Registered Number 48340

Legal & General Reinsurance Company Limited
Report and Accounts 2023

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Legal & General Reinsurance Company Limited

Opinion

We have audited the financial statements of Legal & General Reinsurance Company Limited (the "Company"), which comprise the statement of financial position as at December 31, 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements"* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 24, 2024

Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	**2023** **£m**	Restated 2022 £m
Insurance revenue	1E/14	**916**	816
Insurance service expenses	1G/14	**(625)**	(659)
Insurance service result		**291**	157
Investment return	1F/3	**61**	(121)
Finance expense from insurance contracts issued	3	**(111)**	(245)
Change in investment contract liabilities		**(8)**	131
Insurance and investment result		**233**	(78)
Other operational expenses	4	**(2)**	(12)
Other expenses	5	**(9)**	(8)
Total other expenses		**(11)**	(20)
Profit/(loss) before tax attributable to equity holders		**222**	(98)
Total tax credit	7	**334**	(1)
Profit/(loss) for the year		**556**	(99)
Items that may be reclassified subsequently to profit or loss			
Insurance finance income/(expenses) for insurance contracts issued-OCI	14	**2**	(3)
Total comprehensive income/(loss)		**558**	(102)

Statement of Financial Position

As at 31 December 2023

	Notes	2023 £m	Restated 2022 £m	Restated 2021 £m
Assets				
Investment in subsidiaries		**-**	-	1
Financial investments	1D/9	**1,412**	1,355	1,445
Insurance contract assets	1C/14	**9**	16	162
Deferred tax assets	1K/11	**336**	-	-
Receivables and other assets		**74**	287	373
Cash and cash equivalents	1I/12	**12**	25	28
Total assets		**1,843**	1,683	2,009
Equity				
Share capital	13	**300**	300	300
Capital redemption and other reserves	13	**219**	217	220
Retained earnings		**739**	362	785
Total equity		**1,258**	879	1,305
Liabilities				
Insurance contract liabilities	1C/14	**480**	474	280
Investment contract liabilities	15	**22**	225	353
Current tax liabilities	7	**2**	1	2
Payables and other financial liabilities	17	**81**	104	69
Total liabilities		**585**	804	704
Total equity and liabilities		**1,843**	1,683	2,009

The Notes on pages 9 to 53 are an integral part of these financial statements.

The financial statements on pages 5 to 8 were approved by the Board of Directors on 24 April 2024 and were signed on their behalf by:

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T Stedman
Chairperson

DocuSigned by:
Nmol Rajkumar
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N Rajkumar
Director

DocuSigned by:
Amy Ellison
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A Ellison
Director

Statement of Changes in Equity

For the year ended 31 December 2023	Notes	Share capital £m	Capital redemption reserves £m	Other reserves[1] £m	Retained earnings £m	Total equity £m
As at 1 January 2023		**300**	**220**	**(3)**	**362**	**879**
Profit for the year		**–**	**–**	**–**	**556**	**556**
Net insurance finance income		**–**	**–**	**2**	**–**	**2**
Total comprehensive income for the year		**–**	**–**	**2**	**556**	**558**
Dividends	8	**–**	**–**	**–**	**(179)**	**(179)**
As at 31 December 2023		**300**	**220**	**(1)**	**739**	**1,258**

For the year ended 31 December 2022	Notes	£m	£m	£m	£m	£m
As at 1 January 2022 as previously reported		300	220	–	1,735	2,255
Impact of initial application of IFRS 17		–	–	–	(950)	(950)
Restated as at 1 January 2022		300	220	–	785	1,305
Loss for the year		–	–	–	(99)	(99)
Net insurance finance expense		–	–	(3)	–	(3)
Total comprehensive loss for the year		–	–	(3)	(99)	(102)
Dividends	8	–	–	–	(324)	(324)
Restated as at 31 December 2022		300	220	(3)	362	879

[1] Other reserves include insurance finance reserves.

Statement of Cash Flows

As at 31 December 2023

	Notes	2023 £m	Restated 2022 £m
Cash flows from operating activities			
Profit for the year		**556**	(99)
Adjustments for non-cash movements in net profit for the year			
Net (gains)/losses on financial investments		**(8)**	65
Investment income		**(53)**	56
Tax credit		**(334)**	2
Other adjustments		**1**	10
Net (increase)/decrease in operational assets			
Investments mandatorily measured at fair value through profit or loss		**(42)**	(68)
Other assets		**213**	75
Net (decrease)/increase in operational liabilities			
Insurance contracts		**15**	337
Investment contracts		**(203)**	(128)
Other liabilities		**(8)**	5
Cash (utilised in)/generated from operations		**137**	255
Interest received		**3**	40
Dividends received		**26**	26
Net cash flows from operations		**166**	321
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	1H/8	**(179)**	(324)
Net cash flows utilised in financing activities		**(179)**	(324)
Net (decrease)/increase in cash and cash equivalents		**(13)**	(3)
Cash and cash equivalents at 1 January	1I/12	**25**	28
Total cash and cash equivalents at 31 December		**12**	25

1. Summary of material accounting policies

A Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB). The Company's financial statements have been prepared under the historical cost convention and certain assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Company has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities are disclosed gross in the Balance Sheet unless a legally enforceable right of offset exists and there is an intention to settle recognised amounts on a net basis. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or International Financial Reporting Interpretations Committee (IFRIC) interpretation, as detailed in the applicable accounting policies of the group.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position in the current economic environment are set out in this Company's financial statements The financial position of the Company, its cash flows and liquidity position are described in these financial statements. Principal risks and uncertainties are detailed in Note 22.

The directors have made an assessment of the Company's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of these financial statements, using the information available up to the date of issue of these financial statements.

The Company manages and monitors its capital and liquidity, and applies various stresses, including adverse inflation and interest rate scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses are disclosed in Note 21. These stresses do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the directors consider that the Company has the plans and resources to manage its business risks successfully.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic environment, as detailed in Note 21, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

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

The Company has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2023.

IFRS 17 - Insurance Contracts and IFRS9 – Financial Instruments

The Company has applied IFRS 17, 'Insurance Contracts' and IFRS 9, 'Financial Instruments' for the first time from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments respectively, and have had a material impact on the Company's financial statements in the period of initial application.

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. The standard replaced IFRS 4, 'Insurance Contracts', and has been applied retrospectively, in line with the transitional options provided for in the standard. IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their measurement, Income Statement presentation and disclosure.

IFRS 9, 'Financial Instruments' was issued in July 2014 by the IASB, effective for annual periods beginning on or after 1 January 2018. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allowed entities that met certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, 'Insurance Contracts' or 1 January 2021, whichever is the earlier. In June 2020, the IASB agreed to extend the temporary exemption in IFRS 4 from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2023. The Company qualified for, and made use of this deferral option, and has therefore applied IFRS 9 for the first time on 1 January 2023. The standard replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the previous model based on incurred losses) and new requirements on hedge accounting. IFRS 9 has been applied retrospectively.

Sections (1C and 1D) include the new accounting policies adopted by the Company for IFRS 17 and IFRS 9.

IFRS 17 and IFRS 9 have been applied retrospectively, and prior period comparative information has been restated. As at the transition date of 1 January 2022, the impacts on the key line items in the Company's Balance Sheet are set out below.

1. Summary of material accounting policies (continued)

Balance sheet line item	31 December 2021 (as reported) £m	Reclassification due to adoption of IFRS9 and IFRS17 £m	Impact of adoption of IFRS 9 £m	Impact of adoption of IFRS 17 £m	Other £m	1 January 2022 (restated) £m
Financial Investments	1,446	–	(1)	–	–	1,445
Receivables and other assets	20,732	(20,359)	–	–	–	373
Net insurance contract liabilities[1]	(19,514)	20,359	–	(963)	–	(118)
Other	(409)	–	–	–	14	(395)
Equity attributable to owners of the parent	**2,255**	**–**	**(1)**	**(963)**	**14**	**1,305**

[1]Net insurance contract liabilities reflect insurance contract assets and liabilities and are net of funds withheld.

The adoption of the new accounting standards does not change the total profit recognised over the life of the Company's insurance contracts, nor the underlying economics or cash generation of the Company's businesses. It does not change the Company's strategy, solvency position nor dividend paying capacity or appetite.

