SOLVENCY & FINANCIAL CONDITION REPORT 2023

Chesnara

TABLE OF CONTENTS

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 2023. 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 2023 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.

Statutory accounts values within this document are reported under IFRS 17 "Insurance Contracts" for the first time, with comparative values restated to reflect the retrospective application of this standard.

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 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 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, focusing on good customer outcomes and providing a secure and compliant environment to protect their interests. It also adds value by writing profitable new business (primarily in Sweden and the Netherlands, although the UK business continues to write new on-shore bonds) 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 205% at 31 December 2023 (31 December 2022: 197%). Group underwriting performance, taken as being the IFRS profit before tax as included in the group's financial statements, of £1.8m (2022 (restated): loss before tax £62.1m). This is the first year that the measurement principles of the new accounting standard "IFRS 17 Insurance Contracts" have been applied. The comparatives have been restated to reflect the retrospective application of this standard.
- The UK division entered into a strategic outsourcing arrangement with SS&C Technologies Ltd (SS&C) in 2023 and is currently in the process of transferring its main policy administration services to SS&C through a multi-year transition and transformation (T&T) programme.
- CA entered into a mass lapse reinsurance arrangement which provides cover against the risk of a large outflow of policies and as a result reduces the amount of capital required to be held in a mass lapse scenario. This resulted in an immediate increase in own funds of £0.2m and a £7.1m reduction in SCR.
- On 31 December 2023 the UK division implemented the UK Solvency II risk margin reforms which resulted in a reduction in risk margin of £13.2m.
- In May, expansion in the UK continued for the second year running, with the acquisition of a protection portfolio from Canada Life. The acquisition has initially been executed through entering into a 100% reinsurance agreement with Canada Life, and these policies will subsequently transfer to the division through a Part VII transfer process. This agreement resulted in an immediate uplift in own funds of £5.9m.
- Following the acquisition of CASLP during 2022 in the UK, this business was successfully transferred into Countrywide Assured at the end of 2023 under Part VII of the Financial Services and Markets Act 2000. This resulted in an immediate increase in own funds of £55.1m.
- In the Netherlands, following the announcement late in 2022, the group completed the acquisition of the insurance portfolio of Conservatrix on 1 January 2023. The Conservatrix insurance portfolio was successfully integrated into the Waard Group during the year and resulted in an increase in own funds of £26.5m.
- At a group and divisional level, IFRS 17 has been implemented for this first reporting year, with reporting processes now bedding down into business-as-usual operations following several years of planning and implementation.

SUMMARY

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.

We have seen some changes in key personnel, as follows:

- In the UK, Ken Hogg left the business after seven years as CEO of the business and Jackie Ronson was appointed as his successor.
- After six years as Movestic CEO, Linnéa Ecorcheville left the business, and Sara Lindberg was appointed as CEO initially as interim and subsequently on a permanent basis.
- In the Netherlands, Pauline Derkman became CEO of Scildon in September following Gert-Jan Fritzsche's departure earlier in the year.
- It was announced in April 2024 that Mark Hesketh has been appointed to the role of Chair of the Board of CA in the UK.
- It has been announced that David Rimmington will stand down as director at the AGM in May 2024 and Tom Howard will be put forward for election.

There have been some structural changes within the group:

- On 31 December 2023 the insurance business of CASLP Limited was transferred to CA under Part VII of the Financial Services and Markets Act 2000 following Court approval.
- As part of a restructure of the Dutch division, the subsidiaries previously owned by Chesnara Holdings B.V., the intermediate holding company of Waard Leven N.V., Waard Schade N.V. and Scildon N.V., were transferred directly to Chesnara plc, and subsequently Chesnara Holdings B.V. was liquidated on 15 January 2024.

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.

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 solvency volatility arising from large movements in bond spreads.

The most notable change in the year at group level is the increase in Concentration risk, this is due to the Conservatrix acquisition which has a significant amount of EU government Bonds, and these no longer qualify for the preferential treatment of government bonds at a group level. Whilst this appears to materially affect the SCR, most diversifies away, so the overall impact on final SCR post-diversification is less material. On a forward-looking basis, the external environment continues to bring a level of uncertainty, with geopolitical events such as the ongoing Ukraine-Russian conflict and other regional conflicts such as in the Middle East 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.

SUMMARY

D. VALUATION FOR SOLVENCY PURPOSES (continued)

A summary of the group's assets and liabilities at 31 December 2023 and 31 December 2022 has been provided below:

	31 December 2023 £m	31 December 2022 £m
Assets	11,826.2	10,965.9
Net technical provisions	(10,853.3)	(10,020.5)
Other liabilities	(413.2)	(470.9)
Assets less liabilities	**559.7**	**474.5**

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.

There have been no significant changes to the way in which the group and its divisions manage their capital. The board-approved capital management policy, underpinning any capital decisions, has remained materially unchanged over the year.

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

	31 December 2023 £m	31 December 2022 £m
Assets less liabilities	**559.7**	**474.5**
Tier 3 restrictions	(18.0)	–
Excess assets over liabilities	**541.7**	**474.5**
Foreseeable dividends	(23.5)	(22.8)
Restricted own funds in ring fenced funds	(0.5)	-
Subordinated liabilities	148.4	200.0
Other non-available own funds	-	(46.6)
Tier 3 eligible assets	17.6	-
Eligible Own Funds	**683.7**	**605.1**
Solvency Capital Requirement (SCR)	**332.7**	**306.7**
Surplus own funds over SCR	**351.0**	**298.4**
Ratio of eligible own funds to SCR	**205.5%**	**197.3%**

- 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 £351.0m (31 December 2022: £298.4m).
- The group has a solvency ratio of 205.5% at 31 December 2023 (31 December 2022: 197.3%), stated after the 2023 final dividend of £23.5m, which is due to be paid on 28 May 2024. The normal operating range for Chesnara is 140-160%, therefore there is significant headroom for strategic actions including M&A (mergers & acquisitions).
- Subordinated liabilities relates to the Tier 2 debt which is measured at fair value calculated using quoted prices in active markets for 2023.
- As of 2023, the group holds Tier 3 assets which sit on the balance sheet relating to deferred tax assets, with the majority having been introduced via Waard's acquisition of Conservatrix. According to Solvency II rules the maximum amount of Tier 3 capital that can be taken in own funds is restricted to 15% of SCR. Furthermore, the total amount of Eligible Tier 2 and Tier 3 capital is restricted to 50% of SCR.

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
14 May 2024

David Rimmington
Group Finance Director
14 May 2024

A. BUSINESS AND PERFORMANCE

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

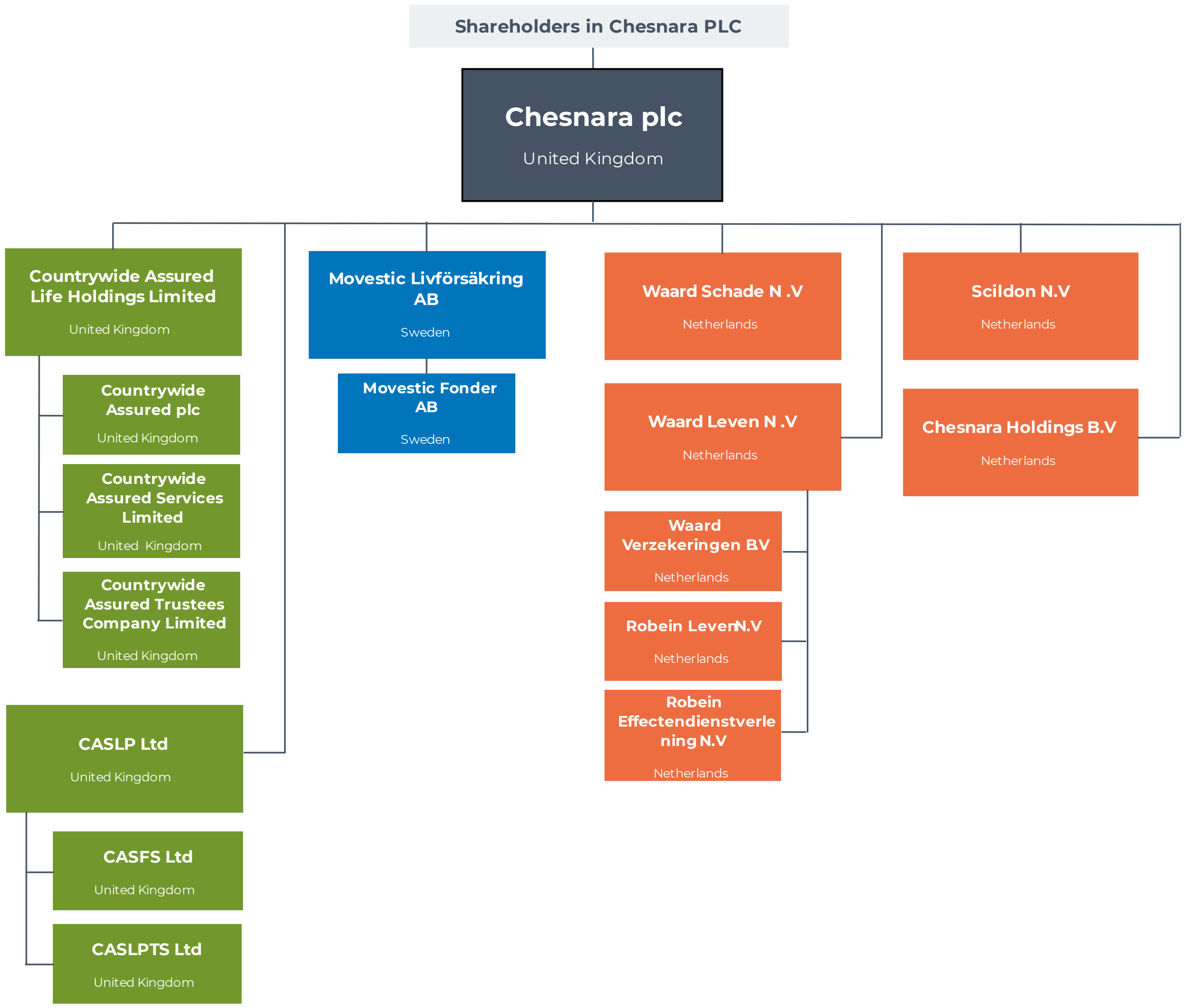
A.1.3 Name and contact details of external auditor

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 2023.



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

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 Livförsäkring AB, Waard Schade N.V., Waard Leven N.V., Scildon N.V. and Chesnara Holdings B.V. (the previous intermediate holding company of Waard Leven N.V., Waard Schade N.V. and Scildon N.V. which was subsequently dissolved on 15 January 2024). It is the ultimate group parent company, providing governance oversight to the UK, Swedish and Dutch divisions.

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 primarily closed book life and pensions operating company, with the exception of a limited amount of new business which is almost entirely single premiums in our onshore bond business in respect of the legacy CASLP business. 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 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). The insurance business of CASLP Limited was successfully transferred into Countrywide Assured plc on 31 December 2023 under a court-approved process, and as a result CASLP no longer contains any residual insurance business. In May 2023, Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK, which was closed to new business in November 2022. This was initially executed through a reinsurance arrangement.

Movestic (Swedish business): Movestic Livförsäkring 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 Livförsäkring.

Chesnara Holdings B.V. was an intermediate holding company for the Dutch businesses before it was dissolved on 15 January 2024. At 31 December 2023, the Dutch businesses were directly and wholly owned by Chesnara plc.

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. Robein Leven N.V. is a specialist provider of traditional and linked savings products, mortgages and annuities in the Netherlands. On 1 January 2023, the acquisition of the insurance portfolio of Conservatrix in the Netherlands was completed.

Scildon (Dutch open-book business): Scildon N.V., 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, as well as a limited amount of new business which is almost entirely single premiums in our onshore bond business in respect of CASLP. The portfolio 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. The reinsurance arrangement with Canada Life adds accepted reinsurance to this list.
- 'Movestic': This segment (acquired in 2009) 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, performs investment fund management services, for which it receives related investment management fees.
- '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 the two servicing companies Waard Verzekeringen N.V. and Robein Leven 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.

A. BUSINESS AND PERFORMANCE (CONTINUED)

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)

– '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 an appropriate mark-up where suitable. During the years ended 31 December 2023 and 31 December 2022, the company recharged £5.4m 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) 2023					
Line of business	**UK**	**Movestic**	**Waard Group**	**Scildon**	**Other group activities**	**Total**
Geographical area	UK	Sweden	Netherlands	Netherlands	UK	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Life insurance:						
With-profits insurance business	197.7	-	-	-	-	197.7
Index-linked and unit-linked insurance	3,613.1	4,193.2	430.1	1,497.9	40.3	9,774.6
Other life insurance	92.5	2.2	385.1	319.5	-	799.3
Total life insurance	**3,903.3**	**4,195.4**	**815.2**	**1,817.4**	**40.3**	**10,771.6**
Health insurance:						
Health insurance	68.1	24.2	1.1	-	-	93.4
Total health insurance	**68.1**	**24.2**	**1.1**	**-**	**-**	**93.4**
Accepted reinsurance	(11.7)	-	-	-	-	(11.7)
Total	**3,959.7**	**4,219.6**	**816.3**	**1,817.4**	**40.3**	**10,853.3**

	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	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Life insurance:						
With-profits insurance business	198.4	-	-	-	-	198.4
Index-linked and unit-linked insurance	3,762.0	3,619.3	412.6	1,408.0	42.1	9,244.0
Other life insurance	90.5	2.3	63.0	290.8	-	446.6
Total life insurance	**4,050.9**	**3,621.6**	**475.6**	**1,698.8**	**42.1**	**9,889.0**
Health insurance:						
Health insurance	104.7	25.4	1.4	-	-	131.5
Total health insurance	**104.7**	**25.4**	**1.4**	**-**	**-**	**131.5**
Total	**4,155.6**	**3,647.0**	**477.0**	**1,698.8**	**42.1**	**10,020.5**

A. BUSINESS AND PERFORMANCE (CONTINUED)

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 2023				
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	0.9		0.5	1.2	2.6
Index-linked and unit-linked insurance	111.1	741.4	24.6	111.1	988.2
Other life insurance	16.2	4.0	6.4	95.0	121.6
Total life insurance	**128.2**	**745.4**	**31.5**	**207.3**	**1,112.4**
Health insurance					
Health insurance	4.8	2.2	0.4	-	7.4
Total health insurance	**4.8**	**2.2**	**0.4**	**-**	**7.4**
Total	**133.0**	**747.6**	**31.9**	**207.3**	**1,119.8**

	Net premiums earned 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	1.0	-	0.3	1.4	2.7
Index-linked and unit-linked insurance	78.5	850.0	24.9	122.7	1,076.1
Other life insurance	6.0	4.0	2.6	93.9	106.5
Total life insurance	**85.5**	**854.0**	**27.8**	**218.0**	**1,185.3**
Health insurance					
Health insurance	6.3	3.5	0.4	-	10.2
Total health insurance	**6.3**	**3.5**	**0.4**	**-**	**10.2**
Total	**91.8**	**857.5**	**28.2**	**218.0**	**1,195.5**

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 are pensions business primarily made up of individual contracts, with some group money purchase schemes. There are also unit-linked products, including platform business. 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 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: This line of business 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. CA 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. BUSINESS AND PERFORMANCE (CONTINUED)

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.

Accepted reinsurance: All accepted reinsurance pertains to the Canada Life reinsurance arrangement that was entered into in May 2023 in relation to a portfolio of c47,000 term assurance contracts.

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:

BUSINESS MODEL						
	MAXIMISE VALUE FROM EXISTING BUSINESS				ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	ACQUIRE LIFE AND PENSIONS BUSINESSES
	Capital and value management	Customer outcomes	Governance			
	CULTURE & VALUES					
	RESPONSIBLE RISK-BASED MANAGEMENT	FAIR TREATMENT OF CUSTOMERS	MAINTAIN ADEQUATE FINANCIAL RESOURCES	PROVIDE A COMPETITIVE RETURN TO OUR INVESTORS	ROBUST REGULATORY COMPLIANCE	A JUST TRANSITION TO A SUSTAINABLE GROUP

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

Strategic focus

	AREA OF FOCUS	Summary for 2023
MAXIMISE VALUE FROM EXISTING BUSINESS	Capital and value management	GROUP – 2023 continued to see geopolitical uncertainty in many parts of the world, which drove rising interest and inflation rates, although the trend turned later in the year. The financial markets have been volatile, but overall positive, due to an upswing in US and wider tech markets; this development was reflected in the favourable returns on policyholders' investment assets. UK – In May 2023 the division entered into a new long-term strategic partnership with Fin Tech market leader, SS&C Technologies. SS&C will service the front-to-back-office operations for the majority of the UK division. This represents a landmark agreement for the division and provides a modern platform that delivers surety of future operating costs over the longer term; will improve the efficiency of the existing business; and establishes a solid platform to scale the business via future acquisitions. – This has initiated a programme of work to migrate the business operations of CASLP to the SS&C target operating model. The first key milestone of transferring CASLP staff to SS&C was met during the year. – The planned Part VII insurance business transfer of CASLP into CA completed on 31 December 2023 and has resulted in the realisation of some immediate capital synergies. This also supports the delivery of future operational efficiencies. – In May 2023 the division agreed to acquire Canada Life's individual protection business of c47,000 policies. This was initially executed via a reinsurance agreement, with the policies expected to transfer to CA through a Part VII insurance business transfer process following court approval. – CA has continued to optimise the risk/reward balance of its investment portfolio, having executed a change in the assets backing the non-linked, non-volatility adjustment portfolio during the year. – In Q4, CA entered into a mass lapse reinsurance arrangement. This provides cover against the risk of a large outflow of policies and as a result reduces the amount of capital that is required to be held in a mass lapse scenario (a £7.1m reduction in SCR). – As a result of the UK Solvency II risk margin reforms that came into force on 31 December 2023 the risk margin has reduced by £13.2m.

A.1 Business (continued)

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

Strategic focus (continued)

<table>
<tr><th></th><th>AREA OF FOCUS</th><th>Summary for 2023</th></tr>
<tr><td rowspan="2">MAXIMISE VALUE FROM EXISTING BUSINESS</td><td>Capital and value management</td><td>UK (continued)
– The UK business paid total dividends of £56.0m to Chesnara plc in the year and is reporting a foreseeable year end 2023 dividend of £35.0m to be paid later in 2024, with a closing post dividend solvency ratio of 149%.

SWEDEN
– Movestic continued to improve its offerings within both the unit-linked and custody account segments through a number of activities; for example, continuing to monitor developments and ensuring products remain relevant. In addition, Movestic has continued its retention initiatives during the year, albeit high transfer activity is expected to remain a market feature due to new simplified processes and regulations that have come into force.
– Over the year, Movestic has continued to develop its digital offering through extending its digital processing; establishing new partnerships; and continuing efforts to streamline processes and increase the use of automation. New customer demands and a greater digitalisation of the market overall have also caused the division to intensify its efforts to create services that are easier and more efficient for customers and partners to use. The work with automation and digitalisation is also expected to add future synergies as we will be able to scale up the business.
– Movestic's solvency ratio remains robust despite the development of the symmetric adjustment following positive investment markets which requires additional capital to be held. The closing FuM balance of £4.4bn represents a full year increase of 18.5% when compared to 2022, driven by overall favourable market conditions.

