IFRS valuation

Borrowings are recognised initially at fair value, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Also, includes bank overdraft and unpaid cheques.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

None.

Inputs for IFRS Valuation

- Effective interest rate calculation model.
- Bank and term deposit statements.
- Bank reconciliation timing differences.

Solvency II valuation

Under Solvency II valuation rules, debts owed to credit institutions are valued at fair value, as opposed to amortised cost under IFRS.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3.5 Financial liabilities other than debts owed to credit institutions

Basis and methods for IFRS valuation

Financial liabilities other than debts owed to credit institutions are all valued at amortised cost, except for lease contracts which are valued at fair value.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty)

None.

Inputs for IFRS Valuation

Financial liabilities other than debts owed to credit institutions consists entirely of liabilities to reinsurers. The company has a quota share reinsurance agreement for its unit-linked business that includes a financial reinsurance component. This financial reinsurance component means that the reinsurer pays a share of related new business costs, which is repaid during a period of eight years. The liability is adjusted each quarter as new commission is accounted for and repayment including interest is made. Interest is calculated according to an agreed model based on market interest rates. This relates to the Swedish division.

Solvency II valuation

For SII valuation purposes amounts of financial liabilities other than debts owed to credit institutions are valued at fair value.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3 Other liabilities (continued)

D.3.6 Insurance and intermediaries payables

Basis and methods for IFRS valuation

Insurance & intermediaries payables represent outstanding accrued policyholder claims and premium reimbursements and are measured on initial recognition at the fair value of the liability to be paid. Given the short term nature of these liabilities, no discounting is required to arrive at the initial fair value, with the exception of long term annuity claims.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

The judgements that are required evolve around the estimates of the level of disability of claimants, the likelihood of reported illnesses turning into a genuine claim and the likelihood of recovery of claimants due to which periodical payments to may cease.

Inputs for IFRS valuation

The actual amount of the outstanding liability or the best estimate of the liability to be settled.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods, other than in the Dutch division where there is a difference between the IFRS and SII valuation methods. The interest rate applied for discounting under Solvency II uses the same rate EIOPA prescribed for risk margin and SCR, whilst under IFRS a rate of 3% is applied.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3.7 Reinsurance payables

Basis and methods for IFRS valuation

Reinsurance payables represent amounts due to reinsurers arising from the application of reinsurance treaty obligations and are measured at fair value, taken as the carrying value at the balance sheet date, which is based upon reinsurance account statements. Reinsurance balances are settled in line with the underlying treaty settlement arrangements. During the year the company entered into a new annuity reinsurance arrangement with Monument Re. The liability for assets withheld represents amounts ultimately due to Monument Re which have not yet been settled. This is because CA is holding a mixture of financial assets and a cash float on its balance sheet, which are ring-fenced and being held as collateral. This balance will reduce over time as the reinsured policies run off.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

None.

Inputs for IFRS valuation

Reinsurance accounts prepared in accordance with the provisions contained within the underlying reinsurance treaties.

Solvency II valuation

Reinsurance payables are valued in Solvency II on the same basis as for IFRS, except for the Movestic reinsurance payables. Unlike IFRS, the Solvency II value for those reinsurance payables includes future reinsurance premiums cash flows for which Movestic is required to pay.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3 Other liabilities (continued)

D.3.8 Payables (trade, not insurance)

Basis and methods for IFRS valuation

Trade payables consist of accrued expenses and other trade related outstanding balances and are measured at fair value, taken as the carrying value at the balance sheet date based upon invoiced amounts due for settlement. Trade payables are settled in line with trade payment terms, usually within 30 days.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

None.

Inputs for IFRS valuation

The actual amount payable based upon invoices or statements received or a best estimate of the amount payable as at the balance sheet date.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.3.9 Subordinated liabilities

Basis and methods for IFRS valuation

Subordinated liabilities are recognised initially at fair value, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability.

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

None.

Inputs for IFRS valuation

The transaction costs incurred and the future cash payments through the expected life of the financial liability.

Solvency II valuation

There are no differences between the IFRS and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year

The subordinated liability was introduced during the year.

D.4.0 Any other liabilities, not elsewhere shown

Basis and methods for IFRS valuation

Other liabilities, not elsewhere shown are measured at fair value, taken as the carrying value at the balance sheet date. For IFRS reporting, this balance represents "Reinsurers' share of deferred acquisitions costs" and "Deferred income".

Assumptions and judgements (including future estimates and major sources of estimate uncertainty) for IFRS valuation

None.

Inputs for IFRS valuation

Invoices, statements or valuations of the liability as at the balance sheet date.

Solvency II valuation

These items have a nil value for SII reporting purposes as they are linked to intangible assets that are not recognised on the SII balance sheet.

Changes made to the recognition and valuation bases used or on estimations made during the year

During the year, there were no changes made to the recognition or valuation basis or estimation processes.

D.4 Alternative methods for valuation

The group does not hold any assets for which alternative methods of valuation are required.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities that is deemed necessary to report.

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objectives, policies and processes used for managing own funds

Background

Own funds represent the type and level of capital that is held by the group. This capital is used to meet the solvency capital requirement of the group and the relevant insurance companies within the group. The group is required to hold own funds of sufficient quantity and quality in accordance with the Solvency II rules which sets out the characteristics and conditions for own funds. Further information on the objectives, policies and processes for managing own funds has been provided below.

Objectives

The objectives of the group in managing its own funds are as follows:

i) Business strategy consistency

The management of own funds needs to align with the strategy of the group. The group's core strategic objectives are to:

- Maximise value from the existing businesses;
- Enhance value by writing profitable new business;
- Deliver value-enhancing acquisitions; and
- Adhere to the core culture and values of the group, specifically:
  - to treat customers fairly;
  - to maintain robust regulatory compliance;
  - to maintain adequate financial resources;
  - to provide a competitive return to shareholders; and
  - to ensure responsible risk-based management for the benefit of all of our stakeholders.

In this regard, the objectives of managing own funds across the group are:

- to hold sufficient levels of capital to safeguard the interests of policyholders, which is core to **delivering fair customer outcomes** and **robust regulatory compliance;**
- to hold appropriate levels of capital as a foundation for making sound business decisions, which is central to delivering the group's **risk-based management** strategy;
- to have a policy in place that describes the parameters that are considered in the context of dividend distributions, which supports the **delivery of returns to shareholders**;
- to hold sufficient own funds to provide a good foundation for further **acquisitions.**
- to ensure that appropriate levels of capital are held regarding supporting **new business growth.**

ii) Risk appetite:

- to establish a policy that reflects the board's risk appetite with regards to the level of own funds held.

iii) Risk tolerances:

- to set tolerance levels associated with the board's risk appetite regarding own funds and ensure that these are monitored.

Policies

Central to managing the own funds of the group is the application of the capital management policies both at a group level and the policies that operate within each insurance company within the group. The policies are built around the objectives outlined above, and are reviewed and approved at least once per year by the relevant board. The policies also incorporate:

- the roles and responsibilities of the relevant board and management in adhering to the policy;
- the reporting procedures in place with regards to adhering to the policy; and
- the key controls and processes in place to ensure adherence to the policy.

The group's capital management policy includes the following quantitative limits for managing own funds:

- ***Board risk appetite:*** Overall the board is averse to the own funds of the group falling below 100% of the SCR. As a result, the board has established additional buffers, which have been set having regard for the group's risk profile and the board's risk appetite, and are in place to manage the board's overall aversion for own funds to be below 100% of SCR.
- ***Dividend paying limit:*** Stated as own funds as a percentage of SCR, the group's dividend paying limit is 120%. This is the point at which a dividend would cease to be paid, until at such time the solvency position was restored above this point.
- ***Management actions limit:*** Stated as own funds as a percentage of SCR, the group's management actions limit is 110%. This is the point at which, should own funds fall below this level, additional management actions would be taken to restore own funds back above this level. In essence, this represents an internal 'ladder of intervention limit' that is set by the Chesnara board.