Transition to IFRS 17

On transition to IFRS 17, the Company has applied the full retrospective approach unless impracticable. The full retrospective approach requires the Company to:

- identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist had IFRS 17 always applied; and
- recognise any resulting net difference in equity.

If it was impracticable to apply a full retrospective approach to a group of contracts then the Company has chosen the fair value approach.

The Company has applied the following transition approaches to its material insurance contract portfolios on transition to IFRS 17, by year of issue:

Transition approach	Annuities	US Protection
Full retrospective	From 1 July 2021	2021
Fair value	Pre-1 July 2021	

Full retrospective approach

For insurance contracts where the full retrospective approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been recognised and measured using the accounting policies set out in note (vii) from the inception date of the contracts to the date of transition.

The full retrospective approach has been determined to be impracticable where the effects of retrospective application are not determinable because information required has not been collected (or not with sufficient granularity), application would require the application of hindsight, or information is unavailable because of system migrations, data retention requirements or other reasons. Specific examples include:

- historic calibration of IFRS 17 specific judgements, such as the scale of the risk adjustment;
- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and their subsequent changes on a retrospective basis;
- information required to allocate fixed and variable overheads to groups of contracts, because the Company's current accounting policies do not require such information; and
- information about certain changes in assumptions and estimates because they were not documented on an ongoing basis.

Fair value approach

For insurance and reinsurance contracts where the fair value approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been determined as at 1 January 2022. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the group has applied the requirements of IFRS 13, 'Fair Value Measurement', except for the demand deposit floor requirement. The fair value attributed to the in-scope business is calculated with reference to a price generated using the Company's pricing models and pricing assumptions at the transition date. The pricing models discount the future capital releases emerging at the internal rate of return (IRR). The assessment of the valuation includes consideration of:

- the most appropriate assumptions for use by a third party market participant.
- the contractual terms and expected cash flows of the contracts.
- the capital requirements over the contract duration.
- the required internal rate of return.

1. Summary of material accounting policies (continued)

The fair value calculations at 1 January 2022 used economic assumptions at that date. The most significant judgements for each portfolio were:

- the most relevant market participants for the business being valued.
- the IRR and level of required regulatory capital applied in the calculations, which were together calibrated with reference to relevant market transactions where available.

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition, applying the permitted transition simplification. The Company did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For portfolios of protection contracts, the Company has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income.

Transition assumptions

The Company's material insurance and reinsurance contract fulfilment cash flow assumptions at the date of transition are set out below.

(i) Non-participating business

The Company writes only non-participating business and it seeks to make assumptions about its future experience based on current market conditions and recent experience. The assumptions reflect our best estimate view based on recent experience and expert judgement.

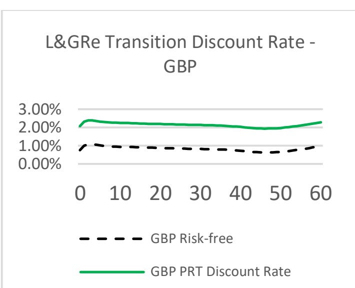
(ii) IFRS discount rates

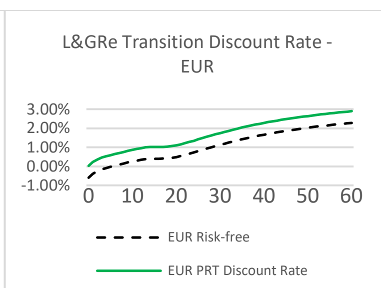
The interest rates used to discount the cash flows for the purpose of valuing insurance contract liabilities should reflect the timing and liquidity characteristics of the insurance liability cash flows and current market conditions. The valuation interest rate assumptions are derived as interest rate curves with full term structure.

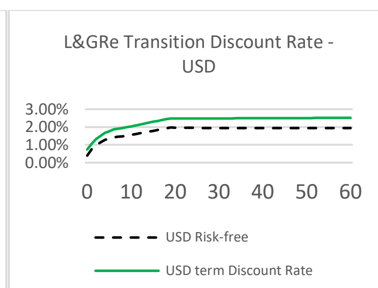
In deriving the liquidity premium assumptions for annuity business, an explicit allowance for risk is deducted from the yield on the assets backing annuity liabilities. The allowance for risk comprises long-term assumptions about defaults and the market risk premiums for taking credit risk. For the UK annuity business, the deduction for risk of default for corporate bonds and direct investments equated to 43bps, for European business this was 54bps.

For LGA reinsured business, the yield is derived based on notional asset portfolios of AA rated corporate bonds and cash, which reflect the characteristics of the liability cashflows and the assets LGA invest in.

Weighted average discount rate curves as at 01/01/2022 are calculated on the spot rate and as follows:







(iii) Annuitant Mortality

Mortality and morbidity assumptions for the UK business are set with reference to standard tables drawn up by the Continuous Mortality Investigation Bureau (CMI), a subsidiary of the Institute and Faculty of Actuaries, and/or UK death registrations. LGA reinsured assumptions are set with reference to standard tables drawn up by the American Academy of Actuaries. Tables are based on industry-wide mortality and morbidity experience for insured lives.

The Company conducts statistical investigations of its mortality and morbidity experience, the majority of which are carried out at least annually. Investigations determine the extent to which the Company's experience differs from that underpinning the standard tables, and suggest appropriate adjustments which need to be made to the valuation assumptions. In particular, the recent mortality experience observed as a result of Covid-19 and industry studies on its potential endemic effects have been used to derive appropriate adjustments to the assumptions.

1. Summary of material accounting policies (continued)

Mortality tables are as follows:

Mortality tables	1 January 2022
Non-linked individual assurance business	
	89% - 132% ACL08 Sel 2
	Adjusted SOA 2014 VBT
Annuity business	
	76.2% - 86.3% PNMA00/PNFA00
Pension risk transfer	76.2% - 86.3% PCMA00/PCFA00
Other annuities	65.9% - 109.3% PCMA00/PCFA00

1. Adjustments are made for gender, select period, smoker status, policy size, policy duration and year, issue year and age.

2. Table created by blending PCXA00 with PNXA00 tables. The base table to be used for bulk purchase annuity policies in deferment is PNMA00 up to and including age 55 and PCMA00 for age 65 and above for males. The identical method is applied to females using PNFA00 and PCFA00.

3. Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2019 with the following parameters:

Males: Long-term Rate of 1.5% p.a. up to age 85 tapering to 0% at 110.

Females: Long-term Rate of 1.0% p.a. up to age 85 tapering to 0% at 110.

(iv) Persistency

The company monitors its persistency experience and carries out detailed investigations annually. Persistency experience can be volatile and past experience may not be an appropriate future indicator. The company tries to balance past experience and potential future conditions in setting assumptions about expected long-term average persistency levels.

A summary of the lapse basis for major classes of LGA reinsured business is shown below:

	Lapse rates assumed by term
	1/1/2022
Term	%
10	5.4%
15	3.0%
20	2.3%
25	2.4%
30	2.1%
35	2.7%
40	2.6%

1. Summary of material accounting policies (continued)

(v) Expenses

The company monitors its expense experience and carries out detailed investigations regularly to determine the expenses incurred in writing and administering the different products and classes of business. Adjustments may be made for known future changes in the administration processes, in line with the company's business plan, as well as for changes in allocations. An allowance for expense inflation in the future is also made in line with RPI, taking account of both salary and price information.

(vi) Risk Adjustment

The risk adjustment for non-financial risk for a group of insurance contracts reflects, after diversification, the compensation that the company would require for bearing uncertainty about the amount and timing of the cash flows. We have calibrated the Company's risk adjustment using a Value at Risk (VAR) methodology. For the majority of risks, the Company's view on the compensation required for non-financial risks is determined with reference to an 85th percentile confidence level calculated using a one-year Value-at-Risk (VaR) measure. This VaR measure reflects the company's view on how non-financial risks behave (risk distributions and diversification of risks across the group (risk correlations).The Company have estimated the equivalent confidence level for the entire Company on a multi-year basis, using a weighted average of the key risks. Overall the Company risk adjustment as at YE21 is aligned to a c75th percentile multi-year confidence level over the full runoff of the portfolio.

Adjustments are applied to best estimate non-financial risk assumptions to calculate the risk adjustment required over and above the best estimate liability for each contract. These adjustments (which vary by risk) are calibrated such that the total Company risk adjustment calculated aligns to the Company's view of compensation for non-financial risks and the risk adjustment at contract level is representative of the compensation required for that contract.