NETHERLANDS
– On 1 January 2023, Waard executed the acquisition of an insurance portfolio from Conservatrix, a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The integration of both the portfolio and staff were successfully completed in 2023.
– Scildon's IT system improvement project has progressed well over the year, and cost efficiencies have materialised in line with the business case. The project is expected to conclude in 2024.
– Over the year, Waard combined all holdings (excluding unit-linked) to one custodian. This will save costs and also enable us to better track our financed emissions and progress towards our net zero target.
– Both Waard and Scildon continue to have strong solvency positions at the end of 2023, inclusive of the use of the volatility adjustment, with Scildon at 184% and Waard at 353%.</td></tr>
<tr><td>Customer outcomes</td><td>UK
– An ongoing focus of the division is to ensure that it complies with the requirements of the FCA's 'Consumer Duty'. The business unit met the requirements in relation to its open business by the regulatory deadline of 31 July 2023 and the closed-book operations are on track to comply with the requirements by the later deadline of 31 July 2024.
– Another important multi-year focus is to ensure compliance with the FCA's 'Operational Resilience' regulations by 31 March 2025. This remains on track and has included supporting the PRA in its industry-wide data collection programme.
– The policies of CASLP were transferred to CA on 31 December 2023 following court approval on 21 December 2023. As part of this process an independent expert for the transfer confirmed that all policyholders could expect to receive the same benefits in their existing policies with the same level of security under the transfer.</td></tr>
</table>

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 2023
MAXIMISE VALUE FROM EXISTING BUSINESS	Customer outcomes	SWEDEN – Movestic has developed a new sustainability rating for funds on its platform, with the aim of providing an aggregated valuation of different sustainability ratings that are available on the investment market (more information is available on the Movestic website). – Work to automate processes and make them more efficient has taken place over the year. In addition, a new customer service case management system was implemented over 2023. Both activities will help to ensure smoother administration and improved customer service. – Movestic continued to expand the custodian offering by establishing new partnerships. – To help customers plan their retirement, Movestic has developed a unique digital service where customers can: plan; start withdrawing; and change how they receive their occupational pension. In 2023, seven out of every ten of the company's customers used this service to start withdrawing their pension. – A new digital medical underwriting tool and an improved digital investment tool have been launched, making it easier for customers to choose and exchange the funds in their portfolios. – The long-term trend with more satisfied customers is continuing as the company's Customer Satisfaction Index rose for the third consecutive year. NETHERLANDS – Scildon has continued to make improvements to its customer offering through new products and digitalisation options where possible. These improvements will also reduce the level of physical mail, making all communications with IFAs and customers digital. – Scildon retained a high customer satisfaction rating and Net Promotor Score (NPS) in 2023. – Through the acquisition of Conservatrix, Waard has safeguarded policyholder interests and provided certainty to staff. Processes were put in place to overcome the contact issues policyholders faced at the start of the year with many policyholders restarting their premiums in the second half of the year. – Waard has also progressed work on digitalising its customer portal to both make it easier for customers to access documents but also to reduce the level of printing required, in turn helping the group decarbonise. This is expected to be launched in 2024.
	Governance	GROUP – The group has implemented IFRS 17 and IFRS 9 reporting into its overall financial reporting framework and has delivered its first full year end for 2023 under the new accounting standards. – Work has commenced in our European divisions to implement the new regulatory framework, Digital Operational Resilience Act (DORA), which is effective from January 2025. DORA is designed to improve the ability to withstand cyber threats and the risks associated with information security. UK – In September Jackie Ronson joined Chesnara, succeeding Ken Hogg as UK CEO. As well as overseeing the day-to-day operations of the division, Jackie will apply her experience in M&A and leading large-scale transformation to deliver the UK's business strategy. – During the course of the year the division successfully delivered the integration of the policies and governance frameworks of CASLP with CA. This was in preparation for the Part VII transfer of CASLP into CA at the end of the year and puts the CA board in good stead for overseeing the enlarged business through a combined oversight structure going forward. – After entering into the new strategic partnership with SS&C during the year, coupled with the new arrangement with Canada Life, the division has focused on ensuring that its governance and oversight routines have been adapted to reflect these new arrangements. – CA has supported the wider group's sustainability programme over the course of the year and will continue to focus on local initiatives for 2024. – It has been announced that David Rimmington will stand down as director at the AGM in May 2024 and Tom Howard will be put forward for election as Chief Financial Officer.

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 2023
MAXIMISE VALUE FROM EXISTING BUSINESS	Governance	SWEDEN – Sustainability has remained a key focus area with work progressing in a number of areas. A key example is work over the year to develop a solution to digitally provide customers with individual sustainability annual statements which is in accordance with new regulation that came into force on 1 January 2023. Additionally, work has progressed in respect of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting. Movestic initiated an impact assessment in December 2023, and we are working to understand the likely effective date, given the complexities of the legislation. – Analysis of the Global Minimum Tax (GMT) regulatory framework is also underway, to determine how the new law affects the company's tax situation. NETHERLANDS – Both business units have been progressing their sustainability activity with a significant programme of work expected over 2024. – Work has started on consideration of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting and we are working to understand the likely effective date, given the complexities of the legislation.

	Summary for 2023
ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	UK – Whilst the UK business is primarily closed, the onshore bond business within the legacy CASLP book remains open to new business via third party platform links and the financial advisors that use them. The 2023 commercial new business result from the UK was £1.8m. SWEDEN – Sales volumes for the unit-linked business have developed positively over the year, representing a 15% rise on the prior year. The custodian sales volumes slowed down during the year due to the less favourable financial market conditions, particularly a lack of local IPOs. – The division delivered a commercial new business profit of £2.8m, which is slightly below last year, in part due to salary increases below the inflation rate, which led to lower increment contributions. – Movestic will continue to develop its pension and savings offering to increase competitiveness and build customer loyalty. – For the second year in a row, Movestic has been awarded 'Unit-linked Insurance Company of the Year' for 2023 by Söderberg & Partners. NETHERLANDS – Scildon continues to generate solid new business profits, with a commercial new business result of £5.4m for 2023 (pre-tax). The market remains tough with pressure on pricing, but we have a solid base to drive further growth. – Underpinning this, Scildon APE and policy count continue to increase, closing the year with more than 236,000 policies. The market share for the Scildon term product over 2023 was 10.5% (2022: 10.6%). – Scildon was awarded a 5-star rating for the second year in a row for its lifestyle product by independent trade body, Moneyview.

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)

	Summary for 2023
ACQUIRE LIFE AND PENSIONS BUSINESS	CONSERVATRIX The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a second material closed-book consolidation business alongside Chesnara's existing UK platform. The Conservatrix transaction increased the group's EcV by £21.7m on day 1 and provides further EcV accretion potential from future real world investment returns and the run-off of the risk margin. The Conservatrix portfolio was integrated into the Waard business over the course of the year, including allowing customers the option to restart their premiums on their policies. CANADA LIFE UK Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK in May 2023. As a result of the acquisition, approximately 47,000 life insurance and critical illness policies will transfer to Chesnara's UK subsidiary, Countrywide Assured plc. Canada Life UK will reinsure the portfolio to CA, effective from 1 January 2023. The consideration as part of the reinsurance agreement was £9 million, funded from internal group resources, and the transaction resulted in an immediate day 1 EcV gain of £6.7m. Customers' policies are expected to formally transfer to CA after completion of a court-approved Part VII transfer. This is following the successful completion in 2023 of the Part VII transfer of the CASLP business to CA.

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 2023
CULTURE & VALUES	Fair treatment of customers	– Across the group we have continued to focus on delivering good outcomes to our customers, including recognising Consumer Duty requirements for UK customers. – **UK**: Focused on continuing to deliver a good 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 compliance with the new Consumer Duty rules in July 2023 for two products open to new business and actions required to meet this for the remainder of the book by the regulatory deadline of 31 July 2024. 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, through the development of a unique digital service, where customers can manage their occupational pension, and the launch of new digital medical underwriting and digital investment tools to enhance customer experiences. The division has also focused on other ways it can support its customers. Customers approaching retirement are offered an advisory service by a dedicated team of experts who can support them in their retirement planning process. – **Netherlands**: For Waard's latest acquisition, 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 that new staff are successfully onboarded. Scildon has been working on simplifying its product portfolio and further digitalising its customer and advisor portals. It has also focused on continuing to provide flexible solutions to its customers, mindful of the impact of the cost-of-living crisis. – 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 investors	– Continued our track record of increasing our dividend for the last 19 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 over the course of 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 sustainability strategy during the year, including: continuing the work of the group Sustainability Committee which is responsible for overseeing climate-related risks and opportunities of the group; successfully baselined our financed and operational emissions and set our initial interim targets for financed emissions; established our Positive Solutions Framework and baselined our existing investments; and we took the first steps to embed sustainability into decision making. – Completed the group's IFRS 17 project, broadly in line with plan.
	Maintain adequate financial resources	– The group has maintained adequate financial resources over the year and had a post-dividend solvency ratio of 205% at 31 December 2023. This remains well above the group's normal operating range of 140% to 160%. – Further information on the solvency position of the group at 31 December 2023 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. Note that this is the first time that the IFRS profit has been presented adopting the recognition principles of the new accounting standard "IFRS 17 Insurance Contracts". The comparatives have been restated to reflect the retrospective application of this standard.

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 2023					
	UK	**Movestic**	**Waard Group**	**Scildon**	**Other group activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance service result	(5.3)	3.1	(1.3)	(1.6)	-	(5.1)
Net investment result (section A.3 for detail)	35.8	3.6	10.4	14.6	7.3	71.7
Fee, commission and other operating income	39.8	50.3	2.9	-	(3.6)	89.4
Other operating expenses	(66.6)	(51.2)	(3.5)	(5.5)	(23.1)	(149.9)
Financing costs	(0.2)	(0.5)	-	-	(10.3)	(11.0)
Profit arising on business combinations and portfolio acquisitions	-	-	6.7	-	-	6.7
Underwriting performance (IFRS profit before tax)	**3.5**	**5.3**	**15.2**	**7.5**	**(29.7)**	**1.8**

	Underwriting performance 2022 (restated)					
	UK	**Movestic**	**Waard Group**	**Scildon**	**Other group activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance service result	5.2	5.2	(2.5)	5.4	-	13.3
Net investment result (section A.3 for detail)	(13.8)	(4.1)	(2.6)	(14.9)	(3.6)	(39.0)
Fee, commission and other operating income	16.4	43.1	0.1	-	-	59.6
Other operating expenses	(36.0)	(41.9)	(3.1)	(5.7)	(14.2)	(100.9)
Financing costs	(0.2)	(0.8)	-	-	(9.5)	(10.5)
Profit arising on business combinations and portfolio acquisitions	9.6	-	5.8	-	-	15.4
Underwriting performance (IFRS profit before tax)	**(18.8)**	**1.5**	**(2.3)**	**(15.2)**	**(27.3)**	**(62.1)**

Net insurance service result: The net insurance service result comprises the revenue and expenses from providing insurance services to policyholders and ceding insurance business to reinsurers and is in respect of current service only. Assumption changes are therefore excluded from the insurance result, unless the Contractual Service Margin ("CSM") for a given portfolio of contracts falls below zero; thereby in a 'loss component' position. Economic impacts are also excluded from the insurance service result.

Net investment result: The net investment result contains the investment return earned on all assets together with the financial impacts of movements in insurance and investment contract liabilities.

Fee, commission and other operating income: The most significant item in this line is the fee income that is charged to policyholders in respect of the asset management services provided for investment contracts. There is no income in respect of insurance contracts on this line, as this is all now reported in the insurance result.

A.2 Underwriting performance (continued)

A.2.2 Underwriting performance (continued)

Other operating expenses: Other operating expenses consist of costs relating to the management of the group's investment business, non-attributable costs relating to the group's insurance business and other certain one-off costs such as project costs. Other items of note are the amortisation of intangible assets in respect of investment business and the payment of yield tax relating to policyholder investment funds in Movestic, for which there is a corresponding income item within the fee income line.

Financing costs: These comprise interest payable on borrowings and on reinsurance claims deposits included within reinsurance payables, calculated using the effective interest rate method. This predominantly relates to the cost of servicing the Tier 2 corporate debt notes which were issued in early 2022.

Profit/(loss) arising on business combinations and portfolio acquisitions: The 2023 balance represents a profit arising on the completion of the Conservatrix acquisition in the Netherlands. The 2022 gain relates to the acquisitions of CASLP Limited and Robein Leven NV.

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 profit of £1.8m (2022 restated: pre-tax loss £62.1m) which includes a net insurance service loss of £5.1m and an investment result of £71.7m (2022 restated: £13.3m profit and £39.0m loss respectively). The negative insurance service result has been driven primarily by adverse experience and assumption changes on certain lines of business, termed 'onerous contracts', for which the CSM has been extinguished, meaning such losses must be taken to the P&L rather than to the CSM. In 2022 this effect was much more benign. The positive investment result in the year is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields.

Net insurance service result

The net insurance service result of £5.1m loss can be broken down into the following elements:

- Gains from the release of risk adjustment and CSM of £23.3m (2022: £19.8m). These gains represent a healthy and consistent source of future profits for the group.
- Losses of £28.4m (2022: £6.5m) caused by a combination of experience and loss component impacts, where portfolios of contracts with no CSM have suffered adverse impacts that would otherwise be offset in the balance sheet if the CSM for the portfolio was positive.

The key driver behind the experience and loss component impact in the year is adverse non-economic assumption changes (£25.1m loss). This should not be considered in isolation however as there are corresponding offsets in the net investment result due to the effect of locked in discount rates (£11.9m) and also to the CSM in the balance sheet (£9.2m) as for some portfolios the expense assumption changes created a positive impact to the CSM.

Net investment result

The positive investment result in the year is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields. The effect of locked in discount rates has contributed £12.9m, largely offset by loss component increases in the insurance service result.

Fee, commission and other operating income

Fee, commission and other operating income shows an improvement on the 2022 comparative, but this is in part as a result of increased fee income in the form of yield tax deducted from policyholders in Movestic (£18m in 2023 compared to £8m prior year) as a result of improving economic factors, with a corresponding offset within other operating expenses. Increased returns from assets under management in respect of investment business in Sweden and the UK further contributed to the increase in fee income as did the fact that the current year includes a full twelve months of fee income generated by CASLP within the UK.

Other operating expenses

The expenses incurred in 2023 are higher than in 2022, with the main reasons as follows:

- In the UK, the AVIF for CASLP has been impaired by £21.0m due to a combination of adverse persistency over 2023, coupled with a change in management's view of assumed future investment returns. This is largely offset in the net result by a corresponding deferred tax credit of £14.9m.
- In Movestic, the expense in respect of the yield tax on policyholder funds has increased by £10.0m with the offset reported in fee, commission and other operating income as stated above.
- Operating expenses have increased in the UK and Dutch divisions with the acquisition of CASLP (which only included eight months of post-acquisition results in 2022) and Conservatrix (which completed on 1 January 2023). Furthermore, transition project costs of £4.6m have been recognised in the UK which in due course will lead to lower operating costs in the future.
- The parent company has also seen an increase in expenses, due to project related expenditure, investment in business development and strengthening of the central governance oversight team.

A.3 Investment performance

A.3.1 Investment performance

The net investment result includes other components which can be broken down in the tables below. Note the comparatives have been restated to reflect the adoption of IFRS 17.

	Investment performance 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Total net investment return	339.3	432.5	63.2	181.2	7.3	1,023.5
Net insurance finance (expenses)/income	(77.1)	(15.3)	(49.2)	(166.6)	-	(308.2)
Net change in investment contract liabilities	(226.4)	(299.6)	(3.6)	-	-	(529.6)
Change in liabilities relating to policyholders' funds held by group	-	(114.0)	-	-	-	(114.0)
Total	**35.8**	**3.6**	**10.4**	**14.6**	**7.3**	**71.7**

	Investment performance 2022 (restated)					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Total net investment return	(280.8)	(876.8)	(93.3)	(302.4)	(3.6)	(1,556.9)
Net insurance finance (expenses)/income	137.5	20.0	90.7	287.5	-	535.7
Net change in investment contract liabilities	129.5	459.8	-	-	-	589.3
Change in liabilities relating to policyholders' funds held by group	-	392.9	-	-	-	392.9
Total	**(13.8)**	(4.1)	(2.6)	(14.9)	(3.6)	(39.0)

Net insurance finance (expenses)/income: This comprises the changes in the carrying amount of insurance contracts in respect of discounting, market impacts to policyholder unit values and changes in financial risk. It excludes any impacts from markets in respect of future annual management charges – these impacts instead go to the CSM in the balance sheet.

Net change in investment contract liabilities: This comprises the change in the carrying amount of investment contract liabilities in respect of market impacts to policyholder fund values net of reinsurance.

Change in liabilities relating to policyholders' funds held by group: This is the change in the carrying amount of a specific class of investment contract liabilities in Movestic in respect of market impacts to policyholder fund values.

Total net investment return: The investment performance of the company is defined as the "total net investment return", which can be summarised in the below tables:

	Total net investment return 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Interest revenue from financial assets not measured at FVTPL	6.7	0.9	0.5	-	0.9	9.0
Net gains on financial investments mandatorily measured at FVTPL	289.5	317.6	23.1	129.6	6.4	766.2
Net gains on financial investments designated as FVTPL	41.9	114.0	39.5	51.7	-	247.1
Net gains from fair value adjustments to investment properties	1.2	-	-	-	-	1.2
Total	**339.3**	**432.5**	**63.1**	**181.3**	**7.3**	**1,023.5**

A.3 Investment performance (continued)

A.3.1 Investment performance (continued)

	Total net investment return 2022 (restated)					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Interest revenue from financial assets not measured at FVTPL	-	0.1	-	-	-	0.1
Net gains on financial investments mandatorily measured at FVTPL	(240.3)	(465.5)	(83.3)	(207.3)	(4.1)	(1,000.5)
Net gains on financial investments designated as FVTPL	(37.4)	(411.4)	(10.0)	(95.2)	0.5	(553.5)
Net gains from fair value adjustments to investment properties	(3.1)	-	-	0.1	-	(3.0)
Total	**(280.8)**	**(876.8)**	**(93.3)**	**(302.4)**	**(3.6)**	**(1,556.9)**

Some of the key movements in the investment market conditions of our divisions during the year are as follows:
- FTSE All Share index increased by 3.7% (year ended 31 December 2022: decreased by 3.2%);
- Swedish OMX all share index increased by 15.6% (year ended 31 December 2022: decreased by 24.6%);
- The Netherlands AEX all share index increased by 13.4% (year ended 31 December 2022: decreased by 15.0%); and
- 10-year UK gilt yields have decreased to 3.64% from 3.82% (year ended 31 December 2022: 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 2023, £2.2m (31 December 2022: £3.5m) was invested in securitised assets.