E.1 Own funds (continued)

E.1.1 Objectives, policies and processes used for managing own funds (continued)

To put these definitions in context, this means that, in the normal course of events, Chesnara will not pay a dividend should the payment of the dividend take the group's own funds to below 120% of its SCR. Should own funds fall below 110% of SCR, additional management actions will be taken.

Processes and controls

The following key process and controls are in place regarding how the group manages its own funds:

Internal reporting:

A number of reports are produced internally for both the group executive committee and/or board that include reporting on the own funds position of the group. These reports support the Chesnara board, which has ultimate responsibility for the group's capital management and capital allocation, in managing the group's own funds.

- **Quarterly MI report:** This report provides various financial information, including solvency position and movement analysis. Numerical analysis supported by commentary is provided for both the own funds and SCR movements that contribute to the overall movement in the solvency position of the group.

- **Quarterly actuarial report:** This report provides further detailed analysis and insight into the quarterly solvency valuation, covering assumptions and key reasons for any movements in solvency compared with previous periods.

- **Chesnara business plan:** A three-year business plan is prepared annually and presented to the board. The business plan includes solvency projections over the planning horizon that are prepared on the basis of applying the group's capital management policy.

- **ORSA:** An ORSA report is produced at least annually. Amongst other things the ORSA includes solvency capital projections over the business planning horizon, which are based on applying the capital management policies across the group. The ORSA also includes supporting justification for the dividend paying buffer that is included within the group's capital management policy and also shows the triggers that are assessed for the purpose of intra-quarter solvency monitoring.

- **Annual dividend assessment paper:** Dividends are typically paid and approved twice per year. A paper is sent to the board supporting any dividend recommendation, which includes specific application of the group's capital management policy.

- **Quarterly risk report:** A risk report is produced quarterly that, amongst other things, includes reporting on the solvency position of the group as a whole, and how the group's solvency position accords with the stated risk appetite. It also evidences to the Audit & Risk Committee that the solvency monitoring protocol and triggers have been monitored frequently and the continuous solvency monitoring protocol has been followed.

- **Risk indicator / trigger assessments:** For the purpose of intra-quarter solvency monitoring a list of risk indicators has been identified, which are monitored. The frequency by which the risk indicators are tracked depends on the solvency position of the group and companies within the group. The frequency of monitoring would increase if solvency were to deteriorate per board agreed levels.

- **Monthly solvency estimates:** Full solvency calculations are performed on a quarterly basis. For intra quarter periods, monthly solvency estimates may be produced if the circumstances arise. For example, if the capital position was close to the minimum capital buffer, if there were exceptional market movements or if the continuous solvency monitoring measures indicated the need.

- **Recovery management protocol and management actions:** On an annual basis a recovery protocol document is signed off by the board. The protocol, in effect, represents an internally set "ladder of intervention", which sets out protocols for items such as solvency monitoring frequency, what escalations need to be performed and what potential actions need to be considered and when.

Business planning

As noted above, the group produces a three-year business plan once per year. The business plan incorporates financial projections of the group's own funds and solvency capital requirements over a slightly longer five-year projection period.

E.1 Own funds (continued)

E.1.2 Analysis of own funds

The below table provides information, split by tier, on the structure, amount and quality of own funds at the end of 2022 and 2021, including an analysis of any significant changes in each tier over the year:

	31 December 2021 £'000	Movement in year £'000	Transfers £'000	31 December 2022 £'000
Tier 1:				
Ordinary share capital	7,496	6	–	7,502
Share premium account related to ordinary share capital	142,085	247	–	142,332
Total ordinary share capital & share premium	**149,581**	**253**	**–**	**149,834**
Reconciliation reserve before deductions	437,900	(91,093)	(22,101)	324,706
Foreseeable dividends	(22,101)	(22,793)	22,101	(22,793)
Restricted own funds in ring fenced funds	(7,861)	(3,485)	11,324	(22)
Other non available own funds	–	(46,661)	–	(46,661)
Total reconciliation reserve	**407,938**	**(164,032)**	**11,324**	**255,230**
Subordinated liabilities	–	200,000	–	200,000
Total eligible own funds eligible to meet SCR	**557,520**	36,221	11,324	**605,064**
SCR	**366,838**	(60,160)	–	**306,678**
Ratio of eligible own funds to SCR	**152.0%**			**197.3%**
Total eligible own funds eligible to meet MCR*	**556,181**	(165,732)	11,324	**403,111**
MCR	**101,489**	(2,003)	–	**99,486**
Ratio of eligible own funds to MCR	**548.0%**			**405.2%**

** When assessing group own funds for the purpose of meeting the MCR, it is not permitted to include the own funds of companies in the group that are in other financial sectors. For the purpose of the Chesnara group at 31 December 2022 there were £1.952m (31 December 2021: £1.338m) of such own funds, which related to the fund management company in Sweden.*

Below is the build up from the divisional values to the overall group position.

	31 December 2022					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Excess assets over liabilities	192,016	185,430	84,977	132,419	(120,301)	474,540
Restricted own funds in ring fenced funds	(22)	–	–	–	–	(22)
Foreseeable dividends	(56,000)	(12,008)	(5,321)	–	50,535	(22,793)
Other non available own funds	–	–	–	–	(46,661)	(46,661)
Subordinated liabilities	–	–	–	–	200,000	200,000
Total eligible own funds eligible to meet SCR	**135,994**	**173,422**	**79,656**	**132,419**	**(69,766)**	**605,064**
SCR	**100,286**	**106,904**	**13,481**	**70,329**	**15,679**	**306,678**
Ratio of eligible own funds to SCR	**135.6%**	**162.2%**	**590.9%**	**188.3%**	**(445.0)%**	**197.3%**

	31 December 2021					
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Other group activities £'000	Total £'000
Excess assets over liabilities	166,173	234,432	50,542	151,545	(15,210)	587,482
Restricted own funds in ring fenced funds	(7,861)	–	–	–	–	(7,861)
Foreseeable dividends	(27,500)	–	(6,089)	(5,039)	16,527	(22,101)
Total eligible own funds eligible to meet SCR	**130,812**	**234,432**	**44,453**	**146,506**	**1,317**	**557,520**
SCR	**100,351**	**158,611**	**11,141**	**76,418**	**20,317**	**366,838**
Ratio of eligible own funds to SCR	**130.4%**	**147.8%**	**399.0%**	**191.7%**	**6.5%**	**152.0%**

E.1 Own funds (continued)

E.1.2 Analysis of own funds (continued)

Own funds analysis:

- Own funds of the group comprise tier 1 share capital, the reconciliation reserve and following the Tier 2 Debt raise in early 2022, in the form subordinated liaiblities, this is classed as tier 2.
- Share capital and the reconciliation reserve have been classified as tier 1 as they are fully available to be able to absorb losses.
- There were no changes in classification of own funds during the year.
- In addition to the Tier 2 Debt raise, movements in eligible own funds during the year have arisen from:
  - *Own funds:* Own funds surplus or deficit can emerge over time as follows:
    - *New business:* New policies are sold in the Movestic and Scildon divisions and this can create extra own funds.
    - *Existing policies at the start of the year:* Surpluses or deficits can emerge from the policies that were on the books at the start of the year. Surpluses or deficits can arise from experience differing to what was assumed in the opening valuation.
  - *Foreign exchange:* As a result of the group having operations in Sweden and the Netherlands foreign exchange rate movements between Swedish Krona and the Euro against Sterling results in movements in the portion of group own funds arising from the Swedish and Dutch divisions.
  - *Movements in ring fenced funds restrictions:* The group has two ring fenced funds which subside within the UK division. Surpluses in these funds are restricted, and therefore, as the surpluses move, this affects the amount of Own Funds available to meet the SCR and MCR. During 2022, a capital transfer of £11.3m from with-profit ring-fenced funds to the non-profit fund took place. This improved the capital position in the year. After the capital transfer, a further £3.4m of surplus arose in the ring fenced funds.
  - *Foreseeable dividends and dividend distributions:* As dividends are foreseen and subsequently paid, this reduces the own funds of the group. For the year ended 31 December 2022 the following dividends have affected the own funds of the group:
    - *Interim dividend:* During 2022 an interim dividend amounting to £12.2m was paid in September 2022; and
    - *Final dividend:* A £22.8m foreseeable dividend was recognised in the year end solvency position in relation to the year end 2022 proposal. This is due to be paid on 26 May 2023.