(vii) Financial impact of transition

The increase in insurance liabilities on adoption of IFRS 17 at 1 January 2022 can be attributed to the following:

	Impact on net insurance contract liabilities on transition to IFRS 17 £m
Remeasurement of liabilities: the IFRS 17 cash flows are best estimate and exclude all prudent margins included in the IFRS 4 liabilities. Removal of these margins coupled with other changes to the insurance contract measurement, including discount rates and the exclusion of non-attributable expenses, results in a lower best estimate liability	**(1,685)**
Creation of a risk adjustment: IFRS 17 incorporates a specific risk adjustment for non-financial risk	**592**
Creation of CSM: determined using the transition approaches described above and reflecting the unearned profit of these contracts	**2,056**
Total	**963**

Transition to IFRS 9

On transition, changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

In line with IFRS 17 the Company has chosen to restate comparative periods under IFRS 9.

For the purpose of classification and measurement, financial assets' business models have been assessed as at the date of initial application and have been applied consistently in all periods presented. Such assessment was performed based on reasonable and supportable information available at 1 January 2022, the transition date. Any difference between the IAS 39 carrying amount of a financial asset and the carrying amount at the transition date that results from applying IFRS 9 is recognised in opening retained earnings.

For the purpose of impairment, the Company assessed whether as at 1 January 2023 there had been a significant increase in credit risk as compared to the date that a financial instrument was initially recognised, and applied a 12-month or lifetime ECL accordingly. On transition, the Company made use of a practical expedient available in IFRS 9 whereby it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. investment grade as determined by the Company's asset managers).

Classification and measurement

As part of the implementation of IFRS 9, the Company has reassessed the classification and measurement of one financial asset and determined that it is appropriate to treat this financial asset at amortised cost under IFRS 9 rather than FVTPL. This asset is within debt securities and has been revalued from a FVTPL of £212m as at 01/01/23 to £301m under amortised cost.

Other standards

The Company has also applied the following standards and amendments for the first time in the year commencing 1 January 2023, which did not give rise to a material impact on the Company's financial statements.

1. Summary of material accounting policies (continued)

- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards, interpretations and amendments to published standards which are not yet effective

Amendments to IAS 1 – Presentation of Financial Statements: 'Classification of Liabilities as Current or Non-Current'

These amendments, issued in January 2020, clarify the existing requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 1 – Presentation of Financial Statements: 'Non-current Liabilities with Covenants'

These amendments, issued in October 2022, clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IFRS 16 – Leases: 'Lease Liability in a Sale and Leaseback'

These amendments, issued in September 2022, specify requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures: 'Supplier Finance Arrangements'

These amendments, issued in May 2023, address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

B Critical accounting judgements and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Balance Sheet and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year. The Audit Committee reviews the reasonableness of judgements associated with and the application of material accounting policies.

The preparation of the financial statements has also consider the impact of climate change and, as at 31 December 2023, management does not consider this to be a significant area of accounting judgement or source of estimation uncertainty. Specific considerations around climate change have been presented in these Financial Statements in the following sections:

- Financial Investments (Note 9)
- IFRS Sensitivity Analysis (Note 22)

The major areas of critical accounting judgement on policy application are considered below:

Insurance and investment contract liabilities (Notes 14 and 15): Product classification and the assessment of the significance of insurance risk transferred to the Company in determining whether a contract should be accounted for as an insurance or investment contract.

Contracts which transfer significant insurance risk to the Company are classified as insurance contracts. Contracts that transfer financial risk (e.g. change in interest rate or security price) to the Company but not significant insurance risk are classified as investment contracts.

Judgement is required in order to assess the significance of the transfer of insurance risk within a contract. This assessment is based on whether the occurrence of an insured event could cause the Company to make significant additional payments, i.e. if the occurrence of the event causes significantly higher cash out flows for the group than its non-occurrence.

Certain contracts, which are both insurance and investment, can contain discretionary participating features representing the contractual right to receive additional benefits as a supplement to guaranteed benefits under certain conditions, being:

- that the additional benefits are a significant portion of the total contractual benefits;
- the timing and amount of the additional benefits is at the discretion of the Company; and
- that the additional benefits are contractually dependent upon the performance of an entity, fund or specified pool of assets.

Insurance contracts and investment contracts with such discretionary participation features are accounted for under IFRS 17, while investment contracts without discretionary participation features are accounted for as financial instruments under IFRS 9.

Judgement is therefore required in order to establish whether any additional benefits in an insurance or investment contract meet the above requirements for being considered discretionary participation features.

1. Summary of material accounting policies (continued)

Valuation of insurance contract liabilities (Note 16)

The key judgements around the valuation of insurance contract liabilities relate to the following assumptions:

- Determination of the longevity, mortality and morbidity assumptions used in the calculation of the insurance contract liabilities; the assumptions for the rate of future longevity, mortality and morbidity are based on the Company's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data. The long-term assumptions are adjusted to reflect the Company's view on the effects of the Covid-19 pandemic on claims experience in the medium to long-term, informed by emerging experience and industry studies.

- Determination of the directly attributable expense assumptions used in the calculation of the insurance liabilities. These represent the expected future costs that relate directly to the fulfilment of the underlying insurance policies, and are based on management's best estimate of these future costs, and on an appropriate allocation between servicing new and existing business.

- Determination of valuation interest rates used to discount the liabilities, which are sensitive to the assumptions made, for example, on credit default of the backing assets. These assumptions take into account consideration of market experience and historic internal data. The valuation interest rate is also sensitive to the selection of the reference portfolio of assets chosen to back the liabilities.

- Determination of the compensation required for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risks as insurance contracts are fulfilled.

- Determination of the transition date contractual service margin under IFRS 17 incorporated judgement. In particular, the transition date CSM for business transitioned using the fair value methodology persist into the closing valuation of the CSM until those portfolios expire. These judgements are disclosed in detail in Note 1C.

Note 22 includes a sensitivity analysis on pre-tax profit and equity to reasonable alternative assumptions.

Valuation of unquoted illiquid assets (Note 9)

Determination of fair value of unquoted and illiquid assets involves judgements in model valuations, through the incorporation of both observable and unobservable market inputs, which include assumptions that lead to the existence of a range of plausible valuations for financial assets.

In assessing asset valuation, in line with applicable standards and guidance, the Company has both projected the short-term impact on earnings and cash flows of the current market volatility, while continuing to review the assets' ability to deliver longer term returns aligned to their investment cases.

Note 22 includes a sensitivity analysis on the fair value of unquoted illiquid assets to reasonable alternative assumptions.

Material accounting policies

C Insurance contracts

Long term insurance contracts – initial measurement
Insurance contracts are contracts which transfer significant insurance risk to the insurer at the inception of the contract. This is the case if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, other than a scenario which lacks commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components, i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

Recognition and level of aggregation

An insurance contract is recognised at the earliest of the following:
(a) the beginning of the coverage period;
(b) the date when the first payment from a policyholder becomes due; and
(c) for onerous contracts, when the contract becomes onerous.

1. Summary of material accounting policies (continued)

The level of aggregation determines the unit of account at which IFRS 17 calculations are performed. This is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of subsequently becoming onerous, and the remainder. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

All of the Company's in scope insurance contracts are accounted for under the general measurement model which measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a Contractual Service Margin (CSM) representing the unearned profit the Company will recognise as it provides services under the insurance contract.

Fulfilment cash flows
Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary. The cash flows include:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- investment management costs incurred in the provision of an investment return service or to enhance the benefits of an insurance contract;
- payments to policyholders resulting from embedded surrender value options;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries for future services;
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- transaction-based taxes.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the Company's own experience, supplemented when necessary, with data from other sources (historical data is adjusted to reflect current conditions); and
- current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract.

Pre-recognition, insurance acquisition cash flow assets are recognised on the balance sheet prior to allocation to new insurance contracts and are considered for impairment at each reporting date.

Risk adjustment
The risk adjustment for non-financial risk for a group of insurance contracts reflects the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk after diversification. The Company's risk adjustment is calibrated using a Value at Risk (VAR) methodology. In some cases, the compensation for risk on reinsured business is linked directly to the price paid for reinsurance.