A.4 Performance of other activities

The group's only activity is that of life insurance, health insurance and 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. SYSTEM OF GOVERNANCE

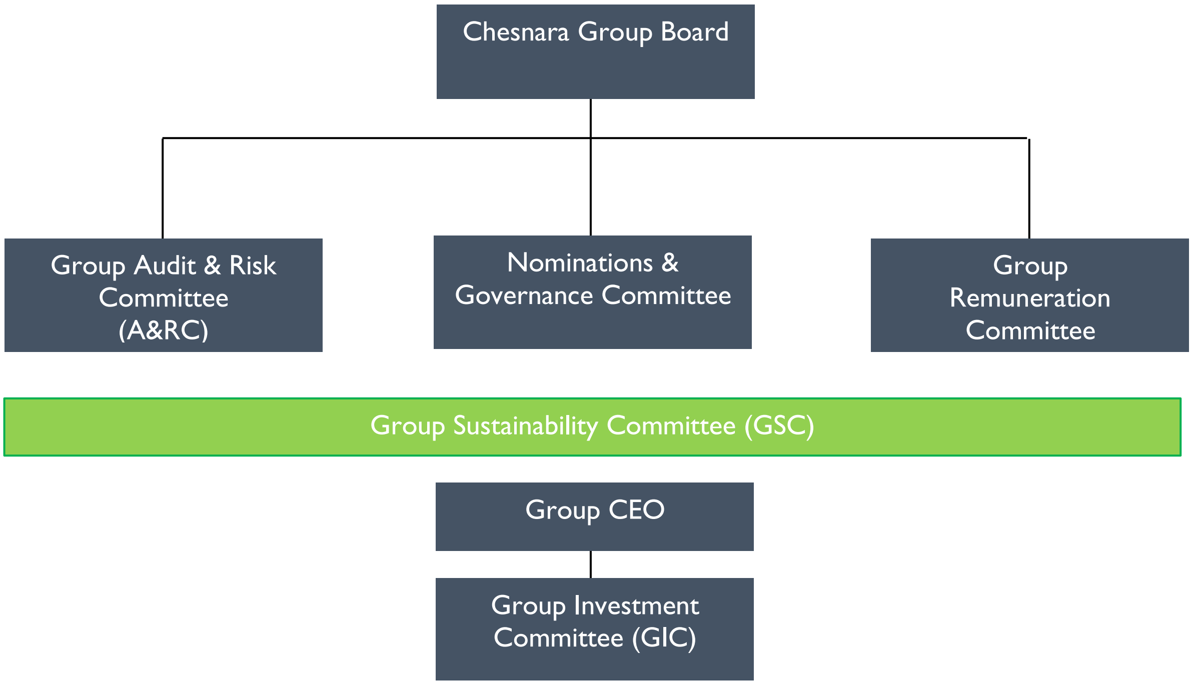
B.1 General information on the system of governance

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 board committees and detailed roles and responsibilities of key functions.

The group governance structure is summarised in the diagram below:



The business units in the UK, Sweden and the Netherlands, with their own local governance structures and boards, feed into the group governance structure via quarterly divisional MI packs, quarterly business reviews and risk reporting and annual local business plans.

The Chesnara board has a schedule of matters reserved for its consideration and approval, including corporate strategy, major acquisitions, investments and capital expenditure, and board and board committee composition and appointments. To support effective escalation from Chesnara's major regulated subsidiary boards, members of the board also serve on key subsidiary boards and committees across Chesnara's business divisions.

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 and provides leadership to maintain high standards of corporate governance and behaviour throughout the organisation. It also sets the group's values and standards and ensures that its obligations to its customers, investors and other stakeholders are understood and met.

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

B.1.1 Governance structure (continued)

Sub-committees

The Chesnara board operates the following board committees:

- **Chesnara Audit & Risk Committee:** The role of the Chesnara Audit and Risk Committee is to assist the board in fulfilling its oversight responsibilities by reviewing, monitoring, and where appropriate, making recommendations regarding:
  - the integrity of the financial and narrative statements and other financial information provided to investors and any other stakeholders as may be appropriate;
  - the integrity of the financial statements, public accountability reporting of the group, any formal announcements relating to the group's financial and sustainability performance, reviewing significant financial reporting judgements contained therein, and any other financial or quantitative information contained in documents which require board approval;
  - the adequacy and effectiveness of the group's systems of governance and internal control systems, including internal accounting, actuarial and financial controls;
  - 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;
  - the use of capital;
  - the quarterly risk reports produced by the Group Chief Risk Officer (CRO) & Chief Actuary (CA) and similar reports produced by him/her in connection with a proposed acquisition or disposal;
  - 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;
  - disclosures to be included in the Annual Report in relation to internal control, risk management and the viability statement;
  - risk management responsibilities across the group;
  - 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;
  - Arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting and other, wider matters; and
  - the processes for compliance with laws, regulations, ethical codes of practice, the UK Corporate Governance Code and the FRC Audit Committees and the External Audit Minimum Standard (FRC Minimum Standard).

- **Chesnara Remuneration Committee:** The role of the Chesnara Remuneration Committee is to assist the Board in fulfilling its oversight responsibilities including but not limited to:
  - reviewing, monitoring, and where appropriate, making recommendations regarding the group remuneration policy;
  - reviewing the design of all new share incentive plans and significant changes to existing share incentive plans (subject to the Listing Rules) for recommendation to the Board for approval and to shareholders where required;
  - overseeing any short-term and long-term incentive plans offered to individuals within the scope of the Remuneration Committee;
  - determining the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments, as relevant, for individuals within the scope of the Remuneration Committee, having regard to regulatory requirements;
  - setting remuneration principles for the group; and
  - approving the terms of (and any material amendments to) the services contracts of the Board Chair, Chesnara Non-executive and Executive Directors.

- **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 but are not limited to:
  - Regularly reviewing the structure, size and composition of the board, its Committees (in consultation with the Committee Chairs), the Directors and Senior Executives.
  - 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.

There are the appropriate divisional and business unit boards and committees in place to direct and oversee the relevant businesses 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.

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 to 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 of proposals and developments on the workforce and 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 SLT 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 Chief Finance Officer (Group CFO):** The Group CFO oversees all financial aspects of group strategy and financial management and ensures the flow of financial information to the Group CEO, the SLT, the board and, where necessary, external parties such as investors or financial institutions. The Group CFO is a member of the board and SLT.
- **Group Chief Risk Officer & Chief Actuary (Group CRO & CA):** The Group CRO & CA 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 & CA oversees all actuarial aspects of group strategy and financial management, including providing relevant information to the Group CEO, the SLT and the board. The group CRO & CA attends the Chesnara board and Chesnara A&RC and is a member of the SLT and Investment Committee.
- **Group General Counsel & Company Secretary:** Is a member of the SLT 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 SLT in matters relating to governance and legal compliance, ensuring policies and processes in this area are fit for purpose;
  - 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 effective and best practice governance processes for the boards and their Committees and the efficient administration of the SLT 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; and
  - ensuring the website content is accurate, complete and compliant with all internal and external requirements.
- **Group Chief of Staff (Group CoS):** The Group CoS supports the efficient and effective delivery of strategy, change and governance across the group, fostering collaboration and supporting the continued development of people and sustainability policies. The Group CoS is a member of the SLT.
- **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.

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

B.1.1 Governance structure (continued)

- **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 there have been some structural changes within the group within the year:
- The insurance business of CASLP Limited was transferred to CA under Part VII of the Financial Services and Markets Act 2000 following Court approval.
- Chesnara Holdings B.V., the intermediate holding company of Waard Leven N.V., Waard Schade N.V. and Scildon N.V., went into liquidation on 15 January 2024. These Dutch businesses were directly and wholly owned by Chesnara plc at 31 December 2023.

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 approved by shareholders at the 2023 AGM and 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 scheme (STIS) (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; assuming an outcome of more than £20,000, 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 STIS 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 70%. 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. STIS 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 plan (LTIP) (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

STIS - The performance measures for the STIS 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 Plan - The performance measures for the LTIP have been selected for their alignment to shareholder interests using absolute measures (growth in group EcV and commercial cash generation) and a comparative measure (Total Shareholder Return (TSR)) for 2023. In 2024 the commercial cash metric will be replaced by core surplus emergence. The measures and targets are set by the Committee, and the maximum potential award for the absolute measures require 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 Directors' Remuneration Report (DRR). The Committee can exercise discretion when determining outcomes as opposed to relying solely on formulaic outturns and utilises assurance inputs in so doing. It did not use discretion in 2023.

The Policy table notes that all of the financial targets for the STIS and LTIP are commercially sensitive, but the Committee has determined to disclose prospective threshold targets from 2024 as seen in the DRR.

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 affected, among other means, by requiring the transfer of shares back to the company or as it directs, or by a cash payment.

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 Plan

(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 STIS;

(iii) A 2-year clawback provision applies in substantially the same circumstances as apply to malus. Clawback may be affected, 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. For executives who joined Chesnara before 1 May 2021, their minimum is 100% of basic salary but with a 200% of salary shareholding requirement (including a provision for this to be held for the full 2 years in a post-employment scenario) applying to all future awards granted from 2023 onward. For executives joining from 1 May 2021, the minimum is 200% of salary. 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. When the minimum holding level has not been achieved, directors may only dispose of shares where funds are received to discharge any income tax and National Insurance liabilities arising from awards received from a Chesnara incentive plan. The chair and non-executive directors are encouraged to hold shares in the company but are not subject to a formal shareholding guideline.

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.

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.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 a small number of Chesnara's executives and individuals in positions of significant influence 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.

	2023 £m	2022 £m
Short-term employee benefits	2.1	1.2
Post employee benefits	0.1	0.1
Share-based payments	0.6	0.8
Total	**2.8**	**2.1**

Transactions with shareholders

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

	2023 £m	2022 £m
Dividends paid	**35.4**	**34.3**

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

A full assessment was performed in the second half of 2023. 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.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

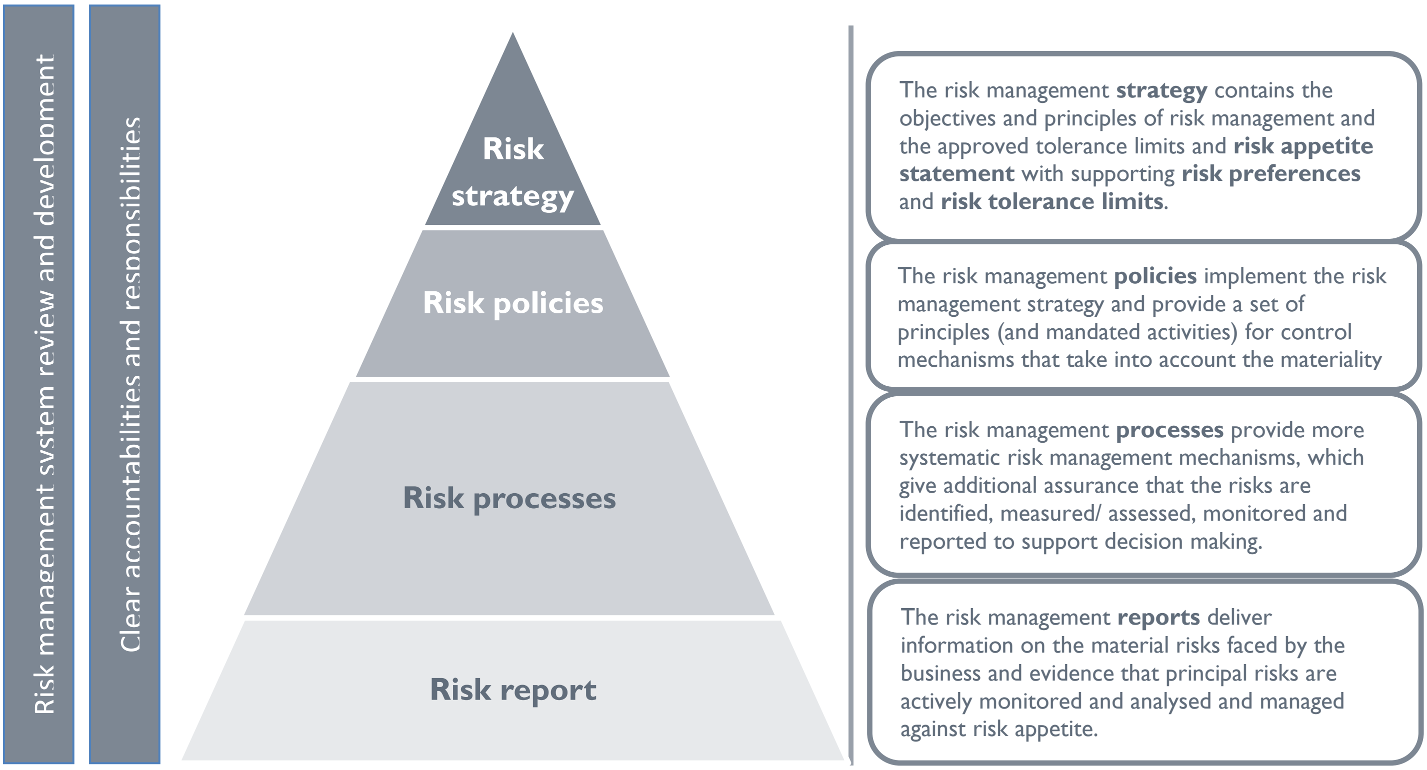
B.3.1 Risk management system

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



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.

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

B.3.1 Risk management system (continued)

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	Sustainability		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 and interest payments to the group's investors 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.

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

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

B.3.1 Risk management system (continued)

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 (IC) 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.

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	✓	✓

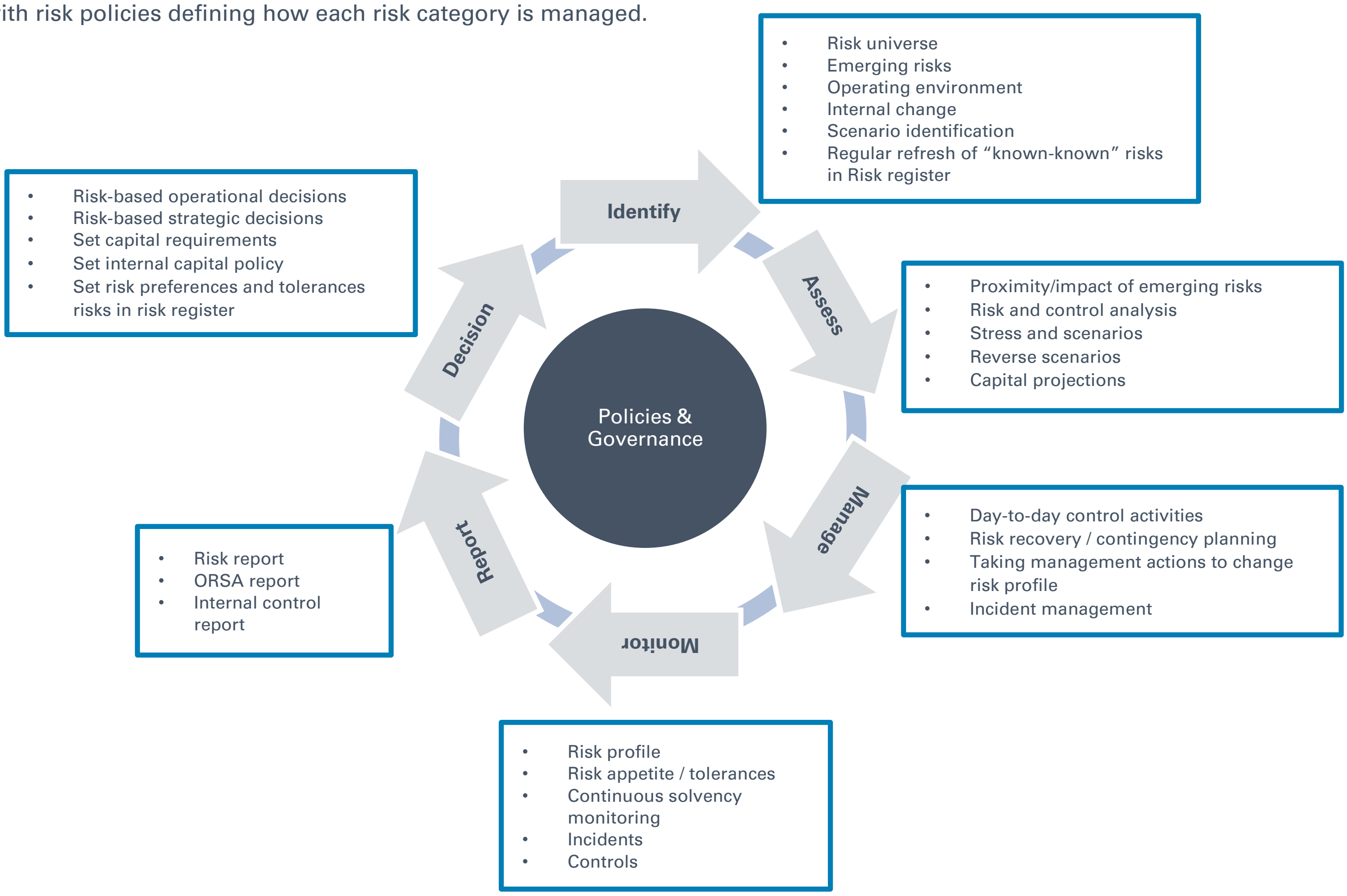
These risk management policies articulate principles and practices including: objectives, reporting procedures, roles and responsibilities, key processes and controls. Each policy is owned by an allocated member of the group, division or business unit Senior Management Team who is responsible for reviewing 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)

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 Senior Leadership Team monitors the risk appetite and risk profile position and 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 CRO & CA 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 & CA 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 CRO & CA.