A summary of the movement in eligible own funds over the year has been shown below:

	2022 £'000	2021 £'000
Tier 1 own funds at 1 January	**557,352**	**567,676**
Underlying movement in own funds (arising from new business and from in-force business at the start of the year)	(79,008)	30,090
Subordianted liabilities	200,000	–
Other non-available own funds	(46,661)	–
Dividends:		
– Interim dividend paid	(12,195)	(11,831)
– Foreseeable dividend	(22,793)	(22,101)
With profit transfer	11,324	8,324
Movements in ring fenced funds restrictions	(3,485)	(14,638)
Tier 1 own funds at 31 December	**605,064**	**557,520**

Own funds to cover SCR:

The table shows that the group has £605.1m (2021: £557.5m) of available own funds to be able to meet the group's SCR of £306.7m (2021: £366.8m), resulting in an SCR coverage ratio of 197% (2021: 152%).

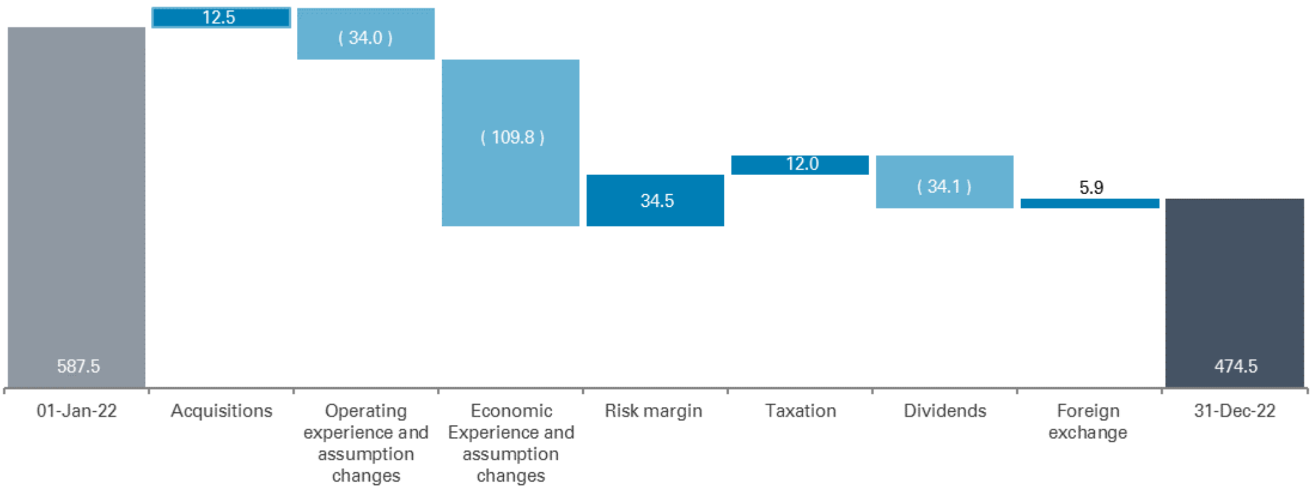
Own funds to cover MCR:

The table shows that the company has £605.1m (2021: £557.5m) of available own funds to be able to meet the company's MCR of £99.5m (2021: £101.5m), resulting in a MCR coverage ratio of 405% (2021: 548%).

E.1 Own funds (continued)

E.1.2 Analysis of own funds (continued)

Assets less liabilities movement during the year (£m)



The reasons for the changes in Own Funds over the reporting period are analysed in more detail below:

- **Acquisitions:** This reflects the day 1 own funds gain on the acquisitions of CASLP and Roein Leven N.V.
- **Operating experience and assumption changes:** This relates to how the underlying performance of the company differs to the expectations of that performance. The strain mainly relates to assumption changes in respect of assumed transfers in Movestic and an increase in one-off expenses and cost of a casthrophe risk cover in Scildon.
- **Economic experience and assumption changes:** This relates to the performance of assets and liabilities as a result of market factors, such as investment return on the assets that are held by the company. The deficit that has arisen reflects negative investment returns in excess of risk-free rates, including rising yields and equity decline over the year.
- **Risk margin:** This reflects a release of risk margin in excess of expected run off, which is driven by a reduction in capital requirements for some of the divisions.
- **Taxation:** This reflects the corporation tax as per the balance sheet.
- **Dividends paid:** This reflects the dividends that have been paid during the year.
- **Foreign exchange**: This represents the impact of translating the positions of overseas subsidiaries into sterling.

E.1.3 Differences between equity in the financial statements and excess of assets over liabilities as calculated for solvency purposes

The below table analyses the difference between the equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes at 31 December 2022 and 31 December 2021:

	31 December 2022 £'000		31 December 2021 £'000	
Equity per the IFRS financial statements:				
Share capital	7,502		7,496	
Share premium	142,332		142,085	
Retained earnings and other reserves	183,283		308,588	
Total equity as reported in the Chesnara plc IFRS financial statements		**333,117**		**458,169**
Adjustments between IFRS financial statements and excess of assets over liabilities for solvency purposes:				
Adj 1: Net valuation difference between IFRS and SII for technical provisions	295,600		249,200	
Adj 2: Removal of intangible assets included in IFRS valuation	(168,100)		(122,100)	
Adj 3: Net valuation difference between IFRS and SII for assets	5,000		6,000	
Adj 4: Adjustments to deferred tax	9,900		(1,500)	
Adj 5: Other adjustments	(977)		(2,287)	
Total adjustments between IFRS financial statements and excess of assets over liabilities for solvency purposes		**141,423**		**129,313**
Excess of assets over liabilities for solvency purposes (reconciliation reserve before deductions plus ordinary share capital):		**474,540**		**587,482**

E.1 Own funds (continued)

E.1.3 Differences between equity in the financial statements and excess of assets over liabilities as calculated for solvency purposes (continued)

Explanations of adjustments:

- *Adjustment 1:* This adjustment relates to the differences between IFRS and Solvency II in the way the liabilities for insurance contracts are calculated. This difference is primarily due to two key factors: (1) Solvency II permits the calculation of technical provisions to include an estimate of the future profits expected to emerge from the contracts in force at the valuation date, which is not permitted under IFRS reserving; and (2) IFRS reserves are calculated using a prudent estimate, whereas Solvency II requires technical provisions to be determined on a "best estimate" basis. This has resulted in the technical provisions under Solvency II being lower than under IFRS. These differences are offset by the existence of the risk margin, which the company must hold as a liability in the balance sheet under Solvency II, whereas it was not required under IFRS.
- *Adjustment 2:* Intangible assets within the group comprises deferred acquisition costs, acquired value of customer relationships, software assets and acquired value of in-force business. Intangible assets that cannot be sold separately have no intrinsic value under Solvency II rules.
- *Adjustment 3:* This adjustment relates to the differences between IFRS and Solvency II in the way the assets for holdings in related undertakings, including participations, and loans and mortgages to individuals are calculated.
- *Adjustment 4:* The valuation of deferred tax assets under Solvency II follows the same recognition criteria applied under IFRS. However, because of differences arising due to adjustments 1, 2 and 4, an additional deferred tax liability is required to be recognised.
- *Adjustment 5:* Other adjustments comprise of deferred income and reinsurer shares of deferred acquisition costs. These items under the Solvency II reporting valuation have a nil value.