Discounting
The insurance contract fulfilment cash flows are discounted at rates that reflect the characteristics of the insurance contract liabilities. These are determined by starting from an appropriate asset portfolio with deductions to remove risks in the assets that are not present in the insurance liabilities.

Contractual Service Margin (CSM)
The Company's CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

1. Summary of material accounting policies (continued)

- initial recognition of the fulfilment cash flows;
- any cash flows arising from the contracts in the group at that date;
- the derecognition at the date of initial recognition of:
  - any asset for insurance acquisition cash flows; and
  - any other asset or liability previously recognised related to the group of insurance contracts.

Onerous contracts
For groups of contracts assessed as onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component is established by the Company for the liability for remaining coverage for an onerous group, which represents the losses recognised.

Long term insurance contracts – subsequent measurement

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of:
(i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and
(ii) the liability for incurred claims for the group reflecting the fulfilment cash flows related to past service allocated to the group at that date.

Contractual Service Margin – measurement
The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of that group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted for:

- the effect of any new contracts added;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- changes in fulfilment cash flows relating to future service, except to the extent that:
- such increases in the fulfilment cash flows exceed the current carrying amount of the CSM, giving rise to a loss; or
- such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by allocation of the contractual service margin at the end of the period over the current and remaining coverage period; and
- the effect of any currency exchange differences on the CSM.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- experience adjustments that arise from the difference between the premium receipts (net of refunds) and any related cash flows such as insurance acquisition cash flows and insurance premium taxes and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) in respect of current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted in the CSM;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (which are instead recognised in the statement of profit or loss and other comprehensive income);
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (i.e. the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period).

Onerous contracts
Groups of contracts that were not onerous at initial recognition can subsequently become onerous if assumptions and experience extinguish the CSM. In this case, the Company establishes a loss component for the losses recognised. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have materialised in the form of incurred claims). The loss component ensures that over the duration of the contract, the correct amounts are recognised as insurance revenue and insurance service expenses.

Contractual service margin – recognition
The amount of contractual service margin recognised in the Income Statement for a group of insurance contracts reflects the insurance contract services provided. The proportion of the CSM earned is calculated as the amount of coverage units provided in the period divided by the sum of all the future and current period coverage units. The Company has elected to discount the future coverage units in this calculation. The table below indicates the main insurance contracts services provided under the Company's insurance contracts and selected coverage unit(s) used to measure those services.

1. Summary of material accounting policies (continued)

Insurance contract	Insurance service	Coverage unit(s)
Immediate annuity	Payment of insurance claims	Expected annual claims payments
Deferred annuity	Payment of insurance claims (payment phase) Investment return service (deferral phase) Lump sum death benefits (deferral phase)	Expected annual claims payments Expected investment return on backing assets Sum assured
Longevity swaps	Payment of floating leg of swap	Expected annual floating leg payments
Retail Protection	Potential mortality or morbidity claims	Sum assured

Where a specific unit of account contains a mixture of services, and therefore coverage units, it is necessary to weight the coverage units so that the resulting profile of CSM release reflects the overall package of benefits provided. This is particularly pertinent to units of account incorporating a combination of immediate and deferred annuities. Under IFRS 17, deferred annuities usually provide multiple services, split between the two phases of benefit provision (the deferral phase and the payment phase). Significant judgement is therefore required to combine the different coverage units so that they fairly reflect the services provided. The weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return provided and the probability weighted delivery of any lump sum death benefits, both adjusted so that all of the CSM is earned in the deferral phase for all contracts which do not enter the payment phase either through transfer out, withdrawal of funds or death.

Investment components
The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. Investment components are not included in insurance revenue and insurance service expenses.

Insurance finance income and expense
Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. Finance income and expense has been included in profit or loss for annuity contracts. The Company's protection business has been disaggregated between profit and loss and other comprehensive income. Where insurance finance income and expense has been disaggregated, the amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts, using the discount rates determined on initial recognition.

Changes in the risk adjustment for non-financial risk have been disaggregated between insurance service result and insurance finance income and expenses.

Derecognition and contract modification of insurance contracts
The Company derecognises a contract when it is extinguished, i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

D Financial Instruments

Recognition and derecognition
Initial recognition of financial assets and liabilities is on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Company recognises the difference as follows:

- when the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss; and
- in all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership to another entity.

1. Summary of material accounting policies (continued)

The Company enters into transactions whereby it transfers assets recognised in its Balance Sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements and non-cash collateral pledged, unless the Company defaults on its obligations under the relevant agreement.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial asset or financial liability, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Modification
If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Classification and measurement of financial assets
The Company classifies its financial assets on initial recognition as measured at amortised cost, fair value through Other Comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL).

The classification and measurement of financial assets depends on their contractual cash flow characteristics and how they are managed (the entity's business model). The contractual cash flow characteristics test aims to identify those assets with cash flows consistent with a basic lending arrangement, i.e. which are 'solely payments of principal and interest' (SPPI). The business model test refers to how an entity manages its financial assets with the objectives of generating cash flows. These factors determine whether the financial assets are measured at amortised cost, FVOCI or FVTPL. Assets are therefore typically characterised as follows:

- amortised cost: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is to hold the assets to collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss;
- FVOCI: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is achieved by holding the assets to collect their cash flows and selling them. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss;
- FVTPL: all other financial assets. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in cash flow or net investment hedges.

Notwithstanding the above, on initial recognition the Company may irrevocably designate to FVTPL a financial asset that would otherwise be measured at amortised cost or FVOCI if doing so eliminates or greatly reduces an accounting mismatch.

In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (that is, interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). This includes evaluating whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. Examples of such contractual terms to be considered are contingent events that would change the amount or timing of cash flows, leverage features, prepayment and extension features, non-recourse asset arrangements and features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

The business model reflects how the Company manages assets in order to generate cash flows, i.e. it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (for example, financial assets are held for trading purposes), the business model is 'other' and the financial asset is measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The objective of the Company's business model for certain debt instruments, in particular those instruments backing annuity or investment contract liabilities, including surplus assets, is to fund its liabilities. Consistent with the Company's investment strategy their performance is evaluated on a total return basis, as significant buying and selling activity is undertaken on a regular basis to rebalance its portfolio and to ensure that contractual cash flows from those assets are sufficient to settle the underlying liabilities. These investments do not follow a 'held to collect' or 'held to collect and sell' business model, and are therefore accounted for at FVTPL. This business model is also applicable to reverse repurchase agreements and to derivatives. Equity instruments are accounted for at FVTPL.

One debt security is held in a separate portfolio for a longer-term yield. This asset represents an instruments consistent with the SPPI principles, and is accounted for at amortised cost.

Receivables are accounted for at amortised cost.

1. Summary of material accounting policies (continued)

Classification and measurement of financial liabilities
The Company classifies and subsequently measures financial liabilities at amortised cost or FVTPL.

Non-participating investment contract liabilities
Non-participating investment contract liabilities are measured at FVTPL. This is because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis.

Other financial liabilities
Other financial liabilities include derivative liabilities and repurchase agreements, which are measured at FVTPL, while other payable balances are measured at amortised cost.

Derivatives
Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into. The Company's derivatives, other than those designated as hedging instruments in cash flow or net investment hedges, are instruments held for trading and are therefore accounted for at FVTPL.

Derivatives may be embedded in another contractual arrangement. If such a hybrid contract contains a host that is a financial asset, the Company assesses the entire contract for classification and measurement purposes. Otherwise, the Company accounts for an embedded derivative separately from the host contract when:

- its economic characteristics and risks are not closely related to those of the host contract;
- the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract; and
- the hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at FVTPL, unless the Company chooses to designate the entire hybrid contract at FVTPL.

A derivative embedded in a host insurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

Impairment of financial assets
The Company assesses on a forward-looking basis the expected credit loss (ECL) associated with its financial asset measured at amortised cost, and recognises a loss allowance for such losses at each reporting date. Expected credit losses are defined as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive (i.e. the cash shortfall), weighted based on their probability of occurrence. The loss allowance recognised under IFRS 9 can be equal to an amount corresponding to a 12-month ECL or a lifetime ECL. A lifetime ECL is the ECL resulting from all possible default events over the expected life of the financial asset; a 12-month ECL is the portion of lifetime ECL resulting from default events on a financial asset that are possible within the 12 months after the reporting date. For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

The Company defines default on a financial asset as the inability to meet in full and on time an original promise of expected cash flows, the amount and timing of which are defined with certainty. Any breach of this promise, by any amount or time (in excess of any potential planned grace period), constitutes a default. This is consistent with the definition of default used for internal credit risk management purposes.