B. SYSTEM OF GOVERNANCE (CONTINUED)

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

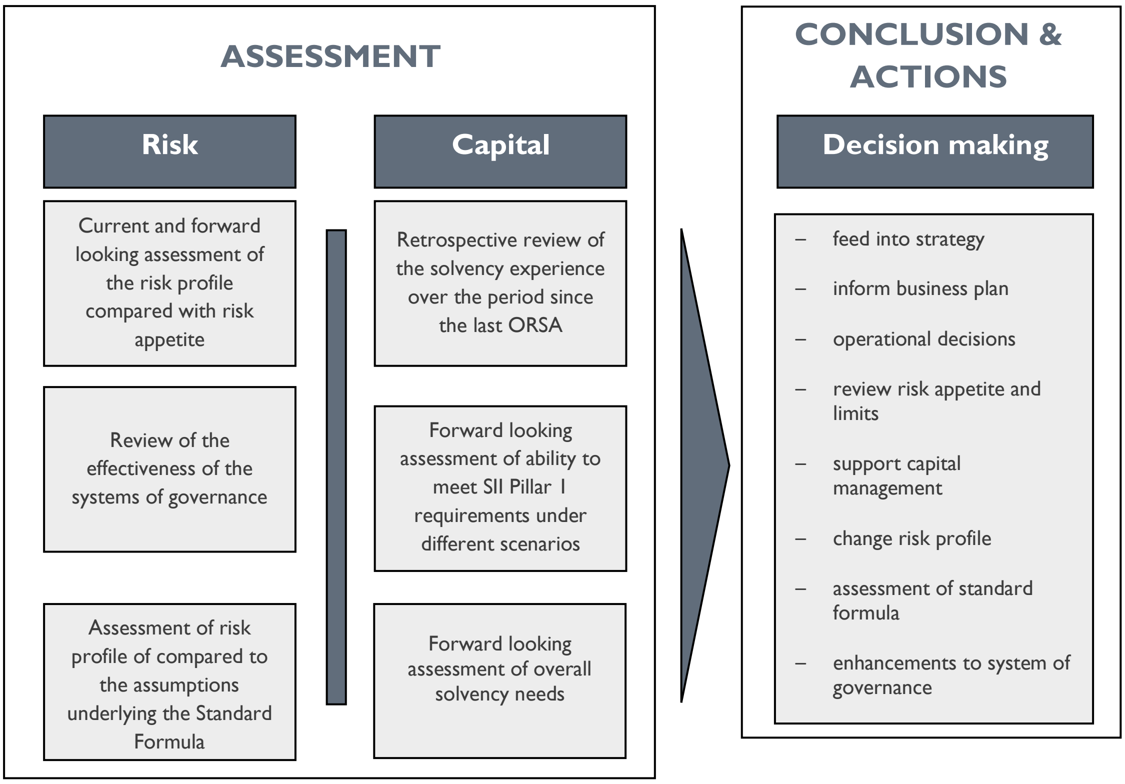
Within the Chesnara group, each division and business unit has its own ORSA policy and process approved by the relevant board. The purpose of the group report is to: assess the risk and solvency position at a group level taking into account the individual solo ORSA reports; record risks that are emerging 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 SLT 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 SLT meetings. Information, considerations, and conclusions are escalated to the board as appropriate.

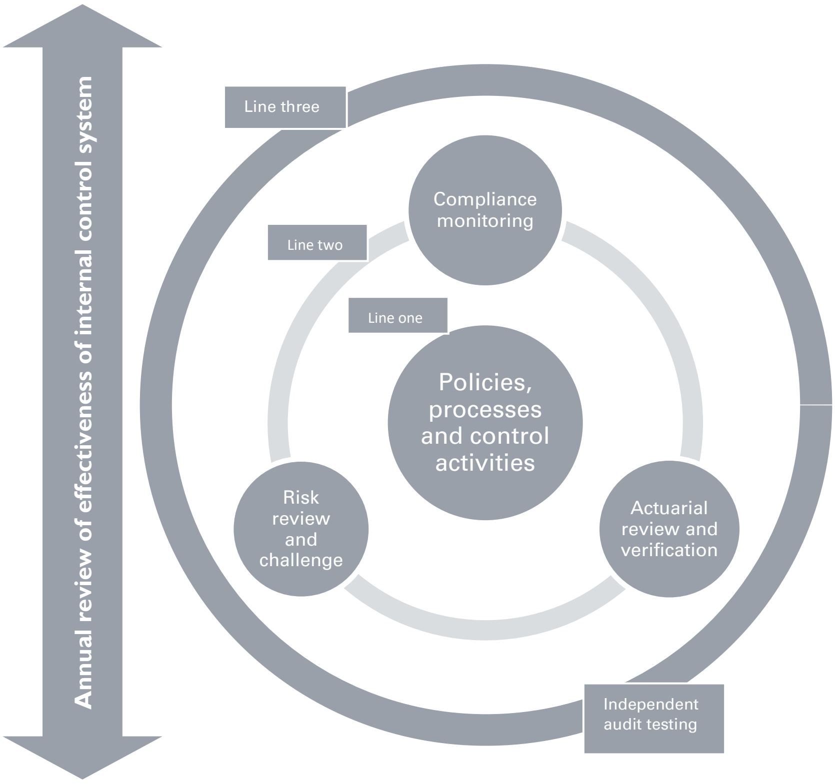
B.4 Internal control system

B.4.1 Description of internal control system

Chesnara group has defined an internal control system for application at group and business unit 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, compliance and actuarial 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 and the Board 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 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 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.

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.

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.

Internal control system reporting

The group and business unit boards are responsible for monitoring the internal control system of the group and its business units respectively. To assist the board in its duties the board receives group and business unit 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. 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 Accounting, Pricing & Modelling unit in Movestic. At Scildon the legal department identifies relevant laws and regulations and the compliance department reports on the progress of implementation of applicable laws and regulations.
[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 engages Mazars to perform its internal audit function. Movestic engages PWC to outsource its internal audit function.

In respect of UK, and Scildon, 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 Waard and 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), 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 has oversight of all actuarial matters within the group. Each entity's actuarial function is headed up by a Chief Actuary (or equivalent) who has day-to-day responsibility for delivering these actuarial function's responsibilities. Scildon outsource the role of Actuarial Function Holder, as defined in the Solvency II regulations. Waard and Movestic have an internal Actuarial Function Holder role.

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 senior leadership team and the board. The role also provides independent review and challenge of the financial reporting results, given that the responsibility for producing those results sits within the CFO reporting line (see below).

The Group Chief Actuary is not directly responsible for Line 1 financial reporting processes and outputs. The Group Actuarial Reporting team sits within the Financial and Actuarial Function headed up by the Group CFO.

B.6.3 Responsibilities

The Group Chief Actuary has the responsibility to advise the Group CEO and Group CFO 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. Support the Business Unit Chief Actuaries as appropriate with guidance on the group approach to actuarial matters.
Technical provisions	Oversight of methodologies, models, bases, and calculation of technical provisions within all 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 and the adequacy of the Standard Formula for use across the group.
New business	Oversight of the reporting metrics used for assessing the benefit of new business written, advising the Group CFO 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/independent review and challenge 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 CFO.
Investments	The Chief Actuary is a member of the Group Investment Committee and advises the committee in respect of asset-liability matching.

B.6.4 Reporting

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

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 outsources 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	X	–	X
Actuarial services including valuations of technical provisions	X	–	–	X*
Investment of assets or portfolio management including unit pricing	X	–	–	X
Claims handling	X	–	–	–
Compliance	X	–	–	–
Internal audit	–	X	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 2023 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 2023 compares with the position at 31 December 2022.
– **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:

– Inflation globally remains, but is significantly lower than it was at the beginning of 2023. Central banks have been generally freezing any rate hikes and markets appear to be anticipating reductions soon, though some economists are predicting that Central Banks may not cut interest rates until late next year. High short-term inflation remains a material risk for the group, particularly as many of the group's material supplier contracts, as well as a majority of the group's internal costs, are directly linked to wage/price inflation measures.

– The cost of living has continued to rise through 2023 across the world. Food and energy prices have been rising markedly over the past year, particularly gas prices, partly in response to the conflict in Ukraine. Global recovery from the COVID-19 pandemic is putting further pressure on prices.

– Geopolitical risk remains high largely driven by the continuing wars in Ukraine and now the Middle East, with consequent impacts for economic and financial stability as well as the potential to increase cyber risk.

– In December 2023, EU legislators agreed a set of reforms to the rules regulating insurance firms but have not yet published these. New Solvency II rules and a new framework for the recovery and resolution of insurance firms are expected. The changes to the Solvency II rules are expected to include a reduction in the Cost of Capital rate used in the Risk Margin calculations from 6% to 4.75%.

– In April 2023, HM Treasury published draft documents including extracts of secondary legislation proposals for implementing Solvency UK under the new FSM Bill. Two statutory instruments (SI) were laid before parliament in December, these included cutting the risk margin, reforming the matching adjustment and abolishing the Regular Supervisory Report (RSR). The new Risk Margin formula and values for the parameters to be used within it became effective on 31 December 2023.

– The new accounting standard, IFRS17 became effective from 1 January 2023. During 2023 Chesnara progressed the development of processes and reporting which became operational during 2023 and successfully delivered the half year and full year reporting in line with IFRS17 standard, the latter having been subject to full external audit.

– In October 2022, the FCA published its latest consultation paper on its Sustainable Disclosure Requirements (UK SDR) building on the implementation of the Task Force on Climate related Financial Disclosures (TCFD), which came into effect in April 2022. The consultation closed on the 25 January 2023 and on 23 November 2023 the Policy Statement PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels was released. The policy statement includes anti-greenwashing rules and guidance which the FCA published a consultation on its implementation on 28 November 2023. Responses to that were due by 26 January 2024. The anti-greenwashing rule will then come into effect on 31 May 2024.

C. RISK PROFILE

Introduction (continued)

- The EU has established a transparency framework, the Sustainable Finance Disclosure Regulation (SFDR). By setting out how financial market participants have to disclose sustainability information, it helps those investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices. The SFDR is also designed to allow investors to properly assess how sustainability risks are integrated in the investment decision process. In this way, the SFDR contributes to one of the EU's big political objectives: attracting private funding to help Europe make the shift to a net-zero economy. On 14 September 2023 the EU Commission launched a consultation on the implementation of the SFDR, the deadline for participating in both consultations was 15 December 2023.

- 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. 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.

- On the 7 December 2023 the PRA published CP26/23 - Operational resilience: Critical third parties (CTPs) to the UK financial sector. This consultation paper (DP) sets out how the supervisory authorities could use their proposed powers in the FSM Bill to assess and strengthen the resilience of services provided by CTPs to firms and FMIs, thereby reducing the risk of systemic disruption.

- The European Digital Operational Resilience Act (DORA) entered into force January 2023 and will apply from January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption.

- The FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 - A New Consumer Duty in July 2022. The Consumer Duty regulations sets higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. The first key regulatory deadline of 31 July 2023 required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. The UK established a Consumer Duty project to deliver all requirements across its businesses. Regulatory requirements for products open to new business were successfully implemented in line with the regulatory deadline in 31 July 2023. The project will continue to work on requirements for closed book products in the lead up to the regulatory deadline of 31 July 2024.

- Following the decision of the Court of Appeal in The Hague in two cases relating to investment policies offered by NN and Aegon Leven, the DNB requested further impact analysis from all life insurers and expects Insurers to reconsider and document the provisions required on their balance sheets. The position of the Union of Insurance companies ('Verbond van Verzekeraars') on this is: "While DNB's desire for greater insight given the recent the Hague Court rulings (e.g. via calculations) is understandable, the industry's position is and remains that such calculations cannot currently lead to a reliable estimate of exposure and, thus, to the inclusion of a contingent liability in the balance sheet." The recent reassessments suggest exposure for Scildon and Waard to be low risk.

- In November 2023, as part of the Autumn statement, the UK government announced plans to launch a consultation on the introduction of pension 'pots for life' which could take some time. If the reforms take effect, it will give employees the ability to select their own pension provider and force their employer, as well as any future employers, to pay their employer and own employee contributions into this chosen pot.

- Renewal of currency hedge at group level in December 2023, which reduces currency risk arising from Sterling appreciating against the Euro and/or SEK and improves the Solvency position at group level.

C. RISK PROFILE

C.1 Underwriting risk

C.1.1 Qualitative review of risk profile

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.

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.

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 2023 was £152.9m (31 December 2022: £141.8m).

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.

Parts of the group outsource support activities to specialist service providers covering areas such as IT, 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 outsourcing 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 are also provided in various contractual protections.

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.

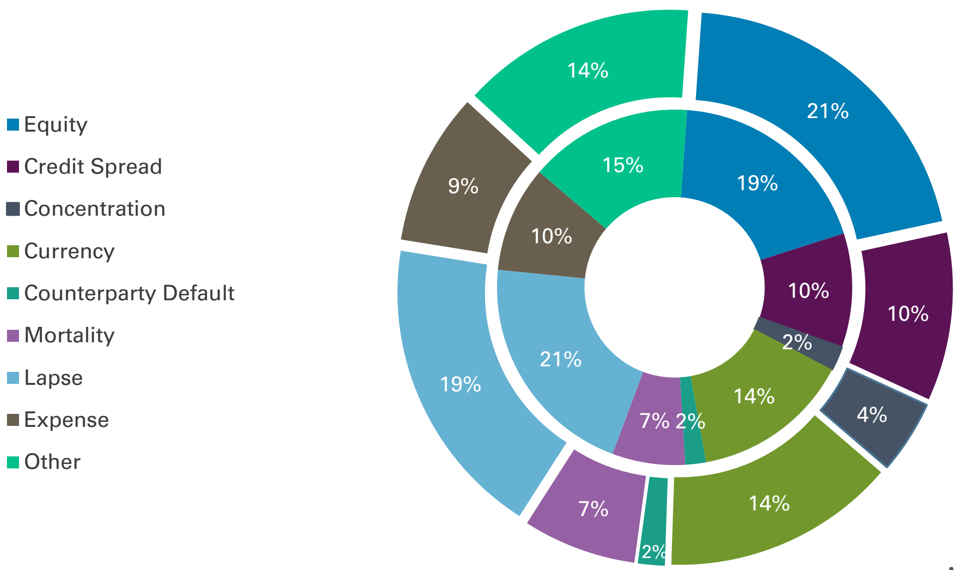
C.7 Any other information

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 2023.

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 and equity risk exposures. The risk profile has been fairly stable during 2023, with the most notable change being the rise in concentration risk. This increased materially over 2023 due to the Conservatrix acquisition, however most of this impact diversifies away so the impact on total SCR is much less noticeable.

Equity exposure has reduced during the year as a result of a reduction in equity asset values. Lapse exposure has fallen slightly over 2023, primarily due to the mass lapse reinsurance arrangements in CA and Movestic.

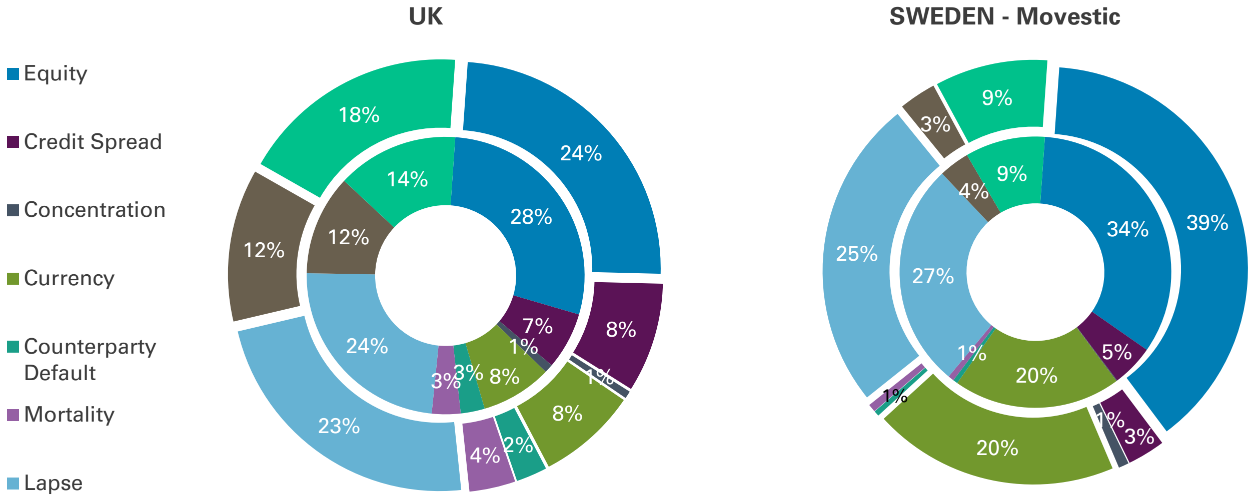


Note:
Outer ring = 31 December 2023
Inner ring = 31 December 2022

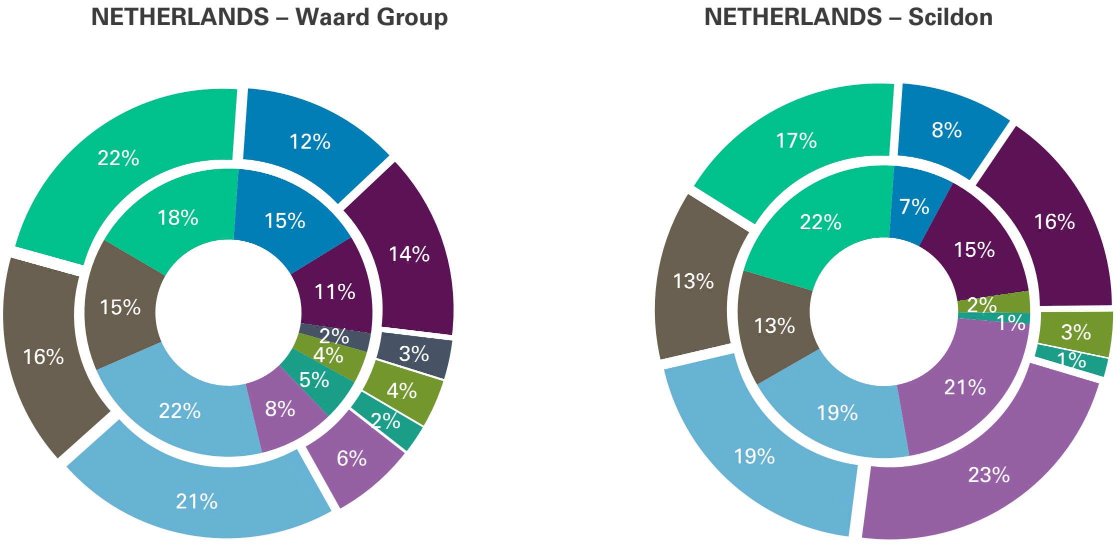
C.7 Any other information

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 2023.



Outer rings show the 2023 position
Inner rings show the 2022 position



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 Consumer Duty requirements. – Reinsurance programmes to manage mass lapse risk.
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	Sterling appreciates v all other currency
5	Credit spreads widen
6	Expense basis
7	Inflation increase (short term)
8	Persistency
9	Reinsurer default
10	Geopolitical – economic recession / world events – economic uncertainty
11	Climate change
12	Liquidity

C.7.3.2 Methodology

The stress and scenario tests were carried out with a base date of 30 June 2023.