E.1.4 Items deducted from own funds

The table below illustrates the deductions that are applied to own funds:

	31 December 2022 £'000	31 December 2021 £'000
Assets less liabilities	**474,540**	**587,482**
Adjustments for:		
Surplus in ring-fenced funds	(22)	(7,861)
Foreseeable dividends	(22,793)	(22,101)
Subordinated liabilities	200,000	–
Other non-available own funds	(46,661)	–
Own funds	**605,064**	**557,520**

The items deducted from own funds are:

- ***Surplus in ring-fenced funds in accordance with Article 81 of delegated acts***
  The group has two ring-fenced funds: Save & Prosper Insurance With Profits Fund (SPI) and Save & Prosper Pensions With Profits Fund (SPP). Under Solvency II rules the surpluses within these funds cannot contribute to the overall solvency assessment. At 31 December 2022, the surplus in each of these funds was: SPI – £nil (2021: £nil) and SPP – £0.02m (2020: £7.8m).
- ***Foreseeable dividends***
  Solvency II requires dividends to be recognised as a deduction to own funds when they are "foreseeable". At 31 December 2022 and 2021, foreseeable dividends, representing the dividend that will be paid in May 2023 and were paid in June 2022 respectively, were recognised within the Solvency II valuation.
- ***Subordinated liabilities***
  This is the Tier 2 Debt which was issued in early 2022.
- ***Other non-available own funds***
  A restriction is applied under Solvency II on the Tier 2 debt, with the maximum credit that can be taken in the Eligible Own Funds is restricted to 50% of the SCR. With an SCR of £306,677k, a maximum of £153,339k can be recognised. This results in a restriction of £46,661k (i.e. £200,000 less £153,339k).

E.2 Solvency Capital Requirement and Minimum Capital Requirement

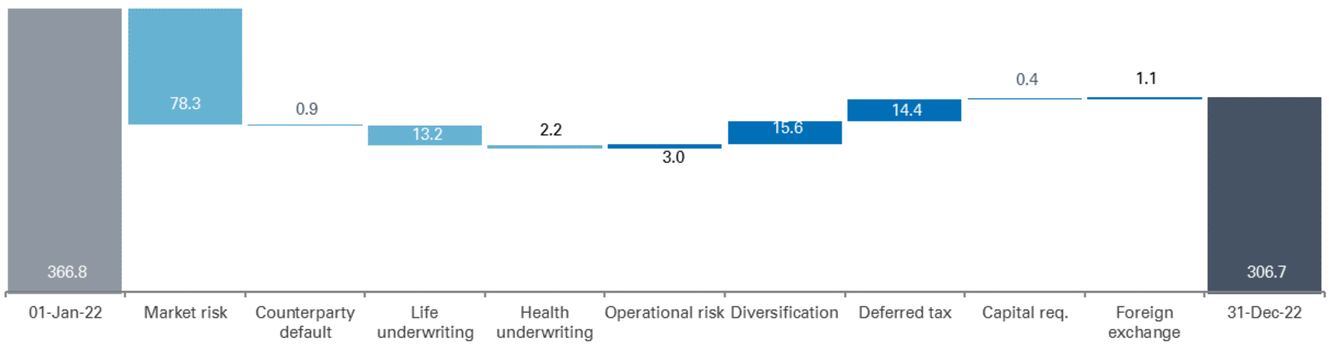
E.2.1 SCR and MCR analysis

The information below provides some further detail of the solvency capital requirement and minimum capital requirement for the Group at both the start and the end of the year. Explanations have been provided in narrative below the table regarding any significant changes in the year. In addition:

- The Group, and all companies within the Group, have applied the standard formula in calculating the solvency capital requirement, both at the start and the end of the year;
- The Group does not use any simplified calculations in any risk modules or sub-modules and the group does not use any undertaking-specific parameters.
- No capital add-ons have been imposed on Chesnara by the PRA.
- Chesnara's group solvency is calculated using method 1 as defined in Article 230 of Directive 2009/138/EC. With reference to Article 336 of the Delegated Acts, the amount referred to in part (a) is shown below as the solvency capital requirement excluding capital add-on. The amount referred to in part (c) of the article is shown below as the capital requirement for other financial sectors. The amounts referred to in parts (b) and (d) are zero.

	Note	31 December 2022 £'000	31 December 2021 £'000	Changes in the year £'000
Market risk	*1*	214,066	292,581	(78,515)
Counterparty default risk	*2*	11,228	11,882	(654)
Life underwriting risk	*3*	173,601	184,354	(10,753)
Health underwriting risk	*4*	10,371	12,729	(2,358)
Diversification	*5*	(93,108)	(108,197)	15,089
Basic Solvency Capital Requirement		**316,158**	**393,349**	**(77,191)**
Operational risk	*6*	15,791	12,473	3,318
Loss-absorbing capacity of deferred taxes	*7*	(25,951)	(39,307)	13,356
Solvency Capital Requirement excluding capital add-on		**305,998**	**366,515**	**(60,517)**
Capital requirement for other financial sectors	*8*	679	323	356
Solvency capital requirement		**306,677**	**366,838**	(60,161)
Notional SCR for remaining part	***9***	306,508	342,591	(49,690)
Notional SCR for ring fenced funds	***10***	13,777	24,247	(10,470)
Minimum consolidated group solvency capital requirement	***11***	**99,718**	**101,489**	**(1,771)**

SCR movement during the year (in £m)



E.2 Solvency Capital Requirement and Minimum Capital Requirement (continued)

E.2.1 SCR and MCR analysis (continued)

Below is the build up from the divisional values to the overall group position for both the statutory and solvency values.

	31 December 2022						
	UK	Movestic	Waard Group	Scildon	Chesnara	Diversification	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Market risk	64,283	77,514	7,111	37,194	38,335	(10,371)	214,066
Counterparty default risk	4,888	924	1,433	1,829	1,938	216	11,228
Life underwriting risk	62,388	48,817	11,696	57,452	6,557	(13,309)	173,601
Health underwriting risk	5,010	6,437	173	–	-	(1,249)	10,371
Diversification	(30,487)	(29,799)	(4,720)	(20,039)	(5,775)	(2,288)	(93,108)
Basic Solvency Capital Requirement	**106,082**	**103,893**	**15,693**	**76,436**	**41,055**	**(27,001)**	**316,158**
Operational risk	5,157	2,667	433	7,912	-	(378)	15,791
Loss-absorbing capacity of deferred taxes	(11,287)	–	(2,644)	(14,019)	-	1,999	(25,951)
Solvency Capital Requirement excluding capital add-on	**99,952**	**106,560**	**13,482**	**70,329**	**41,055**	**(25,380)**	**305,998**
Capital requirement for other financial sectors	3	344	–	–	-	332	679
Solvency capital requirement	**99,955**	**106,904**	**13,482**	**70,329**	**41,055**	**(25,048)**	**306,677**
Notional SCR for remaining part	86,178	106,904	13,482	70,329	41,055	(25,048)	292,900
Notional SCR for ring fenced funds	13,777	–	–	–	–	–	13,777
Minimum consolidated group solvency capital requirement	**33,636**	**29,225**	**6,146**	**30,710**			**99,718**

	31 December 2021						
	UK	Movestic	Waard Group	Scildon	Chesnara	Diversification	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Market risk	82,169	120,548	6,091	40,835	73,406	(30,468)	292,581
Counterparty default risk	4,691	721	2,263	5,176	523	(1,492)	11,882
Life underwriting risk	48,258	68,214	10,266	72,594	8,101	(23,079)	184,354
Health underwriting risk	6,105	7,839	281	–	–	(1,496)	12,729
Diversification	(29,651)	(41,858)	(4,756)	(25,118)	(6,050)	(764)	(108,197)
Basic Solvency Capital Requirement	**111,572**	**155,464**	**14,145**	**93,487**	**75,980**	**(57,299)**	**393,349**
Operational risk	3,286	2,824	486	6,405	-	(528)	12,473
Loss-absorbing capacity of deferred taxes	(14,507)	-	(3,489)	(23,475)	-	2,164	(39,307)
Solvency Capital Requirement excluding capital add-on	**100,351**	**158,288**	**11,142**	**76,417**	**75,980**	**(55,663)**	**366,515**
Capital requirement for other financial sectors	-	323	-	-	-	-	323
Solvency capital requirement	**100,351**	**158,611**	**11,142**	**76,417**	**75,980**	**(55,663)**	**366,838**
Notional SCR for remaining part	76,104	158,611	11,142	76,417	75,980	(55,663)	342,591
Notional SCR for ring fenced funds	24,247	-	-	-	-	-	24,247
Minimum consolidated group solvency capital requirement	**25,088**	**39,572**	**5,850**	**30,979**			**101,489**