In order to determine whether the Company measures ECLs at an amount equal to 12-month ECL or lifetime ECL, at each reporting period the Company is required to assess which 'stage' a financial asset falls into. Stages reflect the general pattern of deterioration in credit risk of a financial instrument that ultimately defaults, as follows:

- Stage 1 includes financially healthy financial assets that are expected to perform in line with their contractual terms, and which have no signs of increased credit risk;
- Stage 2 includes financial assets for which a significant increase in credit risk has occurred since initial recognition, but which are not credit-impaired; and
- Stage 3 applies to credit-impaired financial instruments.

When financial assets are under Stage 1, 12-month ECLs are recognised. When financial assets are under Stage 2 or 3, lifetime ECLs are recognised. An instrument moves down (or up) the stages when a significant increase in credit risk (SICR) has happened (or has reversed).

1. Summary of material accounting policies (continued)

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information, both qualitative and quantitative, that is relevant and is available without undue cost or effort, including forward-looking information at its disposal. Key indicators used in order to determine whether a SICR has occurred (either in isolation or in combination) are:

- deterioration in rating grade between origination date and reporting date. The level of deterioration required by an individual asset is determined using a relative rating matrix;
- exposure is identified on the investment managers' 'watchlist';
- exposure is identified on internal 'credit watchlists'; and
- a manual shift of an exposure to Stage 2 on an exceptional basis (where required, using management judgement).

The provisions of IFRS 9 include a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, which is taken into account for this assessment.

The Company makes use of a practical expedient available in IFRS 9 whereby it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. investment grade as determined by the Company's asset managers). This allows recognition of 12-month ECLs as opposed to, potentially, lifetime ECLs. This is deemed to be the case where assets that have been downgraded remain of good credit quality (i.e. investment grade as determined by the Company's asset managers) as at the reporting date, to the extent that the Company's internal credit risk ratings are considered to be consistent with a globally understood definition of 'low credit risk'.

The Company estimates ECLs on its financial investments at amortised cost which are not credit-impaired by using the probability of default approach. Based on this method, the ECLs are a probability-weighted estimate of the present value of estimated cash shortfalls, i.e. the weighted average of credit losses, with the respective risks of a default occurring used as the weightings. For this purpose, the key elements to be calculated are the Probability of Default (PD), i.e. the estimate of the likelihood of default over a given time horizon (either 12 months or lifetime); the respective Loss Given Default (LGD); and the Exposure at Default (EAD).

The Company has adopted a simplified approach for trade receivables, contract assets and finance and operating lease receivables. This allows measurement of lifetime ECLs only, thereby removing the need to identify SICRs. For these balances, the Company makes use of provision matrices in order to calculate such lifetime ECLs. This is a practical expedient allowed by IFRS 9 whereby historical credit loss experience and fixed loss rates are applied to the balances outstanding. Historical loss rates are adjusted to allow for forward looking information.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. In certain circumstances, the fair value at initial recognition differs from the transaction price. If the fair value is evidenced by comparison by a quoted price in an active market for an identical instrument, or is based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the Income Statement. In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred and recognised in the Income Statement over the life of the instrument to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the instrument.

Revenue
The main components of revenue within the Company are Insurance Revenue and Investment Return.

E Insurance revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts, reflecting the consideration the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e. the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components).

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- the release of the CSM;
- changes in the risk adjustment for non-financial risk relating to current service;
- claims and other insurance service expenses expected at the beginning of the period;
- experience adjustments arising from premiums received in the period other than those that relate to future service;
- insurance acquisition cost recovery determined by allocating the portion of premiums related to the recovery of those costs on the basis of insurance coverage provided; and
- other amounts, including any other pre-recognition cash flow assets derecognised at the date of initial recognition.

1. Summary of material accounting policies (continued)

F Investment return

Investment return includes unrealised fair value gains and losses on financial investments at fair value through profit or loss, realised gains and losses, dividends, rent and interest. Dividends are accrued on an ex-dividend basis. Interest and rent are included on an accruals basis. Interest income for financial assets which are not classified as fair value through profit or loss (FVTPL) is recognised using the effective interest method.

G Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of investment components and comprise the following items:

- adjustment to liabilities for incurred claims and benefits, excluding investment components reduced by loss component allocations;
- incurred directly attributable expenses;
- insurance acquisition cost amortisation; and
- insurance acquisition cost asset impairment.

H Dividends

Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the company.

I Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

J Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

K Tax

Current tax
Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Income Statement unless it relates to items which are recognised in the Statement of Comprehensive Income or directly in equity.

Deferred tax
Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Income Statement.

Use of estimates
Tax balances include the use of estimates and assumptions which affect items reported in the Statement of Financial Position and Statement of Comprehensive Income. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.
For tax this includes the determination of assets and liabilities recognised in respect of uncertain tax positions and the estimation of future taxable income supporting deferred tax asset recognition.

L Foreign exchange and exchange rates

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the Company's foreign operations is the currency of the primary economic environment in which the entity operates. The assets and liabilities of all of the Company's foreign operations are translated into sterling, the Company's presentation currency, at the closing rate at the date of the Balance Sheet. Income and expenses are translated at average exchange rates.

Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income.

2. Company information

The Company is a long-term Class E reinsurer under Bermuda's Insurance Act of 1978. The principal activity of the Company is the provision of life reinsurance solutions internally within the Group.

The Company has long-term PRT business from the UK (for an affiliated company) and in Ireland and the Netherlands.

The Company provides protection reinsurance to affiliates in the United States of America ('USA').

The Company was capitalised in 2014 with £220m. Legal & General Re Holdings Limited ('Re Holdings') is the direct parent and Legal & General Group Plc is the ultimate parent. In 2019, the Company issued an additional £300m of share capital.

The Company is incorporated and domiciled in Bermuda and its registered office and principal place of business is 19 Par-la-Ville Road, Hamilton, HM 11, Bermuda.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Pounds ('£'), which is the Company's functional currency.

3. Investment return

Total investment return for the year was:

For the year ended 31 December 2023	**Annuities £m**	**Protection £m**	**Other Assets £m**	**Total £m**
Financial investment return				
Dividend income	**8**	**–**	**32**	**40**
Interest income on financial investments at fair value through profit or loss	**9**	**–**	**4**	**13**
(Losses)/gains on financial investments mandatorily measured at fair value through profit	**(3)**	**–**	**3**	**–**
(Losses)/gains on derivative instruments mandatorily measured as held for trading	**5**	**–**	**3**	**8**
Financial investment return	**19**	**–**	**42**	**61**
Total investment return recognised in profit or loss	**19**	**–**	**42**	**61**
Total investment return	**19**	**–**	**42**	**61**
Finance expenses from insurance contracts issued[1]	**(34)**	**(75)**	**–**	**(109)**
Of which are recognised in:				
Profit or loss	**(34)**	**(77)**	**–**	**(111)**
Other comprehensive income	**–**	**2**	**–**	**2**

[1] includes income of £1,257m from funds withheld

For the year ended 31 December 2022	Annuities £m	Protection £m	Other Assets £m	Total £m
Financial investment return				
Dividend income	8	–	19	27
Interest income on financial investments at fair value through profit or loss	(83)	–	–	(83)
(Losses)/gains on financial investments mandatorily measured at fair value through profit	(19)	1	(17)	(35)
(Losses)/gains on derivative instruments mandatorily measured as held for trading	(16)	–	(14)	(30)
Financial investment return	(110)	1	(12)	(121)
Total investment return recognised in profit or loss	(110)	1	(12)	(121)
Total investment return	(110)	1	(12)	(121)
Finance expenses from insurance contracts issued[1]	(254)	6	–	(248)
Of which are recognised in:				
Profit or loss	(254)	9	–	(245)
Other comprehensive income	–	(3)	–	(3)

[1] includes an expense of £4,688m from funds withheld

4. Other operational expenses

	2023 £m	2022 £m
Net foreign exchange losses (not related to insurance contracts)	(1)	(10)
Other	(1)	(2)
Total other operational expenses	(2)	(12)

5. Insurance service and other expenses

	2023 £m	2022 £m
Claims and benefits	**586**	631
Fees and commissions	**41**	29
Other administrative expenses	**7**	7
Total other expenses	**634**	667
Amounts attributed to insurance acquisition cash flows incurred during the year	**(2)**	(1)
Represented by:		
Insurance service expenses	**(625)**	(659)
Other expenses	**(9)**	(8)

6. Foreign exchange and exchange rates

Profit for the year includes a foreign exchange gain of £5m (2022 gain of £1m) arising on conversion of foreign currency monetary assets and liabilities to functional currency.