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 2023 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.7 Any other information (continued)

C.7.3 Stress and scenario testing (continued)

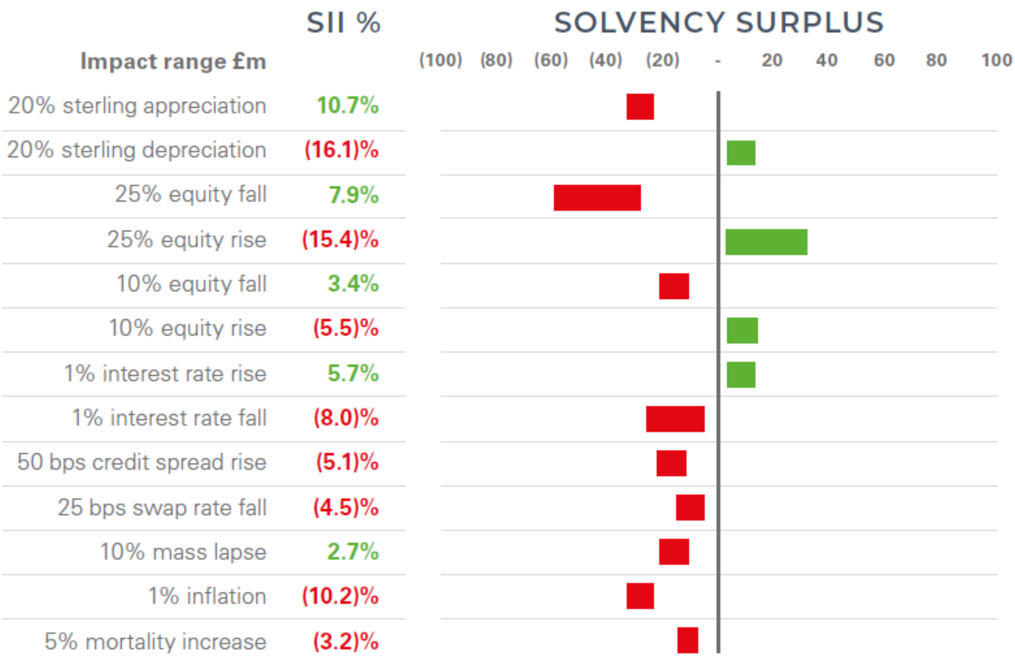
C.7.3.3 Outcomes from the stress and scenario testing

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 2023 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 2023.

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 2023, 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 (continued)

Insight

Currency sensitivities

A material Sterling appreciation reduces the value of surplus in our overseas divisions and any overseas investments in our UK entities, however this is partially mitigated by the group currency hedge so the overall impact on solvency is reduced.

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: -£20.1m to the SCR, 25% equity rise: +£30.2m 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 fall has a more adverse effect on group Economic Value than an interest rate rise. Group solvency is 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 (above existing valuation 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 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 assets less liabilities, as measured on both a solvency and IFRS basis (now reflecting the measurement basis of IFRS 17 Insurance Contracts for the first time) and provides a reference where further information has been provided.

		31 December 2023		31 December 2022	
	Section reference	Solvency II value £m	Statutory accounts value £m	Solvency II value £m	Statutory accounts value (restated) £m
Assets	***Section D1***	11,826.2	11,880.4	10,965.9	11,026.5
Net technical provisions	***Section D2***	(10,853.3)	(11,151.9)	(10,020.5)	(10,259.8)
Other liabilities	***Section D3***	(413.2)	(368.6)	(470.9)	(382.6)
Assets less liabilities		**559.7**	**359.9**	**474.5**	**384.1**

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 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Assets	4,294.1	4,432.6	956.4	2,013.6	129.5	11,826.2
Net technical provisions	(3,959.7)	(4,219.6)	(816.3)	(1,817.4)	(40.3)	(10,853.3)
Other liabilities	(145.5)	(34.2)	(21.1)	(62.6)	(149.8)	(413.2)
Assets less liabilities	**188.9**	**178.8**	**119.0**	**133.6**	**(60.6)**	**559.7**

	Statutory accounts value 31 December 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Assets	4,295.9	4,505.5	942.5	2,043.5	93.0	11,880.4
Net technical provisions	(4,055.0)	(4,375.5)	(843.5)	(1,877.9)	-	(11,151.9)
Other liabilities	(90.2)	(32.6)	(19.2)	(51.2)	(175.4)	(368.6)
Assets less liabilities	**150.7**	**97.4**	**79.8**	**114.4**	**(82.4)**	**359.9**

	Solvency II value 31 December 2022					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Assets	4,498.4	3,856.3	584.0	1,901.9	125.3	10,965.9
Net technical provisions	(4,155.6)	(3,647.0)	(477.0)	(1,698.8)	(42.1)	(10,020.5)
Other liabilities	(152.3)	(23.9)	(22.1)	(70.6)	(202.0)	(470.9)
Assets less liabilities	**190.5**	**185.4**	**84.9**	**132.5**	**(118.8)**	**474.5**

	Statutory accounts value 31 December 2022 (restated)					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Assets	4,533.4	3,930.2	544.3	1,893.1	125.5	11,026.5
Net technical provisions	(4,231.8)	(3,801.1)	(460.2)	(1,766.6)	(0.1)	(10,259.8)
Other liabilities	(117.2)	(23.0)	(9.8)	(24.9)	(207.7)	(382.6)
Assets less liabilities	**184.4**	**106.1**	**74.3**	**101.6**	**(82.3)**	**384.1**

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

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 2023 Solvency II value £m	31 December 2023 Statutory accounts value £m	31 December 2022 Solvency II value £m	31 December 2022 Statutory accounts value (restated) £m
Assets					
Deferred acquisition costs	*1.01*	-	50.6	-	51.2
Intangible assets	*1.02*	-	45.8	-	75.0
Deferred tax assets		19.6	27.8		
Property, plant & equipment held for own use	*1.03*	6.6	6.6	7.9	7.9
Investments (other than assets held for index-linked and unit-linked contracts)		1,807.6	1,811.0	1,611.2	1,609.9
Property (other than own use)		1.1	1.1	1.2	1.2
Holdings in related undertakings, including participations	*1.04*	11.7	14.7	56.4	55.1
Equities					
Equities – listed		-	-	-	-
Equities – unlisted		0.6	0.6	-	-
Bonds		1,216.7	1,216.7	911.3	911.3
Government bonds	*1.05*	709.4	709.4	454.4	454.4
Corporate bonds	*1.05*	507.0	507.0	456.6	456.6
Collateralised securities	*1.05*	0.3	0.3	0.3	0.3
Collective investments undertakings	*1.05*	572.7	573.1	634.3	634.3
Derivatives	*1.06*	4.8	4.8	7.2	7.2
Deposits other than cash equivalents	*1.05*	-	-	0.8	0.8
Assets held for index-linked and unit-linked contracts	*1.07*	9,721.4	9,689.0	9,173.5	9,134.8
Loans and mortgages		125.4	125.2	26.0	26.7
Loans on policies	*1.08*	0.7	0.7	0.8	0.8
Loans and mortgages to individuals	*1.09*	114.0	113.8	23.0	23.7
Other loans and mortgages	*1.10*	10.7	10.7	2.2	2.2
Insurance and intermediaries receivables	*1.11*	11.5	8.9	17.8	17.8
Reinsurance receivables	*1.12*	20.4	2.6	21.8	4.3
Receivables (trade, not insurance)	*1.13*	36.8	36.0	30.6	21.8
Own shares (held directly)	*1.14*	-	-	-	-
Cash and cash equivalents	*1.15*	69.8	69.8	70.4	70.4
Any other assets, not elsewhere shown	*1.16*	7.1	7.1	6.7	6.7
Total assets		**11,826.2**	**11,880.4**	**10,965.9**	**11,026.5**

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 2023					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Assets						
Deferred acquisition costs	-	-	-	-	-	-
Deferred tax assets	-	0.1	17.9	4.8	(3.2)	19.6
Intangible assets	-	-	-	-	-	-
Property, plant & equipment held for own use	-	0.8	-	5.8	-	6.6
Investments (other than assets held for index-linked and unit-linked contracts)	491.3	52.6	371.7	783.0	109.0	1,807.6
Assets held for index-linked and unit-linked contracts	3,754.9	4,346.1	421.1	1,199.3	-	9,721.4
Loans and mortgages	0.4	-	124.7	0.3	-	125.4
Insurance and intermediaries receivables	4.3	4.8	1.1	1.3	-	11.5
Reinsurance receivables	19.6	-	0.8	-	-	20.4
Receivables (trade, not insurance)	11.0	-	11.8	7.3	6.7	36.8
Own shares (held directly)	-	-	-	-	-	-
Cash and cash equivalents	12.1	22.6	7.3	11.8	16.0	69.8
Any other assets, not elsewhere shown	0.6	5.6	-	-	0.9	7.1
Total assets	**4,294.2**	**4,432.6**	**956.4**	**2,013.6**	**129.4**	**11,826.2**

	Statutory accounts value 31 December 2023					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Assets						
Deferred acquisition costs	0.7	49.9	-	-	-	50.6
Deferred tax assets	-	0.1	32.5	34.7	(39.5)	27.8
Intangible assets	22.9	22.9	-	-	-	45.8
Property, plant & equipment held for own use	-	0.8	-	5.8	-	6.6
Investments (other than assets held for index-linked and unit-linked contracts)	489.8	52.7	376.6	783.0	108.9	1,811.0
Assets held for index-linked and unit-linked contracts	3,754.9	4,346.1	388.7	1,199.3	-	9,689.0
Loans and mortgages	0.4	-	124.5	0.3	-	125.2
Insurance and intermediaries receivables	1.7	4.8	1.1	1.3	-	8.9
Reinsurance receivables	1.8	-	0.8	-	-	2.6
Receivables (trade, not insurance)	11.0	-	11.0	7.3	6.7	36.0
Own shares (held directly)	-	-	-	-	-	-
Cash and cash equivalents	12.1	22.6	7.3	11.8	16.0	69.8
Any other assets, not elsewhere shown	0.6	5.6	-	-	0.9	7.1
Total assets	**4,295.9**	**4,505.5**	**942.5**	**2,043.5**	**93.0**	**11,880.4**

D.1 Assets (continued)

Introduction (continued)

	Solvency II value 31 December 2022					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Assets						
Deferred acquisition costs	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property, plant & equipment held for own use	-	1.1	0.4	6.2	0.2	7.9
Investments (other than assets held for index-linked and unit-linked contracts)	546.1	42.0	112.9	796.9	113.3	1,611.2
Assets held for index-linked and unit-linked contracts	3,905.1	3,770.8	418.9	1,078.7	-	9,173.5
Loans and mortgages	0.5	-	25.2	0.3	-	26.0
Insurance and intermediaries receivables	1.7	4.8	10.0	1.3	-	17.8
Reinsurance receivables	21.2	-	0.6	-	-	21.8
Receivables (trade, not insurance)	9.5	-	3.6	7.9	9.6	30.6
Own shares (held directly)	-	-	-	-	-	-
Cash and cash equivalents	13.8	32.4	12.4	10.5	1.3	70.4
Any other assets, not elsewhere shown	0.5	5.1	0.1	-	1.0	6.7
Total assets	**4,498.4**	**3,856.2**	**584.1**	**1,901.8**	**125.4**	**10,965.9**

	Statutory accounts value 31 December 2022 (restated)					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Assets						
Deferred acquisition costs	0.9	50.3	-	-	-	51.2
Intangible assets	50.6	24.4	-	-	-	75.0
Property, plant & equipment held for own use	-	1.1	0.4	6.2	0.2	7.9
Investments (other than assets held for index-linked and unit-linked contracts)	545.5	41.3	112.9	796.9	113.3	1,609.9
Assets held for index-linked and unit-linked contracts	3,905.1	3,770.8	380.2	1,078.7	-	9,134.8
Loans and mortgages	0.5	-	25.9	0.3	-	26.7
Insurance and intermediaries receivables	1.7	4.8	10.0	1.3	-	17.8
Reinsurance receivables	5.4	-	(1.1)	-	-	4.3
Receivables (trade, not insurance)	9.5	-	3.6	(0.9)	9.6	21.8
Own shares (held directly)	-	-	-	-	-	-
Cash and cash equivalents	13.8	32.4	12.4	10.5	1.3	70.4
Any other assets, not elsewhere shown	0.5	5.1	0.1	-	1.0	6.7
Total assets	**4,533.5**	**3,930.2**	**544.4**	**1,893.0**	**125.4**	**11,026.5**

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. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

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, following the implementation of IFRS 17, insurance DAC is no longer reflected only investment DAC. There were no changes made to the 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. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

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

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. There is a presentational difference on the reassured claims, where under SII the reassured claims are shown separately but under IFRS 17, these form part of the reassured reserves.

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. Valuations are on an IFRS 17 basis and comparatives have been restated to reflect the retrospective application of this standard.

	31 December 2023		31 December 2022	
	Solvency II value	Statutory accounts value	Solvency II value	Statutory accounts value (restated)
	£m	£m	£m	£m
Net technical provisions:				
Health (similar to non-life):				
Best Estimate / statutory accounts value	14.4	15.3	15.4	20.6
Risk margin	1.6	-	1.6	-
Reinsurance recoverables	(1.8)	(2.0)	(2.0)	(2.8)
Total	**14.2**	**13.3**	**15.0**	**17.8**
Health (similar to life):				
TP calculated as a whole	68.7	-	104.5	-
Best Estimate / statutory accounts value	23.0	23.5	23.2	139.9
Risk margin	1.1	-	2.1	-
Reinsurance recoverables	(13.7)	(12.2)	(13.3)	(17.8)
Total	**79.1**	**11.3**	**116.5**	**122.1**
Life (ex-health and index-linked and unit-linked):				
Best Estimate / statutory accounts value	1,011.1	1,252.3	687.4	924.3
Risk margin	50.5	-	38.0	-
Reinsurance recoverables	(76.3)	(123.5)	(80.4)	(145.3)
Total	**985.3**	**1,128.8**	**645.0**	**779.0**
Index-linked and unit-linked:				
TP calculated as a whole	9,744.3	-	9,095.9	-
Best estimate / statutory accounts value	36.3	10,080.6	139.6	9,409.6
Risk margin	31.0	-	44.9	-
Reinsurance recoverables	(36.9)	(82.2)	(36.4)	(68.7)
Total	**9,774.7**	**9,998.4**	**9,244.0**	**9,340.9**
Total net technical provisions	**10,853.3**	**11,151.9**	**10,020.5**	**10,259.8**

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 and Chesnara).

For CA & 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 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Net technical provisions:						
Health (similar to non-life):						
Best Estimate	-	14.4	-	-	-	14.4
Risk margin	-	1.6	-	-	-	1.6
Reinsurance recoverables	-	(1.8)	-	-	-	(1.8)
Total	**-**	**14.2**	**-**	**-**	**-**	**14.2**
Health (similar to life):						
TP calculated as a whole	68.7	-	-	-	-	68.7
Best Estimate	(0.2)	21.7	1.5	-	-	23.0
Risk margin	0.8	0.3	-	-	-	1.1
Reinsurance recoverables	(1.2)	(12.1)	(0.4)	-	-	(13.7)
Total	**68.1**	**9.9**	**1.1**	**-**	**-**	**79.1**
Life (ex-health and index-linked and unit-linked):						
Best Estimate	400.4	3.0	370.8	236.9	-	1,011.1
Risk margin	4.6	0.2	15.9	29.8	-	50.5
Reinsurance recoverables	(126.5)	(1.0)	(1.5)	52.7	-	(76.3)
Total	**278.5**	2.2	**385.2**	**319.4**	**-**	**985.3**
Index-linked and unit-linked:						
TP calculated as a whole	3,695.2	4,350.5	432.0	1,266.6	-	9,744.3
Best estimate	(51.2)	(176.1)	(3.2)	226.5	40.3	36.3
Risk margin	6.7	18.8	1.3	4.2	-	31.0
Reinsurance recoverables	(37.5)	-	-	0.6	-	(36.9)
Total	**3,613.2**	**4,193.2**	**430.1**	**1,497.9**	**40.3**	**9,774.7**
Total net technical provisions	**3,959.7**	**4,219.6**	**816.3**	**1,817.4**	**40.3**	**10,853.3**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Statutory value 31 December 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Net technical provisions:						
Health (similar to non-life):						
Statutory accounts value	-	15.3	-	-	-	15.3
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	-	(2.0)	-	-	-	(2.0)
Total	**-**	**13.3**	**-**	**-**	**-**	**13.3**
Health (similar to life):						
Statutory accounts value	-	22.0	1.5	-	-	23.5
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	-	(11.7)	(0.5)	-	-	(12.2)
Total	**-**	**10.3**	**1.0**	**-**	**-**	**11.3**
Life (ex-health and index-linked and unit-linked):						
Statutory accounts value	501.9	3.0	442.5	304.9	-	1,252.3
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	(119.1)	(0.8)	(3.6)	-	-	(123.5)
Total	**382.8**	**2.2**	**438.9**	**304.9**	**-**	**1,128.8**
Index-linked and unit-linked:						
Statutory accounts value	3,754.4	4,349.7	403.5	1,573.0	-	10,080.6
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	(82.2)	-	-	-	-	(82.2)
Total	**3,672.2**	**4,349.7**	**403.5**	**1,573.0**	**-**	**9,998.4**
Total net technical provisions	**4,055.0**	**4,375.5**	**843.5**	**1,877.9**	**-**	**11,151.9**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Solvency value 31 December 2022					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Net technical provisions:						
Health (similar to non-life):						
Best Estimate	-	15.4	-	-	-	15.4
Risk margin	-	1.6	-	-	-	1.6
Reinsurance recoverables	-	(2.0)	-	-	-	(2.0)
Total	**-**	**15.0**	**-**	**-**	**-**	**15.0**
Health (similar to life):						
TP calculated as a whole	104.5	-	-	-	-	104.5
Best Estimate	(0.6)	21.8	2.0	-	-	23.2
Risk margin	1.7	0.4	-	-	-	2.1
Reinsurance recoverables	(0.8)	(11.9)	(0.6)	-	-	(13.3)
Total	**104.8**	**10.3**	**1.4**	**-**	**-**	**116.5**
Life (ex-health and index-linked and unit-linked):						
Best Estimate	412.9	3.0	61.0	210.5	-	687.4
Risk margin	5.9	0.2	4.5	27.4	-	38.0
Reinsurance recoverables	(129.9)	(0.9)	(2.6)	53.0	-	(80.4)
Total	**288.9**	**2.3**	**62.9**	**290.9**	**-**	**645.0**
Index-linked and unit-linked:						
TP calculated as a whole	3,827.7	3,776.5	276.1	1,215.6	-	9,095.9
Best estimate	(47.9)	(176.1)	135.0	186.5	42.1	139.6
Risk margin	19.8	18.9	1.5	4.7	-	44.9
Reinsurance recoverables	(37.6)	-	-	1.2	-	(36.4)
Total	**3,762.0**	**3,619.3**	**412.6**	**1,408.0**	**42.1**	**9,244.0**
Total net technical provisions	**4,155.6**	**3,647.0**	**477.0**	**1,698.8**	**42.1**	**10,020.5**

D.2 Technical provisions (continued)

D.2.1 Value of technical provisions (continued)

	Statutory value 31 December 2022 (restated)					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Net technical provisions:						
Health (similar to non-life):						
Statutory accounts value	-	20.6	-	-	-	20.6
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	-	(2.8)	-	-	-	(2.8)
Total	**-**	**17.8**	**-**	**-**	**-**	**17.8**
Health (similar to life):						
Statutory accounts value	111.5	25.6	2.8	-	-	139.9
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	(2.2)	(14.2)	(1.4)	-	-	(17.8)
Total	**109.3**	**11.4**	**1.4**	**-**	**-**	**122.1**
Life (ex-health and index-linked and unit-linked):						
Statutory accounts value	468.9	3.9	86.4	365.1	-	924.3
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	(143.4)	(1.0)	(0.9)	-	-	(145.3)
Total	**325.5**	**2.9**	**85.5**	**365.1**	**-**	**779.0**
Index-linked and unit-linked:						
Statutory accounts value	3,865.7	3,769.1	373.3	1,401.5	-	9,409.6
Risk margin	-	-	-	-	-	-
Reinsurance recoverables	(68.7)	-	-	-	-	(68.7)
Total	**3,797.0**	**3,769.1**	**373.3**	**1,401.5**	-	**9,340.9**
Total net technical provisions	**4,231.8**	**3,801.1**	**460.2**	**1,766.6**	-	**10,259.8**

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
Discount rates
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 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, 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.