The reasons for the changes in SCR over the reporting period are analysed in more detail below. It is noted that although the SCR has fallen over the period, the CASLP and Waard acquisitions have an offsetting impact on the SCR:

- **Note 1** The fall in market risk is driven by the decrease in equity risk capital of £63.8m, due to equity market falls and the impact of a negative symmetric adjustment, alongside the decrease in currency risk of £50.2m, due to the FX hedge being implemented. This is partially offset by the increase in interest rate risk of £18.2m due to the rise in interest rates, which has increased the size of the stress required to calculate interest rate risk capital, and the rise in spread risk of £10.0m due to an increase in bond investment in Chesnara Plc. The rise in concentration risk of £12.9m also has an offsetting impact, as a result of the loss of transitional measures following the end of the Brexit transition period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement (continued)

E.2.1 SCR and MCR analysis (continued)

- **Note 2** There is a small fall in counterparty default risk is due a combination of offsetting impacts. There has been a reduction in counterparty default risk for Scildon due to the value of the mortgages falling as a result of increased interest rates, and a change in cash holdings to a bank with a higher credit rating. CA plc counterparty defalt risk also fell due to the reduction in cash counterparties following the Chesnara dividend payment and decrease in Type 2 assets. This is largely offset by the increase in cash investment in Chesnara Plc and the inclusion of acquisition counterparty default risk exposure.
- **Note 3** The decrease in life risks is mainly driven by the increase in interest rates over the year. In addition, there has been a fall in expense risk of £14.1m, driven by the Swedish regulators new treatment of investment management expenses and commissions arising being included in the expense SCR valuation and UK expense assumption changes. This is partially offset by the increase in lapse risk of £2.7m which has some offsetting impact. The inclusion of acquisitions results in a rise in lapse risk, which is countered by the fall in equities which decreases VIF and thus the amount that can be lost under stress.
- **Note 4** Health underwriting risk has fallen mainly driven by the increase in interest rates over the year.
- **Note 5** The amount of diversification between the risk modules has decreased as a direct consequence of the decrease in the amount of risk capital held, in particular the fall in market risks.
- **Note 6** Operational risk capital has increased due to the inclusion of acquisitions, alongside a notable increase in Scildon's unit-linked expenses and premiums which increases operational risk.
- **Note 7** The loss-absorbing capacity of deferred taxes has fallen resulting in an increase in the SCR. This is driven by Scildon where the rise in interest rates has reduced the deferred tax liability, alongside a fall in loss carry back allowance for CA plc.
- **Note 8** The change in capital requirement for other financial sectors has increased, as it includes a £0.3m impact for CASLP.
- **Note 9** The decrease in the notional SCR for the remaining part is attributable to all of the points listed above.
- **Note 10** The decrease in the notional SCR for ring fenced funds is attributable to a fall in market risk, in particular the fall in equity risk (referenced above), the decrease in spread risk due to increase in yields and capital extraction and the reduction in loss-absorbing capacity of deferred taxes referenced above.
- **Note 11** The increase in the MCR is attributable to the points listed above for the SCR.

Although the group SCR allows for some diversification across the group within certain risk submodules, overall the group synergy is negative. This is because additional currency risk is held at the group level in respect of Movestic, Waard and Scildon's holdings in EUR- and SEK-denominated assets and liabilities, which are not within scope of their local currency risk capital. This additional currency risk increases the SCR by £33.0m, though it is noted this is considerably lower than the impact from the prior year following the FX hedge implementation.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

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

All constituent parts of the group use the standard formula for calculating capital requirements, and therefore this section does not apply to Chesnara plc.

E.5 Non-compliance with the MCR and significant non-compliance with the SCR

Chesnara plc has met its SCR and MCR at all times during the year.

E.6 Any other information

There is no other information regarding the capital management of the group and its subsidiaries that is deemed material to report.

F. GLOSSARY OF TERMS

AML	Anti-Money Laundering
Basic Own Funds	Basic Own Funds comprise the excess of assets over liabilities valued in accordance with the Solvency II principles.
Best Estimate Liability (BEL)	The probability weighted average of future cash flows, taking into account the time value of money (expected present value of future cash-flows), using the relevant interest rate term structure and taking into account economic and non-economic assumptions.
Cash generation	This represents the distributable cash that has been generated in the period. The cash generating capacity of the group and its divisions / business units is largely a function of the movement in the respective solvency position, and takes account of the group's board-approved capital management policies.
Company	Chesnara plc
CWA	City of Westminster Assurance Company Limited
Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiary.
EcV	Economic Value. This represents Solvency II own funds, adjusted for: – *Contract boundaries:* Solvency II rules do not allow for the recognition of future cash flows on certain policies despite a high probability of receipt. – *Risk margin:* The Solvency II rules require a 'risk margin' liability which is deemed to be above the realistic cost. – *Ring-fenced funds:* Solvency II does not permit the recognition of surplus that exists within certain ring-fenced funds. As the surpluses in these funds are expected to ultimately be available to the group these surpluses have been recognised in the group's economic value calculations. – *Dividends:* On a Solvency II basis dividends are recognised when they are "foreseeable". For economic value purposes dividends are recognised when paid.
EIOPA	European Insurance and Occupational Pensions Authority - An independent advisory body to the European Parliament, the Council of the European Union and the European Commission. EIOPA was established in January 2011 and replaced CEIOPS (the Committee of European Insurance and Occupational Pensions Supervisors).
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
FUM	Funds under management
IFRS	International Financial Reporting Standards
GEC	Group Executive Committee
GRMF	Group risk management framework
Group	The group of companies that is headed up by Chesnara plc.
Key Function	The Solvency II Directive has defined a minimum of four functions of the system of governance as key functions – Risk Management, Internal Audit, Actuarial and Compliance. Each key function is required to have a designated key function holder who will be subject to notification requirements to the regulator.
MCR	Minimum Capital Requirement - An absolute minimum level of required capital below which supervisory intervention will automatically be triggered. The MCR is defined by a formula with a lower/upper bound of 25%/45% of the SCR respectively.
NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
OSP	Outsource Service Provider
PL	Protection Life
PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulation Authority
Prudent Person Principle	The rules governing how investments are to be made in line with the Solvency II requirements – Article 132 of the Solvency II Directive and associated regulations and guidance.
QRT	Quantitative Reporting Template
Reconciliation Reserve	A reconciliation reserve, being an amount representing the total excess of assets and liabilities reduced by the basic own-fund items included in Tier 2, Tier 3 and elsewhere in Tier 1.
Risk Margin	The measure added to the Best Estimate Liability to reflect the cost of holding capital over a period of run-off of the liabilities to ensure that the value of Technical provisions meets the amount that an independent organisation would require to take over and meet all the obligations a rising from the existing business
S&P	Save & Prosper, made of two companies; Save & Prosper Insurance Limited and Save & Prosper Pensions Limited
SCR	SCR relates to risks and obligations to which the Group is exposed and calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensure that capital is sufficient to withstand a broadly '1-in-200' event.
SFCR	Solvency and Financial Condition Report
Solvency II	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
SLAs	Service Level Agreements
Standard Formula	The set of prescribed rules used to calculate the regulatory SCR where an internal model is not being used.
Surplus Capital	The excess of Own Funds over the SCR
TCF	Treating customers fairly
Technical Provisions	The sum of the Best Estimate Liability and Risk Margin. The Technical Provisions are set at a level that an organisation would need to pay to another insurance organisation in order for them to fully accept the transfer of the related insurance obligations.