Principal rates of exchange used for translation are:

	2023 Average	**2023 Year-End**	2022 Average	2022 Year-End
United States Dollar	**1.244**	**1.273**	1.237	1.208
Euro	**1.150**	**1.154**	1.173	1.130

7. Income Tax credit

	2023 £m	2022 £m
Current tax	**(2)**	(1)
Deferred tax		
- Origination and reversal of temporary differences	**336**	–
Total deferred tax	**336**	–
Tax credit	**334**	(1)

	Total 2023 £m	Total 2022 £m
Profit before income tax	**222**	(98)
Tax expense calculated at 23.5% (2022: 19%)	**(69)**	19
Adjusting for the effects of:		
Recurring reconciling items:		
Different rate of tax on profits and losses taxed overseas	**67**	(20)
Non-recurring reconciling items:		
Impact of law changes on deferred tax balances	**336**	–
Tax credit	**334**	(1)
Effective tax rate[1]	**150.2%**	1.0%

[1] The effective tax rate is calculated by dividing the tax credit over profit before income tax.

Legal & General Reinsurance Company Limited is tax resident in the UK and therefore subject to UK income tax at 23.5%. Tax affected profits of the Bermuda branch are then adjusted as a reconciling item for the effective tax rate of 0% in Bermuda.

The deferred tax asset of £336m is included within the deferred tax disclosure in Note 11 and is within the line item for the difference between tax and accounting value of insurance contracts.

Further guidance on the implementation of these new rules is expected in due course. This and the interaction with the UK rules will be kept under review as guidance emerges for any impact.

8. Dividend

	Per share 2023 Pence	**Total 2023 £m**	Per share 2022 Pence	Total 2022 £m
Ordinary share dividends paid in the year				
- Final dividend	**46.10**	**179**	83.44	324
Total dividends paid in year	**46.10**	**179**	83.44	324

During the 2023 financial year the Company paid a dividend of £179m (2022: £324m) to its parent company Re Holdings. The total dividend per share was 46.10p (2022: 83.44p).

9. Financial investments

(i) Financial investments at fair value

	Notes	**Total 2023 £m**	Restated Total 2022 £m
Financial investments at fair value classified as:			
Fair value through profit or loss[1]		**1,030**	963
Fair value through profit or loss - derivatives[1]		**81**	91
Financial investments at fair value		**1,111**	1,054
Debt securities at amortised cost		**301**	301
Total financial investments	9 (ii)	**1,412**	1,355
Expected to be received within 12 months		**11**	10
Expected to be received after 12 months		**1,401**	1,345

[1]Mandatorily measured at fair value through profit and loss

Financial investments have been allocated between those expected to be settled within 12 months and after 12 months in line with the expected settlement of the backed liabilities.

Financial investments within the Euro Long-term Fund include £82m (2022: £80m) of debt securities pledged as collateral in the course of writing treaties with the Company's counterparties. The assets used as collateral are AAA, AA, A, BBB Corporate and Government bonds (2022: AAA, AA, A, BBB and BB Corporate and Government bonds) having a residual maturity of up to 33 years (2022: 34 years). The Company is entitled to receive all of the cash flows from the assets during the period when they are pledged as collateral. The Company can decide to substitute an asset which is designated as collateral at any time, provided the relevant terms and conditions of the security deed between the cedant and the Company are met.

(ii) Fair value hierarchy of financial investments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement basis are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

9. Financial investments (continued)

The following table presents the Company's assets by IFRS 13 hierarchy levels:

For the year ended 31 December 2023	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Equity securities	**706**	561	–	145
Debt securities	**324**	128	74	122
Derivative assets	**81**	1	80	–
Total financial investments at fair value	**1,111**	690	154	267
Fair value of the debt securities held at amortised cost[1]	**232**	–	–	232

[1]The table above includes a debt security which is held at amortised cost on the balance sheet at a total value of £301m.

For the year ended 31 December 2022	Restated Total £m	Level 1 £m	Level 2 £m	Restated Level 3 £m
Shareholder				
Equity securities	634	481	–	153
Debt securities	329	134	129	66
Derivative assets	91	1	90	–
Total financial investments at fair value	1,054	616	219	219
Fair value of the debt securities held at amortised cost[1]	212	–	–	212

[1]The table above includes a debt security which is held at amortised cost on the balance sheet at a total value of £301m.

The Company's financial assets are valued, where possible, using standard market pricing sources, such as IHS Markit, ICE and Bloomberg, or Index Providers such as Barclays, Merrill Lynch or JPMorgan. Each uses mathematical modelling and multiple source validation in order to determine consensus prices, with the exception of OTC Derivative holdings; OTCs are marked to market using an in-house system (Lombard Oberon), external vendor (IHS Markit), internal model or Counterparty Broker marks. In normal market conditions, the Company would consider these market prices to be observable and therefore classify them as level 1. Where inputs to the valuation have been sourced from a market that is not suitably active the prices have been classified as level 2. Refer to level 3 assets section below for methodology.

Climate change impact on asset valuation at 31 December 2023
The Company's asset portfolio can be exposed to climate change through both:
- transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the economy; and
- physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

Exposure to the physical risks of climate change are minimised in the direct investment portfolios through rigorous assessment of potential investments, particularly in ensuring there is low susceptibility to extreme weather events. The Company's ultimate controlling party is preparing a group Climate Report for the year ended 31 December 2023; therefore the Company has elected not to report its energy and carbon information.

(a) Significant transfers between level 1 and level 2:
The Company's policy is to re-assess categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time. The following table presents the transfers that occurred in the Company during the year:

	Total 2023 £m	Total 2022 £m
Transfer into level 1 from level 2	**24**	7
Transfer into level 2 from level 1	**12**	8

9. Financial investments (continued)

(b) Level 3 assets measured at fair value

	Equity securities 2023 £m	**Debt securities 2023 £m**	**Total 2023 £m**	Restated Equity securities 2022 £m	Restated Debt Securities 2022 £m	Restated Total 2022 £m
As at 1 January	**153**	**66**	**219**	54	–	54
Total gains/(losses) for the period:						
- realised and unrealised gains/(losses)	**(3)**	**(1)**	**(4)**	5	(9)	(4)
Purchases / additions	**5**	**59**	**64**	100	75	175
Sales / disposals	**(10)**	**(2)**	**(12)**	(6)	–	(6)
As at 31 December	**145**	**122**	**267**	153	66	219

The Company holds regular discussion with pricing providers to determine whether transfers or classifications between levels of the fair value hierarchy have occurred.

Level 3 assets
Level 3 assets, where modelling techniques are used, comprise property, unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, investments in private equity and property vehicles. Untraded debt securities include private placements, commercial real estate loans, income strips and lifetime and retirement interest only mortgages.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the Company determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Company has classified within level 3.

The Company determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Company also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the Company's credit standing, and liquidity and risk margins on unobservable inputs.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee and validated independently as appropriate.

Level 3 investments are included within equity securities and debt securities. A loss of £4m (2022: £1m loss) has been recognised in the Statement of Profit and Total Comprehensive Income in respect of the movement in fair value of these investments.

Equity securities
Level 3 equity securities amount to £145m (2022: £153m), of which the majority is made up of holdings of investment property vehicles and private investment funds. They are valued at the proportion of the Company's holding of the Net Asset Value reported by the investment vehicles. Other equity securities are also included that are valued by a number of third party specialists using a range of techniques which depend on the maturity of the underlying investment but can also depend of the characteristics of individual investments. Primarily discounted cash flow models are utilised but for some early stage investments alternate valuation techniques are used such as earnings multiples and transaction values underpinned by analysis of milestone achievement and cash runway.

Other financial investments
Other debt securities which are not traded in an active market have been valued using third party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transactions.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee and validated independently as appropriate.

The Company's policy is to reassess the categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time.