Demographic assumptions
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, 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 6% p.a. for Movestic, Waard Group and Scildon. For CA, the Cost-of-Capital rate was changed to 4% p.a. as part of the PRA SII Reforms and came into effect from 31/12/2023.

In addition to the reduction in cost of capital for CA from 31/12/2023, a risk tapering factor was introduced to allow progressively lower weight to be given to each year of projected future capital requirements.

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.

D.2 Technical provisions (continued)

D.2.2 Level of uncertainty within the technical provisions (continued)

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, SEK for Movestic and EUR for Waard & Scildon. The group assessment looks at all assets and 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.2.2 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 and values are reported under IFRS 17 for the first time, with comparatives restated to reflect the retrospective application of this standard.

		31 December 2023					
		UK	Movestic	Waard Group	Scildon	Chesnara plc	Group Total
	Note	£m	£m	£m	£m	£m	£m
IFRS technical provisions	*1*	4,055.0	4,375.5	843.5	1,877.9	-	11,151.9
Non-unit investment provisions	*2*	(27.0)	(171.1)	-	-	-	(198.1)
Contract boundary restrictions	*3*	7.9	1.9	-	3.6	-	13.4
Non-attributable expenses	*4*	0.4	-	7.3	6.9	-	14.6
Other differences between pvFCF & BEL	*5*	3.3	21.5	42.4	(2.9)	40.3	104.6
Total difference between pvFCF & BEL		**(15.4)**	**(147.7)**	**49.7**	**7.6**	**40.3**	**(65.5)**
Difference between risk adjustment & risk margin	*6*	1.7	18.9	9.6	15.6	-	45.8
Removal of CSM	*7*	(29.7)	(5.0)	(77.0)	(54.9)	-	(166.6)
Removal of liability for incurred claims	*8*	(51.9)	(22.1)	(9.5)	(28.8)	-	(112.3)
SII technical provisions		**3,959.7**	**4,219.6**	**816.3**	**1,817.4**	**40.3**	**10,853.3**

D.2 Technical provisions (continued)

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

		31 December 2022 (restated)					
		UK	Movestic	Waard Group	Scildon	Chesnara plc	Group Total
	Note	£m	£m	£m	£m	£m	£m
IFRS technical provisions	*1*	4,231.8	3,801.1	460.2	1,766.6	-	10,259.8
Non-unit investment provisions	*2*	(24.7)	(176.1)	-	-	-	(200.8)
Contract boundary restrictions	*3*	8.0	-	-	3.0	-	11.0
Non-attributable expenses	*4*	2.7	-	2.8	10.2	-	15.7
Other differences between pvFCF & BEL	*5*	(1.0)	30.6	39.2	(4.5)	42.1	106.4
Total difference between pvFCF & BEL		**(15.0)**	**(145.5)**	**42.0**	**8.7**	**42.1**	**(67.7)**
Difference between risk adjustment & risk margin	*6*	17.3	18.9	3.4	14.2	-	53.8
Removal of CSM	*7*	(29.1)	(4.4)	(21.8)	(57.4)	-	(112.7)
Removal of liability for incurred claims	*8*	(49.4)	(23.1)	(6.8)	(33.4)	-	(112.7)
SII technical provisions		**4,155.6**	**3,647.0**	**477.0**	**1,698.8**	**42.1**	**10,020.5**

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

- **Note 1**: IFRS technical provisions build on the Solvency II regime. The IFRS Technical Provisions include the following components: pvFCF (present value of fulfilment cashflows), RA (Risk Adjustment), CSM (Contractual Service Margin) and LIC (Liability for Incurred Claims).
- **Note 2**: Under IFRS investment contracts reserves are equal to the value of units, whereas under SII the BEL allows for all future cash flows. In general it is expected that future charges will outweigh future expenditure, so the SII BEL for investment contracts is lower than unit value, thus creating a negative non-unit provision.
- **Note 3**: 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). Contract boundaries also apply under IFRS, but a wider range of considerations is taken into account when determining the boundary. For Chesnara this means that there are fewer contract boundary restrictions under IFRS.
- **Note 4**: This represents investment expenses on insurance contracts that are deemed not to provide an investment service to policyholders, hence not applicable for IFRS but are applicable for Solvency II.
- **Note 5**: This captures the impact of other differences between IFRS pvFCF and SII BEL.
- **Note 6**: Under IFRS, a Risk Adjustment is held for non-hedgeable risks. Under Solvency II, a Risk Margin is held. This step represents the movement from the IFRS Risk Adjustment to the Solvency II Risk Margin. Key differences between the IFRS Risk Adjustment and the Solvency Risk Margin include:
  - Cost of Capital Differences (IFRS: 3.25%, Solvency II: 4% in the UK, 6% in the EU)
  - Investment Business is included in the Solvency II Risk Margin, but not included in the IFRS Risk Adjustment
  - Counterparty Default Risk and Operational Risk are both included in the Solvency II Risk Margin, but not included in the IFRS Risk Adjustment.
- **Note 7**: IFRS Technical Provisions include Contractual Service Margin (CSM). This doesn’t exist under Solvency II.
- **Note 8:** IFRS Technical Provisions include Liability for Incurred Claims (LIC). This doesn’t exist under Solvency II.

D.2 Technical provisions (continued)

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, 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, Scildon and Waard Leven on the group solvency position is set out in the table below:

	With VA £m	No VA £m	Difference £m
Gross technical provisions	10,982.0	10,994.6	12.6
Basic own funds	682.7	673.8	(8.9)
Excess of assets over liabilities	559.7	550.8	(8.9)
Restricted own funds due to ring-fencing and matching portfolio	0.5	0.5	-
Eligible own funds to meet Solvency Capital Requirement	683.7	674.8	(8.9)
Tier 1	517.7	508.8	(8.9)
Tier 2	148.4	148.4	-
Tier 3	17.6	17.6	-
Solvency Capital Requirement	**332.7**	**335.3**	**2.6**
Solvency surplus	**351.0**	**340.0**	**(11.0)**
Solvency ratio	**205.5%**	**198.4%**	**(6.8)%**
Eligible own funds to meet Minimum Capital Requirement	351.1	342.2	(8.9)
Tier 1	351.1	342.2	(8.9)
Tier 2	-	-	-
Tier 3	-	-	-
Minimum Capital Requirement	**73.5**	**75.2**	**1.7**

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.

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

<u>Methodology</u>
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%.

D.2 Technical provisions (continued)

D.2.5 Reinsurance recoverables (continued)

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 2023 is unchanged from the valuation as at 31 December 2022.

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.

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

D.2 Technical provisions (continued)

D.2.6 Changes in assumptions (continued)

Key assumption changes over 2023 include:

Assumption	Division	Description
Economic	All	Updated EIOPA and PRA yield curves utilised plus updates to inflation parameters, and VA where applicable.
Mortality / morbidity		Mortality assumptions have been reviewed to take account of recent investigations, resulting in the following across the divisions.
	CA	No material changes applied.
	Waard Group	No material changes applied.
	Movestic	No material changes applied.
	Scildon	Scildon have strengthened mortality assumptions on its term business because of worse than expected experience.
Persistency		Persistency assumptions have been reviewed to take account of recent investigations resulting in the following across the divisions.
	CA	Persistency assumptions for ex-CASLP business have been strengthened in the short-term to reflect persistency experience. The recent experience is not expected to continue long-term.
	Waard Group	No material changes applied.
	Movestic	Movestic have strengthened persistency assumptions because of worse than expected experience on unit-linked and custodian business.
	Scildon	Scildon have strengthened persistency assumptions because of worse than expected experience on unit-linked and term business.
Expenses		Expense assumptions have been updated to reflect the latest management assessment of projected costs.
	CA	Expense assumptions have strengthened substantially to reflect the latest management assessment of projected costs. These include higher staff costs from recruitment and inflation, outsourcer change costs, and audit fees.
	Waard Group	Expense assumptions have strengthened substantially to reflect the latest management assessment of projected costs. These include higher staff costs from recruitment and inflation, outsourcer change costs, and audit fees.
	Movestic	Expense assumptions strengthened due to inflation and recruitment.
	Scildon	Expense assumptions strengthened to allow for inflation and audit fees. However, the provision for future staff costs has been reduced.
Risk margin	CA	The PRA implemented a change to the risk margin calculation with effect from 31/12/2023. The change was to reduce the cost of capital from 6% to 4%, and to introduce a tapering effect designed to allow progressively lower weight to be given to each year of projected future capital requirements.
Mass Lapse Reinsurance	CA	A reinsurance agreement was made between CA and Swiss Re in December 2023. The agreement reduces CA's exposure to mass lapse risk.
Premium restarts	Waard Group	Prior to Waard acquiring Conservatrix, policyholder premiums were no longer being collected. Allowance is now made for the benefit of future premiums for those policies recommencing.
Fund management charges	Scildon	Assumed future fund management charges have been reduced based on actual charges received.

D. VALUATION FOR SOLVENCY PURPOSES (CONTINUED)

D.3 Other liabilities

Introduction

The table below shows separately the value of each class of liabilities under Solvency II and IFRS values. Statutory accounts values for the year ended 31 December 2023 are reported under IFRS 17 for the first time, with comparative values restated to reflect the retrospective application of this standard.

		31 December 2023		31 December 2022	
	Note	Solvency II value £m	Statutory accounts value £m	Solvency II value £m	Statutory accounts value (restated) £m
Other liabilities					
Other technical provisions	*3.1*	-	-	-	1.6
Provisions other than technical provisions	*3.1*	4.3	9.5	8.0	8.0
Deferred tax liabilities	*3.2*	-	-	2.9	20.1
Derivatives	*3.3*	8.9	8.9	10.6	10.6
Debts owed to credit institutions	*3.4*	2.2	2.2	2.0	2.0
Financial liabilities other than debts owed to credit institutions	*3.5*	8.4	9.2	11.5	12.4
Insurance & intermediaries payables	*3.6*	136.7	37.8	147.8	39.1
Reinsurance payables	*3.7*	50.2	47.8	50.9	49.2
Payables (trade, not insurance)	*3.8*	54.1	50.8	37.2	37.2
Subordinated liabilities	*3.9*	148.4	200.6	200.0	200.4
Any other liabilities, not elsewhere shown	*4.0*	-	1.8	-	2.0
Total liabilities		**413.2**	**368.6**	**470.9**	**382.6**

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 2023					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Other liabilities						
Other technical provisions	-	-	-	-	-	-
Provisions other than technical provisions	4.1	0.2	-	-	-	4.3
Deferred tax liabilities	4.6	-	1.9	7.7	(14.2)	-
Derivatives	-	-	-	-	8.9	8.9
Debts owed to credit institutions	2.2	-	-	-	-	2.2
Financial liabilities other than debts owed to credit institutions	3.2	5.2	-	-	-	8.4
Insurance & intermediaries payables	72.1	3.6	14.2	46.8	-	136.7
Reinsurance payables	46.0	3.3	-	0.9	-	50.2
Payables (trade, not insurance)	13.3	21.9	5.0	7.2	6.7	54.1
Subordinated liabilities	-	-	-	-	148.4	148.4
Any other liabilities, not elsewhere shown	-	-	-	-	-	-
Total liabilities	**145.5**	**34.2**	**21.1**	**62.6**	**149.8**	**413.2**

	Statutory accounts value 31 December 2023					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Other liabilities						
Other technical provisions	-	-	-	-	-	-
Provisions other than technical provisions	8.8	0.7	-	-	-	9.5
Deferred tax liabilities	9.4	-	-	31.0	(40.4)	-
Derivatives	-	-	-	-	8.9	8.9
Debts owed to credit institutions	2.2	-	-	-	-	2.2
Financial liabilities other than debts owed to credit institutions	3.2	6.0	-	-	-	9.2
Insurance & intermediaries payables	7.8	3.6	14.4	12.0	-	37.8
Reinsurance payables	46.0	0.9	-	0.9	-	47.8
Payables (trade, not insurance)	11.2	21.4	4.8	7.2	6.2	50.8
Subordinated liabilities	-	-	-	-	200.6	200.6
Any other liabilities, not elsewhere shown	1.8	-	-	-	-	1.8
Total liabilities	**90.4**	**32.6**	**19.2**	**51.1**	**175.3**	**368.6**

D.3 Other liabilities (continued)

Introduction (continued)

	Solvency II value 31 December 2022					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Other liabilities						
Other technical provisions	-	-	-	-	-	-
Provisions other than technical provisions	7.4	0.1	0.5	-	-	8.0
Deferred tax liabilities	9.4	0.2	1.7	2.5	(10.9)	2.9
Derivatives	0.1	-	-	-	10.5	10.6
Debts owed to credit institutions	2.0	-	-	-	-	2.0
Financial liabilities other than debts owed to credit institutions	1.7	9.5	0.2	-	0.1	11.5
Insurance & intermediaries payables	71.9	1.6	15.8	58.5	-	147.8
Reinsurance payables	48.1	2.2	0.3	0.3	-	50.9
Payables (trade, not insurance)	11.6	10.3	3.5	9.4	2.4	37.2
Subordinated liabilities	-	-	-	-	200.0	200.0
Any other liabilities, not elsewhere shown	-	-	-	-	-	-
Total liabilities	**152.2**	**23.9**	**22.0**	**70.7**	**202.1**	**470.9**

	Statutory accounts value 31 December 2022 (restated)					
	UK	Movestic	Waard Group	Scildon	Other group activities	Total
	£m	£m	£m	£m	£m	£m
Other liabilities						
Other technical provisions	-	-	1.6	-	-	1.6
Provisions other than technical provisions	7.4	0.1	0.5	-	-	8.0
Deferred tax liabilities	34.8	0.1	(4.1)	(5.0)	(5.7)	20.1
Derivatives	0.1	-	-	-	10.5	10.6
Debts owed to credit institutions	2.0	-	-	-	-	2.0
Financial liabilities other than debts owed to credit institutions	1.7	10.4	0.2	-	0.1	12.4
Insurance & intermediaries payables	9.5	1.6	7.8	20.2	-	39.1
Reinsurance payables	48.1	0.5	0.3	0.3	-	49.2
Payables (trade, not insurance)	11.6	10.3	3.5	9.4	2.4	37.2
Subordinated liabilities	-	-	-	-	200.4	200.4
Any other liabilities, not elsewhere shown	2.0	-	-	-	-	2.0
Total liabilities	**117.2**	**23.0**	**9.8**	**24.9**	**207.7**	**382.6**

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 and 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. Additionally, there is a presentational difference on the gross claims, where under SII the gross claims are shown separately but under IFRS 17, these form part of the gross reserves.

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

Under Solvency II the subordinated is measured at fair value basis.

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; and
- Deliver value-enhancing acquisitions.

  In support of our three strategic objectives, we seek to 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 investors 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 good 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 investors**;
- to hold sufficient own funds to provide a good foundation for further **acquisitions;** and
- 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. CAPITAL MANAGEMENT (CONTINUED)

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 senior leadership team 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 five-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 five-year business plan once per year. The business plan incorporates financial projections of the group's own funds and solvency capital requirements over a 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 2023 and 2022, including an analysis of any significant changes in each tier over the year:

	31 December 2022 £m	Movement in year £m	Transfers £m	31 December 2023 £m
Tier 1:				
Ordinary share capital	7.5	-	-	7.5
Share premium account related to ordinary share capital	142.3	0.2	-	142.5
Total ordinary share capital & share premium	**149.8**	**0.2**	**-**	**150.0**
Reconciliation reserve before deductions	324.7	89.8	(22.8)	391.7
Foreseeable dividends	(22.8)	(23.5)	22.8	(23.5)
Restricted own funds in ring fenced funds	-	2.3	(2.8)	(0.5)
Other non-available own funds	(46.6)	46.6	-	-
Total reconciliation reserve	**255.3**	**115.2**	**(2.8)**	**367.7**
Subordinated liabilities **	200.0	(51.6)	-	148.4
Eligible Tier 3 assets	-	17.6	-	17.6
Total eligible own funds eligible to meet SCR	**605.1**	81.4	(2.8)	**683.7**
SCR	**306.7**	26.0	-	**332.7**
Ratio of eligible own funds to SCR	**197.3%**			**205.5%**
Total eligible own funds eligible to meet MCR*	**403.1**	282.4	(2.8)	**682.7**
MCR	**99.5**	16.8	-	**116.3**
Ratio of eligible own funds to MCR	**405.2%**			**464.1%**

** 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 2023 there were £1.302m (31 December 2022: £1.952m) of such own funds, which related to the fund management company in Sweden.*

*** This is the Tier 2 Debt which was issued in early 2022. This is measured at fair value calculated using quoted prices in active markets for 2023.*

E.1 Own funds (continued)

E.1.2 Analysis of own funds

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

	31 December 2023					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Excess assets over liabilities	188.0	178.7	101.1	133.7	(59.8)	541.7
Restricted own funds in ring fenced funds	(0.5)	-	-	-	-	(0.5)
Foreseeable dividends	(35.0)	(7.8)	(6.9)	-	26.2	(23.5)
Subordinated liabilities	-	-	-	-	148.4	148.4
Other non-available own funds	-	-	-	-	-	-
Eligible Tier 3 assets	-	-	-	-	17.6	17.6
Total eligible own funds eligible to meet SCR	**152.5**	**170.9**	**94.2**	**133.7**	**132.4**	**683.7**
SCR	**102.6**	**116.7**	**27.9**	**72.8**	**12.7**	**332.7**
Ratio of eligible own funds to SCR	**148.6%**	**146.5%**	**337.6%**	**183.7%**	**521.3%**	**205.5%**

	31 December 2022					
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	Total £m
Excess assets over liabilities	192.0	185.4	85.0	132.4	(120.3)	474.5
Restricted own funds in ring fenced funds	-	-	-	-	-	-
Foreseeable dividends	(56.0)	(12.0)	(5.3)	-	50.5	(22.8)
Subordinated liabilities	-	-	-	-	200.0	200.0
Other non-available own funds	-	-	-	-	(46.6)	(46.6)
Eligible Tier 3 assets	-	-	-	-	-	-
Total eligible own funds eligible to meet SCR	**136.0**	**173.4**	**79.7**	**132.4**	**83.6**	**605.1**
SCR	**100.3**	**106.9**	**13.5**	**70.3**	**15.7**	**306.7**
Ratio of eligible own funds to SCR	**135.6%**	**162.2%**	**590.9%**	**188.3%**	**(445.0)%**	**197.3%**

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 liabilities, this is classed as Tier 2. As of 2023 Chesnara now also has Tier 3 assets to report on the balance sheet related to deferred tax assets.
- 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.
- Movements in eligible own funds arise 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 (as well as a limited amount in CA) 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.
  - *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 2023 the following dividends have affected the own funds of the group:
    - *Interim dividend:* During 2023 an interim dividend amounting to £12.6m was paid in September 2023; and
    - *Final dividend:* A £23.5m foreseeable dividend was recognised in the year end solvency position in relation to the year end 2023 proposal. This is due to be paid on 28 May 2024.