G. ANNEX – QUANTITATIVE REPORTING TEMPLATES

S.02.01.02 - Balance Sheet

	Assets	Solvency II Value
		C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	7,858,780.92
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,611,155,467.45
R0080	Property (other than for own use)	1,214,862.12
R0090	Holdings in related undertakings, including participations	56,342,124.75
R0100	Equities	14,231.64
R0110	Equities – listed	14,231.64
R0120	Equities – unlisted	
R0130	Bonds	911,312,438.65
R0140	Government Bonds	454,419,084.78
R0150	Corporate Bonds	456,633,279.45
R0160	Structured notes	0.00
R0170	Collateralised securities	260,074.43
R0180	Collective Investments Undertakings	634,334,153.27
R0190	Derivatives	7,162,389.00
R0200	Deposits other than cash equivalents	775,268.02
R0210	Other investments	0.00
R0220	Assets held for index-linked and unit-linked contracts	9,173,548,844.78
R0230	Loans and mortgages	26,021,119.38
R0240	Loans on policies	840,993.99
R0250	Loans and mortgages to individuals	22,937,032.40
R0260	Other loans and mortgages	2,243,092.99
R0270	Reinsurance recoverables from:	132,042,044.14
R0280	Non-life and health similar to non-life	1,995,545.05
R0290	Non-life excluding health	0.00
R0300	Health similar to non-life	1,995,545.05
R0310	Life and health similar to life, excluding index-linked and unit-linked	93,690,084.55
R0320	Health similar to life	13,271,076.04
R0330	Life excluding health and index-linked and unit-linked	80,419,008.51
R0340	Life index-linked and unit-linked	36,356,414.54
R0350	Deposits to cedants	0.00
R0360	Insurance and intermediaries receivables	17,827,991.69
R0370	Reinsurance receivables	21,800,753.87
R0380	Receivables (trade, not insurance)	30,558,557.52
R0390	Own shares (held directly)	0.00
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	70,431,007.70
R0420	Any other assets, not elsewhere shown	6,735,163.98
R0500	**Total assets**	11,097,979,731.43

S.02.01.02 - Balance Sheet (continued)

	Liabilities	Solvency II Value
		C0010
R0510	Technical provisions - non-life	17,012,653.00
R0520	Technical provisions - non-life (excluding health)	0.00
R0530	TP calculated as a whole	
R0540	Best Estimate	
R0550	Risk margin	
R0560	Technical provisions - health (similar to non-life)	17,012,653.00
R0570	TP calculated as a whole	0.00
R0580	Best Estimate	15,406,463.75
R0590	Risk margin	1,606,189.25
R0600	Technical provisions - life (excluding index-linked and unit-linked)	855,170,932.92
R0610	Technical provisions - health (similar to life)	129,781,353.47
R0620	TP calculated as a whole	104,465,815.23
R0630	Best Estimate	23,180,457.49
R0640	Risk margin	2,135,080.75
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	725,389,579.45
R0660	TP calculated as a whole	0.00
R0670	Best Estimate	687,370,446.66
R0680	Risk margin	38,019,132.79
R0690	Technical provisions - index-linked and unit-linked	9,280,323,872.79
R0700	TP calculated as a whole	9,095,736,357.35
R0710	Best Estimate	139,641,563.47
R0720	Risk margin	44,945,951.97
R0730	Other technical provisions	
R0740	Contingent liabilities	0.00
R0750	Provisions other than technical provisions	8,010,588.46
R0760	Pension benefit obligations	0.00
R0770	Deposits from reinsurers	0.00
R0780	Deferred tax liabilities	2,911,890.04
R0790	Derivatives	10,638,388.43
R0800	Debts owed to credit institutions	2,031,489.61
R0810	Financial liabilities other than debts owed to credit institutions	11,424,847.46
R0820	Insurance & intermediaries payables	147,816,081.28
R0830	Reinsurance payables	50,949,192.52
R0840	Payables (trade, not insurance)	37,149,529.01
R0850	Subordinated liabilities	200,000,000.00
R0860	Subordinated liabilities not in BOF	
R0870	Subordinated liabilities in BOF	200,000,000.00
R0880	Any other liabilities, not elsewhere shown	0.00
R0900	**Total liabilities**	10,623,439,314.47
R1000	**Excess of assets over liabilities**	474,540,265.91

S.05.01.02 - Premiums, claims and expenses by line of business

Non-Life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		Total
		Medical expense insurance	Income protection insurance	
		C0010	C0020	C0200
	Premiums written			
R0110	*Gross - Direct Business*		1,032,802.95	1,032,802.95
R0120	*Gross - Proportional reinsurance accepted*			0.00
R0130	*Gross - Non-proportional reinsurance accepted*			0.00
R0140	*Reinsurers' share*		56,580.05	56,580.05
R0200	*Net*		976,222.90	976,222.90
	Premiums earned			
R0210	*Gross - Direct Business*		944,103.37	944,103.37
R0220	*Gross - Proportional reinsurance accepted*			0.00
R0230	*Gross - Non-proportional reinsurance accepted*			0.00
R0240	*Reinsurers' share*		57,364.03	57,364.03
R0300	*Net*		886,739.34	886,739.34
	Claims incurred			
R0310	*Gross - Direct Business*		26,961.30	26,961.30
R0320	*Gross - Proportional reinsurance accepted*			0.00
R0330	*Gross - Non-proportional reinsurance accepted*			0.00
R0340	*Reinsurers' share*		-86,980.50	-86,980.50
R0400	*Net*		113,941.80	113,941.80
	Changes in other technical provisions			
R0410	*Gross - Direct Business*			
R0420	*Gross - Proportional reinsurance accepted*			
R0430	*Gross - Non-proportional reinsurance accepted*			
R0440	*Reinsurers' share*			
R0500	*Net*			
R0550	**Expenses incurred**		456,748.04	456,748.04
R1200	**Other expenses**			
R1300	**Total expenses**			456,748.04

S.05.01.02 - Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations				Total
		Health insurance	Insurance with-profit participation	Index-linked and unit-linked insurance	Other life insurance	
		C0210	C0220	C0230	C0240	C0300
	Premiums written					
R1410	*Gross - Direct Business*	12,402,730.13	2,866,677.51	1,079,894,405.70	144,389,308.94	1,239,553,122.28
R1420	*Reinsurers' share*	3,581,102.88	125,076.60	3,787,206.27	37,392,654.32	44,886,040.07
R1500	*Net*	8,821,627.25	2,741,600.91	1,076,107,199.43	106,996,654.62	1,194,667,082.21
	Premiums earned					
R1510	*Gross - Direct Business*	13,357,517.15	2,866,677.51	1,079,894,405.70	143,891,272.50	1,240,009,872.86
R1520	*Reinsurers' share*	4,014,877.80	125,076.60	3,787,206.27	37,365,776.20	45,292,936.87
R1600	*Net*	9,342,639.35	2,741,600.91	1,076,107,199.43	106,525,496.30	1,194,716,935.99
	Claims incurred					
R1610	*Gross - Direct Business*	50,152,404.22	31,774,196.76	765,957,897.31	104,299,211.54	952,183,709.83
R1620	*Reinsurers' share*	-2,444,452.63	310,322.20	9,177,283.14	46,553,651.37	53,596,804.08
R1700	*Net*	52,596,856.85	31,463,874.56	756,780,614.17	57,745,560.17	898,586,905.75
	Changes in other technical provisions					
R1710	*Gross - Direct Business*	-58,401,319.28	-60,770,884.76	-890,084,340.73	-83,798,769.49	-1,093,055,314.26
R1720	*Reinsurers' share*	671,443.41	-654,812.15	-9,025,148.90	-43,689,828.33	-52,698,345.97
R1800	*Net*	-59,072,762.69	-60,116,072.61	-881,059,191.83	-40,108,941.16	-1,040,356,968.29
R1900	**Expenses incurred**	2,820,491.06	4,109,415.92	81,768,544.00	26,277,921.20	114,976,372.18
R2500	**Other expenses**					3,061,325.49
R2600	**Total expenses**					118,037,697.67