9. Financial investments (continued)

(b) Effect of changes in significant unobservable inputs (level 3) to reasonable possible alternative assumptions

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the Company assesses the sensitivity of fair values of level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impacts of applying these sensitivities on the fair value of level 3 assets as at 31 December 2023:

		Sensitivities			Sensitivities	
	Fair value 2023 £m	**Positive impact £m**	**Negative impact £m**	Restated Fair value 2022 £m	Restated Positive impact £m	Restated Negative impact £m
Equity securities	**145**	**18**	**(18)**	153	(2)	1
Debt securities	**122**	**8**	**(8)**	66	(1)	1
Total Level 3 investments	**267**	**26**	**(26)**	219	(3)	2

Level 3 equity securities have been stressed for sensitivity to movements in equity markets, currency sensitivities and property value sensitivities depending on what is appropriate for the specific security.

Level 3 debt securities have been stressed for sensitivity to movements in interest rates and credit spreads.

10. Derivative assets and liabilities

The contractual undiscounted cash flows in relation to non-unit linked derivatives have the following maturity profile:

			Maturity profile of undiscounted cash flows				
As at 31 December 2023	**Fair values £m**	**Within 1 year £m**	**1-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Over 25 years £m**	**Total £m**
Cash inflows							
Derivative assets	**81**	**210**	**105**	**98**	**33**	**9**	**455**
Derivative liabilities	**(66)**	**58**	**29**	**11**	**1**	**–**	**99**
Total	**15**	**268**	**134**	**109**	**34**	**9**	**554**
Cash outflows							
Derivative assets	**81**	**(144)**	**(91)**	**(81)**	**(32)**	**(9)**	**(357)**
Derivative liabilities	**(66)**	**(73)**	**(43)**	**(21)**	**(2)**	**–**	**(139)**
Total	**15**	**(217)**	**(134)**	**(102)**	**(34)**	**(9)**	**(496)**
Net derivative cash flows		**51**	**–**	**7**	**–**	**–**	**58**

10. Derivative assets and liabilities (continued)

		Maturity profile of undiscounted cash flows					
As at 31 December 2022	Fair values £m	Within 1 year £m	1-5 years £m	5-15 years £m	15-25 years £m	Over 25 years £m	Total £m
Cash inflows							
Derivative assets	91	87	108	98	33	9	335
Derivative liabilities	(84)	184	29	11	1	–	225
Total	7	271	137	109	34	9	560
Cash outflows							
Derivative assets	91	(65)	(92)	(81)	(32)	(9)	(279)
Derivative liabilities	(84)	(140)	(43)	(21)	(2)	–	(206)
Total	7	(205)	(135)	(102)	(34)	(9)	(485)
Net derivative cash flows		66	2	7	–	–	75

The Company uses derivatives to reduce market risk. The most widely used derivatives are over the counter and exchange-traded swaps. The Company may use futures to facilitate efficient asset allocation. In addition, derivatives are used to improve asset-liability matching and to manage interest rate, inflation rate and foreign exchange risk. It is the Company's policy that all derivative transactions are on a covered basis against underlying holdings of assets. Derivative counterparty risk is managed by the posting of collateral on a daily basis.

11. Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.

During 2023 the Bermudian Government consulted on introducing a local corporate income tax (CIT) with effect from 1 January 2025, which would apply to Legal & General Reinsurance Company Limited. This has been substantively enacted as at 31 December 2023 and deferred tax on temporary differences and unused tax losses relating to our Bermudan businesses have been re-valued from 0% to 15%.

This has resulted in a deferred tax asset of £336m as at 31 December 2023. The deferred tax asset is recognised in respect of tax reliefs permitted under the Bermuda CIT regime which give rise to deductible temporary differences. The majority of these reliefs are expected to unwind from 2025 over 10 years on a straight line basis. The Company expects to have sufficient future taxable profits to offset the unwind of these deductible temporary differences.

The deferred tax balances are as follows:

	As at 31 December 2023 £m	As at 31 December 2022 £m
Deferred tax assets	**336**	-
As at 31 December	**336**	-

Deferred tax assets and (liabilities) have been recognised / (provided) for the following types of temporary differences and unused tax losses. The movement in these balances during the year is as follows:

	Net tax asset as at 1 January 2023 £m	**Tax (charged)/ credited to the income statement £m**	**Tax (charged)/ credited to OCI or equity £m**	**Net tax asset as at 31 December 2023 £m**
Difference between the tax and accounting value of insurance contracts	**-**	**336**	**-**	**336**
Deferred tax assets	**-**	**336**	**-**	**336**

The Company had £nil deferred tax assets as at 31 December 2022.

12. Cash and cash equivalent

	Total 2023 £m	Total 2022 £m
Cash at bank and in hand	12	25
Total cash and cash equivalents	**12**	25

13. Share capital

	2023 Number of shares	**2023 £**	2022 Number of shares	2022 £
Authorised share capital:				
Ordinary shares of US$1 each	**500,000,000**	**386,953,870**	500,000,000	386,953,870
Issued share capital:				
Fully paid ordinary shares of US$1 each	**388,295,388**	**300,495,192**	388,295,388	300,495,192

In 2014, 250,000 authorised and issued ordinary shares of US$1.00 were subscribed to by Legal & General Re Holdings Limited. In October 2019, the Company increased its authorised shares to 500,000,000, of which a further 388,045,388 were subscribed to by the same company at US$1.00 each. There is one class of ordinary shares. All shares issued carry equal voting rights.

The holder of the Company's ordinary shares is entitled to receive dividends as declared and is entitled to one vote per share at shareholder meetings of the Company.

14. Insurance contract liabilities

(i) Insurance contract revenue and expenses

For the year ended 31 December 2023	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	**163**	**3**	**166**
- Expected incurred claims and other insurance service expenses	**641**	**23**	**664**
- Change in the risk adjustment for non-financial risk for the risk expired	**44**	**1**	**45**
Premium experience variance relating to past and current service	**–**	**41**	**41**
Total insurance revenue	**848**	**68**	**916**
Total insurance service expenses	**(636)**	**11**	**(625)**
Total insurance service result	**212**	**79**	**291**

For the year ended 31 December 2022	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	131	19	150
- Expected incurred claims and other insurance service expenses	602	11	613
- Change in the risk adjustment for non-financial risk for the risk expired	35	3	38
Premium experience variance relating to past and current service	14	1	15
Total insurance revenue	782	34	816
Total insurance service expenses	(610)	(49)	(659)
Total insurance service result	172	(15)	157

(ii) Insurance contracts

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Insurance contracts issued				
Annuities				
Insurance contract balances	**9**	**(419)**	16	(406)
Protection				
Insurance contract balances	**–**	**(61)**	–	(68)
Total insurance contracts issued[1]	**9**	**(480)**	16	(474)

[1]£(13)m (2022: £58m) of the net insurance balance of £471m (2022: £458m) is expected to run off within 12 months.

14. Insurance contract liabilities (continued)

(iii) Annuities – Insurance contracts issued

(a) Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liability for remaining coverage				Liability for remaining coverage			
	Excluding loss component 2023 £m	**Loss component 2023 £m**	**Liability for incurred claims 2023 £m**	**Total 2023 £m**	Excluding loss component 2022 £m	Loss component 2022 £m	Liability for incurred claims 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**406**	-	-	**406**	193	-	-	193
Opening insurance contract assets	**(16)**	-	-	**(16)**	(162)	-	-	(162)
Net balance as at 1 January	**390**	**–**	**–**	**390**	31	–	–	31
Insurance Revenue	**(848)**	**–**	**–**	**(848)**	(782)	–	–	(782)
Insurance service expenses								
Incurred claims and other insurance service expenses - experience adjustment	-	-	**636**	**636**	-	-	610	610
Insurance service expenses	**–**	**–**	**636**	**636**	–	–	610	610
Insurance service result	**(848)**	**–**	**636**	**(212)**	(782)	–	610	(172)
Finance (income)/expenses from insurance contracts	**34**	-	-	**34**	254	-	-	254
Total amount recognised in comprehensive income	**(814)**	**–**	**636**	**(178)**	(528)	-	610	82
Investment components	**(53)**	-	**53**	**–**	(60)	-	60	–
Cash flows	-	-	-	**–**	-	-	-	–
Premiums received	**435**	-	-	**435**	485	-	-	485
Claims and other directly attributable expenses	**454**	-	**(689)**	**(235)**	463	-	(670)	(207)
Insurance acquisition cash flows	**(2)**	-	-	**(2)**	(1)	-	-	(1)
Total cash flows	**887**	**–**	**(689)**	**198**	947	-	(670)	277
Closing insurance contract liabilities	**419**	-	-	**419**	406	-	-	406
Closing insurance contract assets	**(9)**	-	-	**(9)**	(16)	-	-	(16)
Net balance as at 31 December	**410**	**–**	**–**	**410**	390	–	–	390