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

	2023 £m	2022 £m
Tier 1 own funds at 1 January	**605.1**	**557.5**
Underlying movement in own funds (arising from new business and from in-force business at the start of the year)	102.5	(78.5)
Tier 2 movement	(5.0)	153.3
Tier 3 movement	17.6	-
Dividends:		
– Interim dividend paid	(12.6)	(12.2)
– Foreseeable dividend	(23.5)	(22.8)
With profit transfer	(2.8)	11.3
Movements in ring fenced funds restrictions	2.4	(3.5)
Tier 1 own funds at 31 December	**683.7**	**605.1**

Own funds to cover SCR:

The table shows that the group has £683.7m (2022: £605.1m) of available own funds to be able to meet the group's SCR of £332.7m (2022: £306.7m), resulting in an SCR coverage ratio of 205% (2022: 197%).

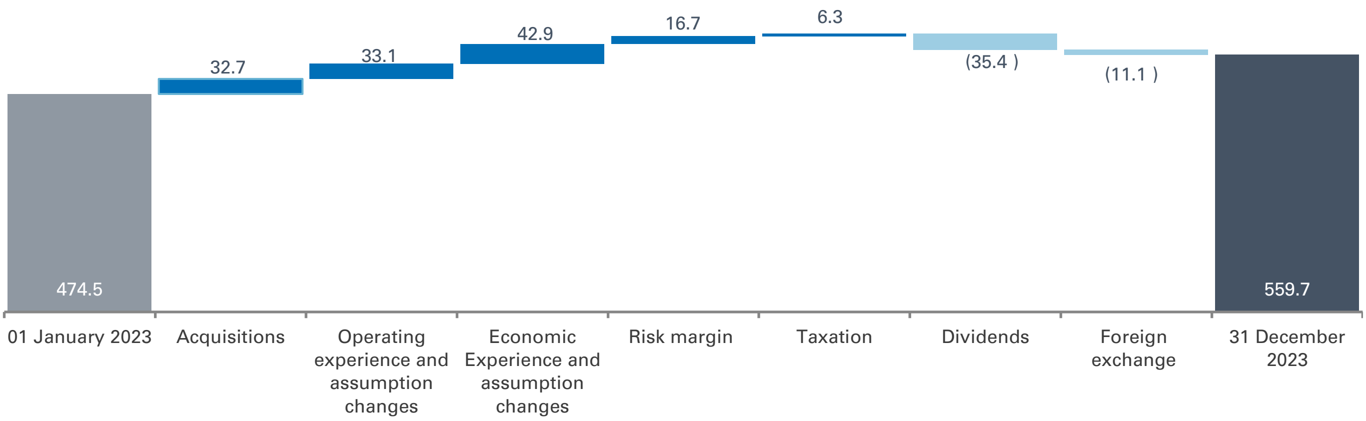
Own funds to cover MCR:

The table shows that the company has £683.7m (2022: £605.1m) of available own funds to be able to meet the company's MCR of £116.3m (2022: £99.5m), resulting in a MCR coverage ratio of 464% (2022: 405%).

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 Canada Life term assurance policies and Conservatrix.
- **Operating experience and assumption changes:** This relates to how the underlying performance of the company differs to the expectations of that performance. The gain mainly relates to revaluation of the Tier 2 debt at fair value partially offset by revised demographic, expense and insurance assumptions.
- **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 gain that has arisen reflects positive equity returns partially offset by falling yields over the year.
- **Risk margin:** This primarily reflects the gain from the UK SII reforms.
- **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 2023 and 31 December 2022. Values are reported under IFRS 17, and comparatives restated to reflect the retrospective application of this standard.

	31 December 2023 £m		31 December 2022 £m	
Equity per the IFRS financial statements:				
Share capital	7.5		7.5	
Share premium	142.5		142.3	
Retained earnings and other reserves	209.9		234.3	
Total equity as reported in the Chesnara plc IFRS financial statements		**359.9**		**384.1**
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	298.7		197.6	
Adj 2: Removal of intangible assets included in IFRS valuation	(96.4)		(126.1)	
Adj 3: Net valuation difference between IFRS and SII for assets	4.7		5.0	
Adj 4: Adjustments to deferred tax	(8.1)		14.0	
Adj 5: Other adjustments	0.9		(0.1)	
Total adjustments between IFRS financial statements and excess of assets over liabilities for solvency purposes		**199.8**		**90.4**
Assets over liabilities for solvency purposes (reconciliation reserve before deductions plus ordinary share capital):		**559.7**		**474.5**

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 driven by the following key factors, which overall cause IFRS technical provisions to exceed those for Solvency II: (1) Under IFRS investment contract provisions are held equal to the value of units, whereas Solvency II permits the calculation of investment contract provisions to include an estimate of the future profits expected to emerge. (2) IFRS technical provisions include a CSM, which is not held under Solvency II. (3) These two items cause IFRS technical provisions to exceed SII technical provisions, but are offset by some smaller differences. Notably the IFRS risk adjustment is lower than the SII risk margin as it is only held in respect of insurance contracts and, for overseas divisions, uses a lower cost of capital assumption.
- *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 2023 £m	31 December 2022 £m
Assets less liabilities (per s.02.01)	**559.7**	**474.5**
Restriction of Tier 3 assets	(18.0)	–
Excess assets less liabilities	**541.7**	**474.5**
Adjustments for:		
Surplus in ring-fenced funds	(0.5)	-
Foreseeable dividends	(23.5)	(22.8)
Subordinated liabilities	148.4	200.0
Other non-available own funds	–	(46.6)
Tier 3 eligible assets	17.6	–
Own funds	**683.7**	**605.1**

The items deducted from own funds are:

- ***Restriction of Tier 3 assets / Tier 3 eligible assets***
  As of 2023, the group holds Tier 3 assets which sit on the balance sheet relating to deferred tax assets, with the majority having been introduced via Waard's acquisition of Conservatrix. According to Solvency II rules the maximum amount of Tier 3 capital that can be taken in own funds is restricted to 15% of SCR. Furthermore, the total amount of Eligible Tier 2 and Tier 3 capital is restricted to 50% of SCR.

- ***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 2023, the surplus in each of these funds was: SPI – £nil (2022: £nil) and SPP – £0.48m (2022: £0.02m).

- ***Foreseeable dividends***
  Solvency II requires dividends to be recognised as a deduction to own funds when they are "foreseeable". At 31 December 2023 and 2022, foreseeable dividends, representing the dividend that will be paid in May 2024 and were paid in May 2023 respectively, were recognised within the Solvency II valuation.

- ***Subordinated liabilities***
  This is the Tier 2 Debt which was issued in early 2022. This is measured at fair value calculated using quoted prices in active markets for 2023.

- ***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 £332.7m, a maximum of £166.4m can be recognised.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

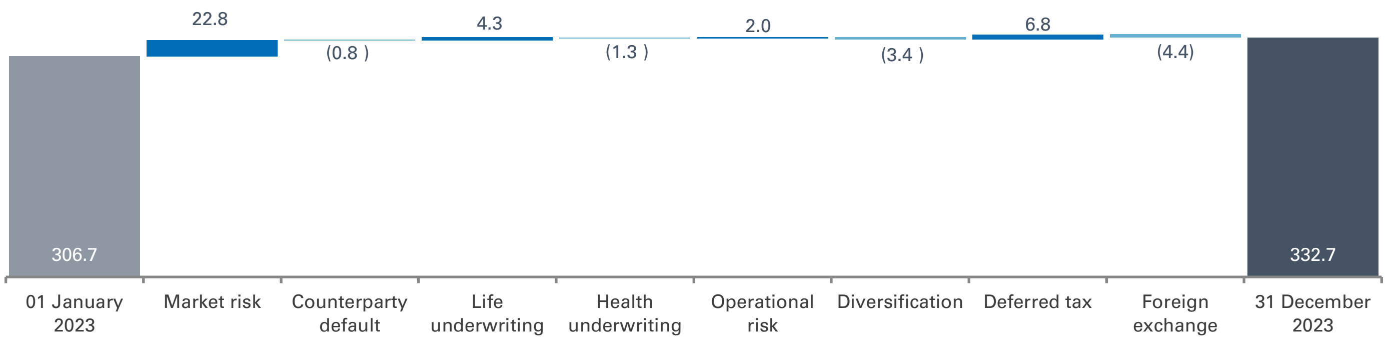
E.2.1 SCR and MCR analysis

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 2023 £m	31 December 2022 £m	Changes in the year £m
Market risk	*1*	234.1	214.1	20.0
Counterparty default risk	*2*	10.4	11.2	(0.8)
Life underwriting risk	*3*	175.0	173.6	1.4
Health underwriting risk	*4*	8.8	10.4	(1.6)
Diversification	*5*	(95.1)	(93.1)	(2.0)
Basic Solvency Capital Requirement		**333.2**	**316.2**	**17.0**
Operational risk	*6*	17.5	15.8	1.7
Loss-absorbing capacity of deferred taxes	*7*	(18.7)	(26.0)	7.3
Solvency Capital Requirement excluding capital add-on		**332.0**	**306.0**	**26.0**
Capital requirement for other financial sectors	*8*	0.7	0.7	-
Solvency capital requirement		**332.7**	**306.7**	**26.0**
Notional SCR for remaining part	*9*	317.1	292.9	24.2
Notional SCR for ring fenced funds	*10*	15.6	13.8	1.8
Minimum consolidated group solvency capital requirement	*11*	**116.3**	**99.7**	**16.6**

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 2023						
	UK £m	Movestic £m	Waard Group £m	Scildon £m	Chesnara £m	Diversification £m	Total £m
Market risk	64.5	89.2	12.2	37.6	40.1	(9.5)	234.1
Counterparty default risk	4.8	0.8	1.3	2.0	2.2	(0.7)	10.4
Life underwriting risk	56.2	48.1	19.9	60.8	6.3	(16.3)	175.0
Health underwriting risk	3.6	6.0	0.1	-	-	(0.9)	8.8
Diversification	(28.3)	(30.5)	(7.2)	(20.7)	(5.9)	(2.5)	(95.1)
Basic Solvency Capital Requirement	**100.8**	**113.6**	**26.3**	**79.7**	**42.7**	**(29.9)**	**333.2**
Operational risk	6.1	2.7	2.4	7.7	-	(1.4)	17.5
Loss-absorbing capacity of deferred taxes	(4.6)	-	(0.8)	(14.6)	-	1.3	(18.7)
Solvency Capital Requirement excluding capital add-on	**102.3**	**116.3**	**27.9**	**72.8**	**42.7**	**(30.0)**	**332.0**
Capital requirement for other financial sectors	0.3	0.4	-	-	-	-	0.7
Solvency capital requirement	**102.6**	**116.7**	**27.9**	**72.8**	**42.7**	**(30.0)**	**332.7**
Notional SCR for remaining part	87.0	116.7	27.9	72.8	42.7	(30.0)	317.1
Notional SCR for ring fenced funds	15.6	-	-	-	-	-	15.6
Minimum consolidated group solvency capital requirement	**38.1**	**32.8**	**12.6**	**32.8**			**116.3**

	31 December 2022						
	UK £'000	Movestic £'000	Waard Group £'000	Scildon £'000	Chesnara £'000	Diversification £'000	Total £'000
Market risk	64.3	77.6	7.1	37.2	38.3	(10.4)	214.1
Counterparty default risk	4.9	0.9	1.4	1.8	2.0	0.2	11.2
Life underwriting risk	62.4	48.8	11.7	57.4	6.6	(13.3)	173.6
Health underwriting risk	5.0	6.4	0.2	-	-	(1.2)	10.4
Diversification	(30.5)	(29.8)	(4.7)	(20.0)	(5.8)	(2.3)	(93.1)
Basic Solvency Capital Requirement	**106.1**	**103.9**	**15.7**	**76.4**	**41.1**	**(27.0)**	**316.2**
Operational risk	5.2	2.7	0.4	7.9	-	(0.4)	15.8
Loss-absorbing capacity of deferred taxes	(11.3)	-	(2.6)	(14.0)	-	2.0	(25.9)
Solvency Capital Requirement excluding capital add-on	**100.0**	**106.6**	**13.5**	**70.3**	**41.1**	**(25.4)**	**306.1**
Capital requirement for other financial sectors	0.3	0.3	-	-	-	-	0.6
Solvency capital requirement	**100.3**	**106.9**	**13.5**	**70.3**	**41.1**	**(25.4)**	**306.7**
Notional SCR for remaining part	86.5	106.9	13.5	70.3	41.1	(25.4)	292.9
Notional SCR for ring fenced funds	13.8	-	-	-	-	-	13.8
Minimum consolidated group solvency capital requirement	**33.6**	**29.2**	**6.1**	**30.7**			**99.7**

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 rise in market risk of £17.2m is driven by rising equity markets and the impact of an increased symmetric adjustment. This is partially offset by a decrease in interest rate risk of £8.3m due to falling interest rates and Scildon’s updated interest rate hedge, which has decreased the size of the stress required to calculate interest rate risk capital, and the rise in spread risk of £3.3m following the Conservatrix acquisition in Waard. A rise in concentration risk of £15.3m, due to the Conservatrix acquisition including significant amounts of Spanish government bonds driven by 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 of £0.9m due a combination of offsetting impacts. There has been a small rise in counterparty default risk for Scildon due to a rise in overall holdings, which is offset by small falls in Waard and Movestic and the cash investment in Chesnara Plc.
- **Note 3:** The increase in life risks of £1.4m is mainly driven by the reinsurance of Canada Life into CA plc, the Conservatrix acquisition into Waard, updated expenses, offset by a reduction in lapse risk due to the introduction of a mass lapse reinsurance on the non-WP business in CA.
- **Note 4:** Health underwriting risk has fallen mainly driven by the decrease in lapse SCR following the CA mass lapse reinsurance.
- **Note 5:** The amount of diversification between the risk modules has increased as a direct consequence of the increase in the amount of risk capital held, in particular the rise in market risks.
- **Note 6:** Operational risk capital has increased due to the inclusion of acquisitions.
- **Note 7:** The loss-absorbing capacity of deferred taxes has fallen resulting in an increase in the SCR. This is driven by the completion of the Part VII in CA plc, partially offset by tax accrued on IFRS 17 profits.
- **Note 8:** There is no material change in the capital requirement in other.
- **Note 9:** The decrease in the notional SCR for the remaining part is attributable to all of the points listed above.
- **Note 10:** The increase in the notional SCR for ring fenced funds is attributable to a rise in market risk, in particular the rise in equity risk capital and an increase in spread risk due to a £3.0m capital injection in SPP 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 sub-modules, 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 £35.1m.

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. REVIEW OF IFRS 17

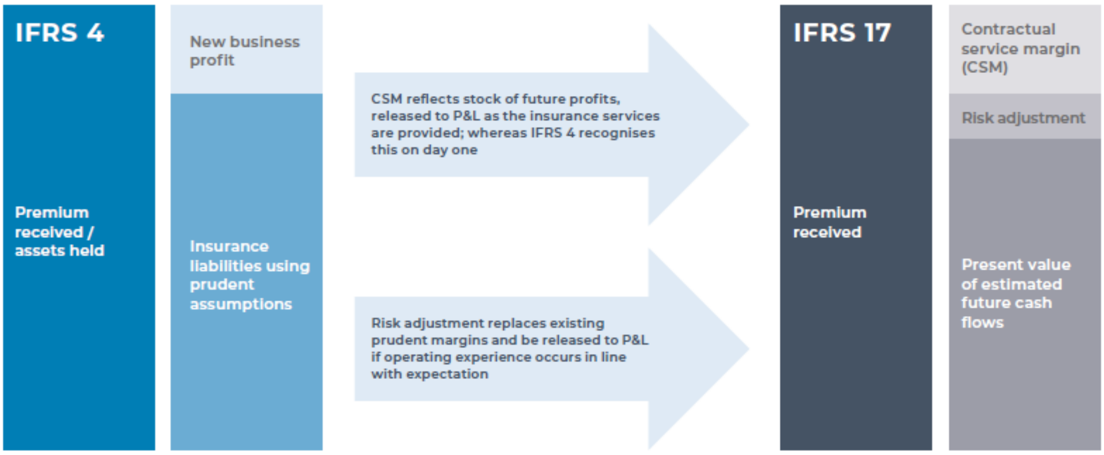
This SFCR is required to include financial information that relates the group's statutory financial statements. A new accounting standard, IFRS 17, was introduced during 2023, and as a result certain parts of this SFCR include reference to IFRS 17 related information. Given this introduces new terminology within this SFCR, this section of the report provides a brief introduction to IFRS 17 and how it impacts Chesnara, together with the IFRS results for the year ended 31 December 2023 and comparative figures for 2022, which have been restated under IFRS 17.

What is IFRS 17?

IFRS 17 is the new accounting standard for recognising, measuring and disclosing insurance contracts. This is effective for the first time in reporting for the year ended 31 December 2023 and replaces the previous standard, IFRS 4. IFRS 17 has been implemented as if it had always been in place and so previous results have been restated.

IFRS 17 has been introduced with the aim of allowing greater comparability of results between insurance companies and the wider market.

HOW IFRS 17 IS DIFFERENT TO IFRS 4



How does IFRS 17 impact Chesnara?

IFRS 17 'insurance contracts' represents an accounting change that does not impact the fundamentals of the business. Specifically, the implementation of IFRS 17 does not impact the value or cash generation of the company. There are no changes to the solvency ratio, cash generation or economic value of the group.

IFRS 17 only applies to those policies of the group that are classified as 'insurance contracts', which equates to 42% of the group's total policyholder liabilities at the end of December 2023. The remaining contracts are classified as investment business, which are valued under IFRS 9 'Financial Instruments', which is also effective for the group for this period. Under IFRS 9, there is no impact to the results from how these liabilities have been previously valued under IAS 39. A key difference between the measurement of contracts under IFRS 9 and IFRS 17 is that investment contracts equate to unit value under IFRS 9 and their value therefore does not take into account future profit, whereas insurance contracts include the contractual service margin (CSM) and the risk adjustment that reflects the uncertainty around the amount and timing of the cash flows.

How are profits earned under IFRS 17?

A fundamental concept introduced by IFRS 17 is the contractual service margin (CSM). This represents the unearned profit that an entity expects to earn on its insurance contracts as it provides insurance services.