S.05.02.01 - Premiums, claims and expenses by country

Non-Life		Home Country	SE	Total Top 5 and home country
		C0080	C0090	C0140
	Premiums written			
R0110	*Gross - Direct Business*		1,032,802.95	1,032,802.95
R0120	*Gross - Proportional reinsurance accepted*			
R0130	*Gross - Non-proportional reinsurance accepted*			
R0140	*Reinsurers' share*		56,580.05	56,580.05
R0200	*Net*		976,222.90	976,222.90
	Premiums earned			
R0210	*Gross - Direct Business*		944,103.37	944,103.37
R0220	*Gross - Proportional reinsurance accepted*			
R0230	*Gross - Non-proportional reinsurance accepted*			
R0240	*Reinsurers' share*		57,364.03	57,364.03
R0300	*Net*		886,739.34	886,739.34
	Claims incurred			
R0310	*Gross - Direct Business*		26,961.30	26,961.30
R0320	*Gross - Proportional reinsurance accepted*			
R0330	*Gross - Non-proportional reinsurance accepted*			
R0340	*Reinsurers' share*		-86,980.50	-86,980.50
R0400	*Net*		113,941.80	113,941.80
	Changes in other technical provisions			
R0410	*Gross - Direct Business*		0.00	0.00
R0420	*Gross - Proportional reinsurance accepted*			
R0430	*Gross - Non-proportional reinsurance accepted*			
R0440	*Reinsurers' share*		0.00	0.00
R0500	*Net*		0.00	0.00
R0550	**Expenses incurred**		456,748.05	456,748.05
R1200	**Other expenses**			
R1300	**Total expenses**			456,748.05

S.05.02.01 - Premiums, claims and expenses by country

Life		Home Country	SE	NL	Total Top 5 and home country
		C0080	C0090	C0090	C0140
	Premiums written				
R0110	*Gross - Direct Business*	106,134,226.90	861,616,646.56	271,802,248.82	1,239,553,122.28
R0140	*Reinsurers' share*	14,292,154.52	4,594,073.59	25,999,811.95	44,886,040.06
R0200	*Net*	91,842,072.38	857,022,572.97	245,802,436.87	1,194,667,082.22
	Premiums earned				
R0210	*Gross - Direct Business*	106,134,226.90	861,214,641.86	272,661,004.10	1,240,009,872.86
R0240	*Reinsurers' share*	14,292,154.52	4,593,282.58	26,407,499.76	45,292,936.86
R0300	*Net*	91,842,072.38	856,621,359.28	246,253,504.34	1,194,716,936.00
	Claims incurred				
R0310	*Gross - Direct Business*	236,551,610.21	456,030,654.86	259,601,444.75	952,183,709.82
R0340	*Reinsurers' share*	33,417,809.97	-2,330,181.12	22,509,175.22	53,596,804.07
R0400	*Net*	203,133,800.24	458,360,835.98	237,092,269.53	898,586,905.75
	Changes in other technical provisions				
R0410	*Gross - Direct Business*	-449,620,923.12	-478,591,396.41	-164,842,994.73	-1,093,055,314.26
R0440	*Reinsurers' share*	-54,470,070.93	0.00	1,771,724.96	-52,698,345.97
R0500	*Net*	-395,150,852.19	-478,591,396.41	-166,614,719.69	-1,040,356,968.29
R0550	**Expenses incurred**	41,187,910.88	41,995,137.46	31,793,323.84	114,976,372.18
R1200	**Other expenses**				3,061,325.49
R1300	**Total expenses**				118,037,697.67

S.22.01.22 - Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
	Available and eligible own funds					
R0010	**Technical provisions**	10,152,507,458.71	0.00	0.00	11,244,215.60	0.00
R0020	**Basic own funds**	403,111,435.64	0.00	0.00	-7,780,993.10	0.00
R0050	**Eligible own funds to meet Solvency Capital Requirement**	474,540,416.96	0.00	0.00	-7,780,993.10	0.00
R0090	**Solvency Capital Requirement**	306,678,000.52	0.00	0.00	3,107,650.49	0.00

S.23.01.22 - Own funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	7,502,000.00	7,502,000.00		0.00	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0.00				
R0030	Share premium account related to ordinary share capital	142,332,000.00	142,332,000.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0060	*Non-available subordinated mutual member accounts at group level*	0.00				
R0070	Surplus funds	0.00	0.00			
R0080	*Non-available surplus funds at group level*	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0100	*Non-available preference shares at group level*	0.00				
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0120	*Non-available share premium account related to preference shares at group level*	0.00				
R0130	Reconciliation reserve	255,229,995.56	255,229,995.56			
R0140	Subordinated liabilities	200,000,000.00		0.00	200,000,000.00	0.00
R0150	*Non-available subordinated liabilities at group level*	200,000,000.00			200,000,000.00	
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0.00				0.00
R0180	Other items approved by supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
R0190	*Non available own funds related to other own funds items approved by supervisory authority*					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0230	Deductions for participations in financial and credit institutions	1,952,710.97	1,952,710.97			
R0240	whereof deducted according to art 228 of the Directive 2009/138/EC	0.00				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0.00				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0.00				
R0270	**Total of non-available own fund items**	200,000,000.00	0.00	0.00	200,000,000.00	
R0280	**Total deductions**	201,952,710.97	1,952,710.97	0.00	200,000,000.00	
R0290	**Total basic own funds after deductions**	403,111,435.64	403,111,435.64			
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	1,952,710.97	1,952,710.97			
R0420	Institutions for occupational retirement provision					
R0430	Non regulated entities carrying out financial activities					
R0440	**Total own funds of other financial sectors**	1,952,710.97	1,952,710.97			

S.23.01.22 - Own funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	403,111,284.59	403,111,284.59	0.00	0.00	
R0530	Total available own funds to meet the minimum consolidated group SCR	403,111,284.59	403,111,284.59	0.00	0.00	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	603,111,284.59	403,111,284.59	0.00	200,000,000.00	
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	403,111,284.59	403,111,284.59	0.00	0.00	
R0610	**Minimum consolidated Group SCR**	306,678,000.52				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	404.25%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	605,063,995.56				
R0670	**SCR for entities included with D&A method**	0.00				
R0680	**Group SCR**	306,678,000.52				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	197.30%				
	Reconciliation reserve					
R0700	Excess of assets over liabilities	474,540,265.91				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges	22,793,100.48				
R0730	Other basic own fund items	149,834,000.00				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	22,170.13				
R0750	Other non available own funds	46,660,999.74				
R0760	Reconciliation reserve	255,229,995.56				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	142,956,499.32				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	25,795.14				
R0790	Total Expected profits included in future premiums (EPIFP)	142,982,294.46				

S.25.01.22 - Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0030	C0040	C0040
R0010	Market risk	214,065,623.03		
R0020	Counterparty default risk	11,228,470.27		
R0030	Life underwriting risk	173,601,140.39		
R0040	Health underwriting risk	10,371,226.02		
R0050	Non-life underwriting risk	0.00		
R0060	Diversification	-93,107,872.22		
R0070	Intangible asset risk			
R0100	**Basic Solvency Capital Requirement**	**316,158,587.49**		
	Calculation of Solvency Capital Requirement			
R0130	Operational risk	15,791,287.98		
R0140	Loss-absorbing capacity of technical provisions			
R0150	Loss-absorbing capacity of deferred taxes	-25,950,908.31		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
R0200	**Solvency Capital Requirement excluding capital add-on**	**305,998,967.16**		
R0210	Capital add-ons already set			
R0220	**Solvency capital requirement**	**306,678,000.52**		
	Other information on SCR			
R0400	Capital requirement for duration-based equity risk sub-module			
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	313,676,677.77		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	18,273,197.04		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
R0440	Diversification effects due to RFF nSCR aggregation for article 304			
R0470	Minimum consolidated group solvency capital requirement	99,718,081.22		
	Information on other entities			
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	679,033.36		
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	679,033.36		
R0520	*Institutions for occupational retirement provisions*			
R0530	*Capital requirement for non- regulated entities carrying out financial activities*			
R0540	Capital requirement for non-controlled participation requirements			
R0550	Capital requirement for residual undertakings			
	Overall SCR			
R0560	SCR for undertakings included via D&A			
R0570	**Solvency capital requirement**	**306,678,000.52**		

S.32.01.22 - Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
GB	213800VFRMBRTSZ3SJ06	LEI	Chesnara Plc	Insurance holding company	Limited by shares	Non-mutual	
GB	5493006PBGQRFI82TX40	LEI	Countrywide Assured plc	Life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority (PRA)
GB	213800DQ2ZBKOTHG2M12	LEI	Countrywide Assured Life Holdings Limited	Insurance holding company	Limited by shares	Non-mutual	
GB	213800E18ZA3OVMM5P56	LEI	Countrywide Assured Services Limited	Ancillary services undertaking	Limited by shares	Non-mutual	
GB	213800U9SDMSLYT2JS80	LEI	Countrywide Assured Trustee Company Limited	Other	Limited by shares	Non-mutual	
GB	5493000JTJMXUZY4GP84	LEI	CASLP Limtied	1	Limited by shares	Non-mutual	Prudential Regulation Authority (PRA)
GB	213800X41MKP71L2T153	LEI	CASLPTS Limited	10	Limited by shares	Non-mutual	
GB	213800J7ADQQJOX6B673	LEI	CASFS Limited	5	Limited by shares	Non-mutual	
SE	549300L3SKPPLGYVSI02	LEI	Movestic Livförsäkring AB	Life insurance undertaking	Limited by shares	Non-mutual	Finansinspektionen
LU	22210057DCXUGJZDR829	LEI	Movestic Fund Management S.A.	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Commission de Surveillance du Secteur Financier (CSSF)
SE	5493002MRIRVRUHV4O57	LEI	Movestic Kapitalförvältning AB	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Finansinspektionen
NL	2138007SDEM3JFUI8E22	LEI	Chesnara Holdings B.V.	Insurance holding company	Limited by shares	Non-mutual	
NL	724500M08RQQPV9C8030	LEI	Waard Leven N.V	Life insurance undertaking	Limited by shares	Non-mutual	De Nederlandsche Bank
NL	7245000HKSZJZFYQ7K89	LEI	Waard Schade N.V	Life insurance undertaking	Limited by shares	Non-mutual	De Nederlandsche Bank
NL	21380051GTWS632OP611	LEI	Waard Verzekering	Ancillary services undertaking	Limited by shares	Non-mutual	
NL	2138005TNXFN8HKJ9779	LEI	Scildon N.V	Life insurance undertaking	Limited by shares	Non-mutual	De Nederlandsche Bank

S.32.01.22 - Undertakings in the scope of the group (continued)

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence					
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation
C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230
GB	213800VFRMBRTSZ3SJ06	LEI	Chesnara Plc	100.00%	100.00%	100.00%		Dominant	100.00%
GB	5493006PBGQRFI82TX40	LEI	Countrywide Assured plc	100.00%	100.00%	100.00%		Dominant	100.00%
GB	213800DQ2ZBKOTHG2M12	LEI	Countrywide Assured Life Holdings Limited	100.00%	100.00%	100.00%		Dominant	100.00%
GB	213800E18ZA3OVMM5P56	LEI	Countrywide Assured Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%
GB	213800U9SDMSLYT2JS80	LEI	Countrywide Assured Trustee Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%
GB	5493000JTJMXUZY4GP84	LEI	CASLP Limtied	100.00%	100.00%	100.00%		Dominant	100.00%
GB	213800X41MKP71L2T153	LEI	CASLPTS Limited	100.00%	100.00%	100.00%		Dominant	100.00%
GB	213800J7ADQQJOX6B673	LEI	CASFS Limited	100.00%	100.00%	100.00%		Dominant	100.00%
SE	549300L3SKPPLGYVSI02	LEI	Movestic Livförsäkring AB	100.00%	100.00%	100.00%		Dominant	100.00%
LU	22210057DCXUGJZDR829	LEI	Movestic Fund Management S.A.	100.00%	100.00%	100.00%		Dominant	100.00%
SE	5493002MRIRVRUHV4O57	LEI	Movestic Kapitalförvältning AB	100.00%	100.00%	100.00%		Dominant	100.00%
NL	2138007SDEM3JFUI8E22	LEI	Chesnara Holdings B.V.	100.00%	100.00%	100.00%		Dominant	100.00%
NL	724500M08RQQPV9C8030	LEI	Waard Leven N.V	100.00%	100.00%	100.00%		Dominant	100.00%
NL	7245000HKSZJZFYQ7K89	LEI	Waard Schade N.V	100.00%	100.00%	100.00%		Dominant	100.00%
NL	21380051GTWS632OP611	LEI	Waard Verzekering	100.00%	100.00%	100.00%		Dominant	100.00%
NL	2138005TNXFN8HKJ9779	LEI	Scildon N.V	100.00%	100.00%	100.00%		Dominant	100.00%

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Inclusion in the scope of Group supervision		Group solvency calculation
				YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0240	C0250	C0260
GB	213800VFRMBRTSZ3SJ06	LEI	Chesnara Plc	Included in the scope		Method 1 – Full consolidation
GB	5493006PBGQRFI82TX40	LEI	Countrywide Assured plc	Included in the scope		Method 1 – Full consolidation
GB	213800DQ2ZBKOTHG2M12	LEI	Countrywide Assured Life Holdings Limited	Included in the scope		Method 1 – Full consolidation
GB	213800E18ZA3OVMM5P56	LEI	Countrywide Assured Services Limited	Included in the scope		Method 1 – Full consolidation
GB	213800U9SDMSLYT2JS80	LEI	Countrywide Assured Trustee Company Limited	Included in the scope		Method 1 – Full consolidation
GB	5493000JTJMXUZY4GP84	LEI	CASLP Limtied	Included in the scope		Method 1 – Full consolidation
GB	213800X41MKP71L2T153	LEI	CASLPTS Limited	Included in the scope		Method 1 – Full consolidation
GB	213800J7ADQQJOX6B673	LEI	CASFS Limited	Included in the scope		Method 1 – Full consolidation
SE	549300L3SKPPLGYVSI02	LEI	Movestic Livförsäkring AB	Included in the scope		Method 1 – Full consolidation
LU	22210057DCXUGJZDR829	LEI	Movestic Fund Management S.A.	Included in the scope		Method 1 – Full consolidation
SE	5493002MRIRVRUHV4O57	LEI	Movestic Kapitalförvältning AB	Included in the scope		Method 1 – Full consolidation
NL	2138007SDEM3JFUI8E22	LEI	Chesnara Holdings B.V.	Included in the scope		Method 1 – Full consolidation
NL	724500M08RQQPV9C8030	LEI	Waard Leven N.V	Included in the scope		Method 1 – Full consolidation
NL	7245000HKSZJZFYQ7K89	LEI	Waard Schade N.V	Included in the scope		Method 1 – Full consolidation
NL	21380051GTWS632OP611	LEI	Waard Verzekering	Included in the scope		Method 1 – Full consolidation
NL	2138005TNXFN8HKJ9779	LEI	Scildon N.V	Included in the scope		Method 1 – Full consolidation