The CSM embodies two principles:

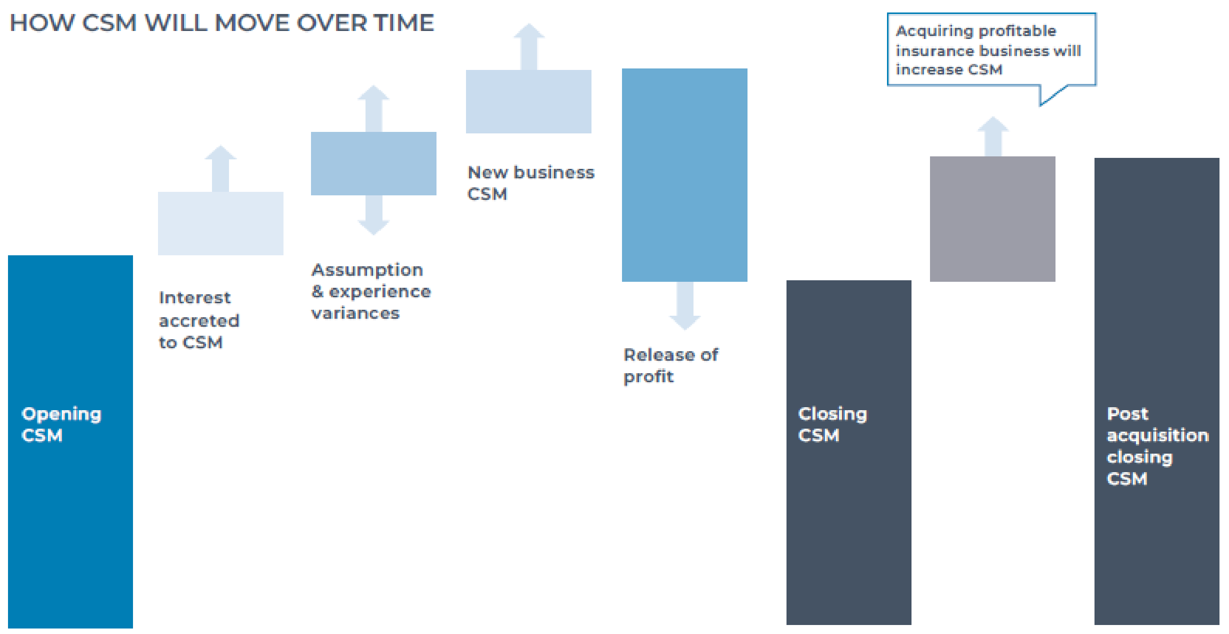
1. An insurer must spread expected profits for profitable business written over time.

   This spread profit forms the CSM which can only be recognised in the income statement as and when insurance services are provided. The CSM consequently represents the expected amount of profits that have not yet been earned from the insurance business of the group.

2. An insurer must recognise the expected losses for loss-making business immediately.

   An insurer cannot establish a "negative CSM" and defer loss recognition into the future.

F. REVIEW OF IFRS 17



How does IFRS 17 compare to Solvency II and EcV?
A lot of the principles and underlying technical decisions are consistent across EcV and IFRS, as they are based on common foundations; however, there is one fundamental difference in how investment contracts are valued. For investment contracts, expected future profits on existing policies are not recognised in the IFRS balance sheet, with profits being reported as they arise; this is in contrast to EcV, where they are fully recognised on the balance sheet, subject to contract boundaries.

As such, at Chesnara, we believe that due to the hybrid nature of the business, EcV and Solvency II, alongside cash generation, continue to give a more holistic view of the financial dynamics of the group and are therefore the key metrics that management uses to manage the business.

How does IFRS 17 impact leverage?
The positive impact of IFRS 17 on net equity has been beneficial to the group's gearing ratio. Rating agencies will be revisiting their definitions of gearing for insurance groups as a result of IFRS 17, and in line with guidance from Fitch, we have added back the net of tax CSM to the equity denominator in the calculation. On this basis, the gearing of the group as at 31 December 2023 was 29.2%.

G. 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
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
SLT	Senior Leadership Team
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.

H. 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	19,625,970.03
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	6,592,885.08
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,807,552,794.43
R0080	Property (other than for own use)	1,148,279.76
R0090	Holdings in related undertakings, including participations	11,653,868.12
R0100	Equities	648,431.41
R0110	Equities – listed	-
R0120	Equities – unlisted	648,431.41
R0130	Bonds	1,216,652,901.09
R0140	Government Bonds	709,386,169.63
R0150	Corporate Bonds	506,992,066.23
R0160	Structured notes	-
R0170	Collateralised securities	274,665.23
R0180	Collective Investments Undertakings	572,686,267.05
R0190	Derivatives	4,763,047.01
R0200	Deposits other than cash equivalents	-
R0210	Other investments	-
R0220	Assets held for index-linked and unit-linked contracts	9,721,364,263.32
R0230	Loans and mortgages	125,394,976.81
R0240	Loans on policies	677,385.47
R0250	Loans and mortgages to individuals	113,991,689.81
R0260	Other loans and mortgages	10,725,901.53
R0270	Reinsurance recoverables from:	128,714,378.76
R0280	Non-life and health similar to non-life	1,801,608.19
R0290	Non-life excluding health	-
R0300	Health similar to non-life	1,801,608.19
R0310	Life and health similar to life, excluding index-linked and unit-linked	89,996,750.89
R0320	Health similar to life	13,668,553.44
R0330	Life excluding health and index-linked and unit-linked	76,328,197.45
R0340	Life index-linked and unit-linked	36,916,019.68
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	11,463,467.46
R0370	Reinsurance receivables	20,449,993.00
R0380	Receivables (trade, not insurance)	36,834,833.43
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	69,760,132.99
R0420	Any other assets, not elsewhere shown	7,144,099.50
R0500	**Total assets**	11,954,897,794.81

S.02.01.02 - Balance Sheet (continued)

	Liabilities	Solvency II Value
		C0010
R0510	Technical provisions - non-life	16,044,034.49
R0520	Technical provisions - non-life (excluding health)	-
R0530	TP calculated as a whole	-
R0540	Best Estimate	-
R0550	Risk margin	-
R0560	Technical provisions - health (similar to non-life)	16,044,034.49
R0570	TP calculated as a whole	-
R0580	Best Estimate	14,403,012.89
R0590	Risk margin	1,641,021.60
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,154,432,647.92
R0610	Technical provisions - health (similar to life)	92,750,383.79
R0620	TP calculated as a whole	68,693,268.84
R0630	Best Estimate	22,957,395.06
R0640	Risk margin	1,099,719.89
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	1,061,682,264.13
R0660	TP calculated as a whole	448,021.91
R0670	Best Estimate	1,010,757,115.35
R0680	Risk margin	50,477,126.87
R0690	Technical provisions - index-linked and unit-linked	9,811,554,426.30
R0700	TP calculated as a whole	9,744,330,995.36
R0710	Best Estimate	36,255,937.62
R0720	Risk margin	30,967,493.32
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	4,256,971.47
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	8,900,522.25
R0800	Debts owed to credit institutions	2,178,479.41
R0810	Financial liabilities other than debts owed to credit institutions	8,458,328.59
R0820	Insurance & intermediaries payables	136,653,148.77
R0830	Reinsurance payables	50,263,244.22
R0840	Payables (trade, not insurance)	54,133,333.70
R0850	Subordinated liabilities	148,380,000.00
R0860	Subordinated liabilities not in BOF	-
R0870	Subordinated liabilities in BOF	148,380,000.00
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	11,395,255,137.12
R1000	**Excess of assets over liabilities**	559,642,657.69

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*		835,361.91	835,361.91
R0120	*Gross - Proportional reinsurance accepted*			-
R0130	*Gross - Non-proportional reinsurance accepted*			-
R0140	*Reinsurers' share*		36,526.50	36,526.50
R0200	*Net*		798,835.41	798,835.41
	Premiums earned			
R0210	*Gross - Direct Business*		833,188.52	833,188.52
R0220	*Gross - Proportional reinsurance accepted*			-
R0230	*Gross - Non-proportional reinsurance accepted*			-
R0240	*Reinsurers' share*		36,624.46	36,624.46
R0300	*Net*		796,564.06	796,564.06
	Claims incurred			
R0310	*Gross - Direct Business*		313,875.58	313,875.58
R0320	*Gross - Proportional reinsurance accepted*			-
R0330	*Gross - Non-proportional reinsurance accepted*			-
R0340	*Reinsurers' share*		-28,879.80	-28,879.80
R0400	*Net*		342,755.38	342,755.38
	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**	-	236,321.61	236,321.61
R1200	**Other expenses**			
R1300	**Total expenses**			236,321.61

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*	9,865,253.18	2,721,312.87	991,868,937.94	159,944,572.56	1,164,400,076.55
R1420	*Reinsurers' share*	2,863,540.58	140,103.77	3,746,087.30	38,286,195.84	45,035,927.49
R1500	*Net*	7,001,712.60	2,581,209.10	988,122,850.64	121,658,376.72	1,119,364,149.06
	Premiums earned					
R1510	*Gross - Direct Business*	10,593,170.29	2,721,312.87	991,868,937.94	159,909,707.67	1,165,093,128.77
R1520	*Reinsurers' share*	3,205,566.66	140,103.77	3,746,087.30	38,277,763.94	45,369,521.67
R1600	*Net*	7,387,603.63	2,581,209.10	988,122,850.64	121,631,943.73	1,119,723,607.10
	Claims incurred					
R1610	*Gross - Direct Business*	46,571,754.20	32,145,360.43	824,952,373.83	151,221,015.72	1,054,890,504.18
R1620	*Reinsurers' share*	2,412,941.04	30,627.02	8,677,207.54	37,510,264.16	48,631,039.76
R1700	*Net*	44,158,813.16	32,114,733.41	816,275,166.29	113,710,751.56	1,006,259,464.42
	Changes in other technical provisions					
R1710	*Gross - Direct Business*	511,910,136.59	185,873,575.45	-366,037,769.17	226,433,910.79	558,179,853.66
R1720	*Reinsurers' share*	-932,345.22	64,865.89	3,240,315.60	17,521,940.51	19,894,776.78
R1800	*Net*	512,842,481.81	185,808,709.56	-369,278,084.77	208,911,970.28	538,285,076.88
R1900	**Expenses incurred**	1,138,390.12	4,901,899.11	79,861,631.81	33,566,864.19	119,468,785.23
R2500	**Other expenses**					4,292,301.80
R2600	**Total expenses**					123,761,087.03

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*		835,361.91	835,361.91
R0120	*Gross - Proportional reinsurance accepted*			-
R0130	*Gross - Non-proportional reinsurance accepted*			-
R0140	*Reinsurers' share*		36,526.50	36,526.50
R0200	*Net*		798,835.41	798,835.41
	Premiums earned			
R0210	*Gross - Direct Business*		833,188.52	833,188.52
R0220	*Gross - Proportional reinsurance accepted*			-
R0230	*Gross - Non-proportional reinsurance accepted*			-
R0240	*Reinsurers' share*		36,624.46	36,624.46
R0300	*Net*		796,564.06	796,564.06
	Claims incurred			
R0310	*Gross - Direct Business*		313,875.58	313,875.58
R0320	*Gross - Proportional reinsurance accepted*			-
R0330	*Gross - Non-proportional reinsurance accepted*			-
R0340	*Reinsurers' share*		-28,879.80	-28,879.80
R0400	*Net*		342,755.38	342,755.38
	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**		236,321.62	236,321.62
R1200	**Other expenses**			
R1300	**Total expenses**			236,321.62

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*	146,053,907.05	751,350,682.23	266,995,487.27	1,164,400,076.55
R0140	*Reinsurers' share*	13,093,982.17	3,769,110.39	28,172,834.93	45,035,927.49
R0200	*Net*	132,959,924.88	747,581,571.84	238,822,652.34	1,119,364,149.06
	Premiums earned				
R0210	*Gross - Direct Business*	146,053,907.05	751,379,240.15	267,659,981.57	1,165,093,128.77
R0240	*Reinsurers' share*	13,093,982.17	3,789,500.52	28,486,038.98	45,369,521.67
R0300	*Net*	132,959,924.88	747,589,739.63	239,173,942.59	1,119,723,607.10
	Claims incurred				
R0310	*Gross - Direct Business*	253,341,140.13	487,890,626.63	313,658,737.42	1,054,890,504.18
R0340	*Reinsurers' share*	24,427,377.59	2,842,545.96	21,361,116.21	48,631,039.76
R0400	*Net*	228,913,762.54	485,048,080.67	292,297,621.21	1,006,259,464.42
	Changes in other technical provisions				
R0410	*Gross - Direct Business*	-179,406,146.34	276,393,000.00	461,193,000.00	558,179,853.66
R0440	*Reinsurers' share*	-181,223.22	-1,312,000.00	21,388,000.00	19,894,776.78
R0500	*Net*	-179,224,923.12	277,705,000.00	439,805,000.00	538,285,076.88
R0550	**Expenses incurred**	52,451,736.41	27,928,003.90	39,089,044.94	119,468,785.25
R1200	**Other expenses**				4,292,301.80
R1300	**Total expenses**				123,761,087.05

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**	10,982,031,108.71			12,604,202.09	
R0020	**Basic own funds**	682,695,168.69			-8,863,202.73	
R0050	**Eligible own funds to meet Solvency Capital Requirement**	683,668,951.43			-8,863,202.73	
R0090	**Solvency Capital Requirement**	332,686,256.32			2,590,548.54	

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
R0010	Ordinary share capital (gross of own shares)	7,506,000.00	7,506,000.00			
R0020	*Non-available called but not paid in ordinary share capital at group level*	-				
R0030	Share premium account related to ordinary share capital	142,521,000.00	142,521,000.00			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-				
R0050	Subordinated mutual member accounts	-				
R0060	*Non-available subordinated mutual member accounts at group level*	-				
R0070	Surplus funds	-				
R0080	*Non-available surplus funds at group level*	-				
R0090	Preference shares	-				
R0100	*Non-available preference shares at group level*	-				
R0110	Share premium account related to preference shares	-				
R0120	*Non-available share premium account related to preference shares at group level*	-				
R0130	Reconciliation reserve	367,646,176.84	367,646,176.84			
R0140	Subordinated liabilities	148,380,000.00			148,380,000.00	
R0150	*Non-available subordinated liabilities at group level*	-				
R0160	An amount equal to the value of net deferred tax assets	17,943,976.00				17,943,976.00
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	-				
R0180	Other items approved by supervisory authority as basic own funds not specified above	-				
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	1,301,984.15	1,301,984.15			
R0240	whereof deducted according to art 228 of the Directive 2009/138/EC	-				
R0250	Deductions for participations where there is non-availability of information (Article 229)	-				
R0260	Deduction for participations included by using D&A when a combination of methods is used	-				
R0270	**Total of non-available own fund items**	-	-	-	-	-
R0280	**Total deductions**	1,301,984.15	1,301,984.15	-	-	-
R0290	**Total basic own funds after deductions**	682,695,168.69	516,371,192.69	-	148,380,000.00	17,943,976.00
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	1,301,984.15	1,301,984.15			
R0420	Institutions for occupational retirement provision	-				
R0430	Non regulated entities carrying out financial activities	-				
R0440	**Total own funds of other financial sectors**	1,301,984.15	1,301,984.15	-	-	-

S.23.01.22 - Own funds (continued)

	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)	682,695,168.69	516,371,192.69	-	148,380,000.00	17,943,976.00
R0530	Total available own funds to meet the minimum consolidated group SCR	664,751,192.69	516,371,192.69	-	148,380,000.00	
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)	682,366,967.28	516,371,192.69	-	148,380,000.00	17,615,774.58
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	539,627,936.17	516,371,192.69	-	23,256,743.48	
R0610	**Minimum consolidated Group SCR**	116,283,717.38				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	464.06%				
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)**	683,668,951.43	517,673,176.84	0.00	148,380,000.00	17,615,774.58
R0670	**SCR for entities included with D&A method**	-				
R0680	**Group SCR**	332,686,256.32				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	205.50%				
	Reconciliation reserve					
R0700	Excess of assets over liabilities	559,642,657.69				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges	23,547,620.53				
R0730	Other basic own fund items	167,970,976.00				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	477,884.32				
R0750	Other non-available own funds					
R0760	Reconciliation reserve	367,646,176.84				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	152,841,554.14				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	14,402.02				
R0790	Total Expected profits included in future premiums (EPIFP)	152,855,956.16				

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

		Gross solvency capital requirement	USP	Simplifications
		C0030	C0040	C0040
R0010	Market risk	234,090,828.36		
R0020	Counterparty default risk	10,372,879.37		
R0030	Life underwriting risk	174,991,708.73		
R0040	Health underwriting risk	8,838,500.14		
R0050	Non-life underwriting risk			
R0060	Diversification	-96,535,469.73		
R0070	Intangible asset risk			
R0100	**Basic Solvency Capital Requirement**	331,758,446.87		

	Calculation of Solvency Capital Requirement	
R0130	Operational risk	17,527,593.32
R0140	Loss-absorbing capacity of technical provisions	-
R0150	Loss-absorbing capacity of deferred taxes	-18,727,024.08
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	331,991,549.17
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	332,686,256.32
	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	316,373,792.03
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	15,617,757.12
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	116,283,717.38
	Information on other entities	
R0500	Capital requirement for other financial sectors (non-insurance capital requirements)	694,707.15
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	694,707.15
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**	332,686,256.32

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 Limited	Life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority (PRA)
GB	213800X41MKP71L2T153	LEI	CASLPTS Limited	Ancillary services undertaking	Limited by shares	Non-mutual	
GB	213800J7ADQQJOX6B673	LEI	CASFS Limited	Insurance holding company	Limited by shares	Non-mutual	
SE	549300L3SKPPLGYVSI02	LEI	Movestic Livförsäkring AB	Life insurance undertaking	Limited by shares	Non-mutual	Finansinspektionen
SE	5493002MRIRVRUHV4O57	LEI	Movestic Fonder AB	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	
NL	2138007SDEM3JFUI8E22	LEI	Chesnara Holdings B.V.	Insurance holding company	Limited by shares	Non-mutual	De Nederlandsche Bank
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	De Nederlandsche Bank
NL	2138005TNXFN8HKJ9779	LEI	Scildon N. V	Life insurance undertaking	Limited by shares	Non-mutual	
NL	724500638EL2TQZKZ272	LEI	Robein Leven	Other	Limited by shares	Non-mutual	
NL	724500334HOFBAVJ3J68	LEI	Robein Effectendienstveriening N.V	Other	Limited by shares	Non-mutual	

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

				Criteria of influence					
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% 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 Limited	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%
SE	5493002MRIRVRUHV4O57	LEI	Movestic Fonder 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%
NL	724500638EL2TQZKZ272	LEI	Robein Leven	100.00%	100.00%	100.00%		Dominant	100.00%
NL	724500334HOFBAVJ3J68	LEI	Robein Effectendienstveriening N.V	100.00%	100.00%	100.00%		Dominant	100.00%

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

				Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	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 Limited	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
SE	5493002MRIRVRUHV4O57	LEI	Movestic Fonder 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
NL	724500638EL2TQZKZ272	LEI	Robein Leven	Included in the scope		Method 1 – Full consolidation
NL	724500334HOFBAVJ3J68	LEI	Robein Effectendienstveriening N.V	Included in the scope		Method 1 – Full consolidation