The annuities insurance liability includes the funds withheld balance of £18,314m.
This table does not include Deferred Acquisition Costs which are presented separately in Note 14 (vii)

14. Insurance contract liabilities (continued)

(iii) Annuities – Insurance contracts issued (continued)

(b) Reconciliation of the measurement components of insurance contract liabilities

	Present value of future cash flows 2023 £m	**Risk adjustment - non-financial risk 2023 £m**	**CSM 2023 £m**	**Total 2023 £m**	Present value of future cash flows 2022 £m	Risk adjustment - non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**(1,646)**	**207**	**1,845**	**406**	166	4	23	193
Opening insurance contract assets	**(31)**	**3**	**12**	**(16)**	(2,230)	442	1,626	(162)
Net balance as at 1 January	(1,677)	210	1,857	390	(2,064)	446	1,649	31
Changes that relate to current service								
CSM recognised for services provided	**-**	**-**	**(163)**	**(163)**	-	-	(131)	(131)
Change in the risk adjustment for non-financial risk for risk expired	**-**	**(44)**	**-**	**(44)**	-	(35)	-	(35)
Experience adjustments	**(5)**	**-**	**-**	**(5)**	8	-	-	8
Total changes that relate to current service	**(5)**	**(44)**	**(163)**	**(212)**	8	(35)	(131)	(158)
Changes that relate to future service								
Changes in estimates which adjust the CSM	**(258)**	**(15)**	**273**	**–**	(133)	(29)	162	–
Contracts initially recognised in the period	**(215)**	**51**	**164**	**–**	(150)	11	139	–
Total changes that relate to future service	**(473)**	**36**	**437**	-	(283)	(18)	301	-
Changes that relate to past service								
Adjustments to the liabilities for remaining coverage	**-**	**-**	**-**	**–**	(14)	-	-	(14)
Insurance service result	**(478)**	**(8)**	**274**	**(212)**	(289)	(53)	170	(172)
Finance (income)/expenses from insurance contracts	**(69)**	**51**	**52**	**34**	399	(183)	38	254
Total amount recognised in comprehensive income	**(547)**	**43**	**326**	**(178)**	110	(236)	208	82
Cash flows	**-**							
Premiums received	**435**	**-**	**-**	**435**	485	-	-	485
Claims and other directly attributable expenses	**(235)**	**-**	**-**	**(235)**	(207)	-	-	(207)
Insurance acquisition cash flows	**(2)**	**-**	**-**	**(2)**	(1)	-	-	(1)
Total cash flows	**198**	**–**	**–**	**198**	277	–	–	**277**
Closing insurance contract liabilities	**(1,994)**	**249**	**2,164**	**419**	(1,646)	207	1,845	406
Closing insurance contract assets	**(32)**	**4**	**19**	**(9)**	(31)	3	12	(16)
Net balance as at 31 December	**(2,026)**	**253**	**2,183**	**410**	(1,677)	210	1,857	390

This table does not include Deferred Acquisition Costs which are presented separately in Note 14 (vii)

14. Insurance contract liabilities (continued)

(iii) Annuities – Insurance contracts issued (continued)

(c) Impact of contracts recognised in the year

		Of which relates to:			Of which relates to:	
	Total impact of contracts recognised in the year 2023 £m	**Transfers or business acquisitions 2023 £m**	**Contracts initiated with loss component 2023 £m**	Total impact of contracts recognised in the year 2022 £m	Transfers or business acquisitions 2022 £m	Contracts initiated with loss recovery component 2022 £m
Estimates of present value of cash outflows						
Insurance acquisition cash flows	**2**	**–**	**–**	1	–	–
Claims and other insurance service expenses payable	**2,536**	**–**	**–**	3,387	–	–
Estimates of present value of cash outflows	**2,538**	**–**	**–**	3,388	–	–
Estimates of present value of cash inflows	**(2,753)**	**–**	**–**	(3,538)	–	–
Risk adjustment for non-financial risk	**51**	**–**	**–**	11	–	–
CSM	**164**	**–**	**–**	139	–	–
Increase in insurance contract liabilities from contracts recognised in the year	**–**	**–**	**–**	–	–	–

(iii) Annuities – Insurance contracts issued (continued)

(d) Amounts determined on transition to IFRS 17

	New and measured under the full retrospective approach 2023 £m	**Contracts measured under the modified retrospective approach 2023 £m**	**Contracts measured under the fair value approach 2023 £m**	**Total 2023 £m**	New and contracts measured under the full retrospective approach 2022 £m	Contracts measured under the modified retrospective approach 2022 £m	Contracts measured under the fair value approach 2022 £m	Total 2022 £m
Insurance revenue	**91**	**3**	**754**	**848**	41	3	738	782
CSM as at 1 January	**136**	**6**	**1,715**	**1,857**	94	6	1,549	1,649
Changes that relate to current service								
CSM recognised for services provided	**(20)**	**-**	**(143)**	**(163)**	(11)	-	(120)	(131)
Changes that relate to future service								-
Changes in estimates which adjust the CSM	**52**	**(3)**	**224**	**273**	(89)	-	251	162
Contracts initially recognised in the year	**164**	**-**	**-**	**164**	139	-	-	139
Total included in insurance service result	**196**	**(3)**	**81**	**274**	39	–	131	170
Finance (income)/expenses from insurance contracts	**11**	**–**	**41**	**52**	3	–	35	38
Total recognised in comprehensive income	**207**	**(3)**	**122**	**326**	42	–	166	208
CSM as at 31 December	**343**	**3**	**1,837**	**2,183**	136	6	1,715	1,857

14. Insurance contract liabilities (continued)

(iv) Protection – Insurance contracts issued

(a) Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liability for remaining coverage				Liability for remaining coverage			
Liability for remaining coverage	**Excluding loss component 2023 £m**	**Loss component 2023 £m**	**Liability for incurred claims 2023 £m**	**Total 2023 £m**	Excluding loss component 2022 £m	Loss component 2022 £m	Liability for incurred claims 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**(40)**	**-**	**108**	**68**	(15)	-	102	87
Opening insurance contract assets	**-**	**-**	**-**	**–**	-	-	-	–
Net balance as at 1 January	**(40)**	**–**	**108**	**68**	(15)	–	102	87
Insurance Revenue	**(68)**	**–**	**–**	**(68)**	(34)	–	–	(34)
Insurance service expenses								
Incurred claims and other insurance service expenses - experience adjustment	**-**	**-**	**35**	**35**	-	-	58	58
Changes that relate to past service	**-**	**-**	**(46)**	**(46)**	-	-	(9)	(9)
Insurance service expenses	**–**	**–**	**(11)**	**(11)**	**–**	**–**	49	49
Insurance service result	**(68)**	**–**	**(11)**	**(79)**	(34)	–	49	15
Finance (income)/expenses from insurance contracts	**19**	**-**	**56**	**75**	(18)	-	12	(6)
Total amount recognised in comprehensive income	**(49)**	**–**	**45**	**(4)**	(52)	–	61	9
Cash flows	**-**	**-**	**-**	**–**	-	-	-	–
Premiums received	**64**	**-**	**-**	**64**	27	-	-	27
Claims and other directly attributable expenses	**-**	**-**	**(67)**	**(67)**	-	-	(56)	(56)
Total cash flows	**64**	**–**	**(67)**	**(3)**	27	–	(56)	(29)
Closing insurance contract liabilities	**(25)**	**-**	**86**	**61**	(40)	-	108	68
Closing insurance contract assets	**-**	**-**	**-**	**–**	-	-	-	–
Net balance as at 31 December	**(25)**	**–**	**86**	**61**	(40)	–	108	68

14. Insurance contract liabilities (continued)

(iv) Protection – Insurance contracts issued (continued)

(b) Reconciliation of the measurement components of insurance contract liabilities

	Present value of future cash flows 2023 £m	**Risk adjustment - non-financial risk 2023 £m**	**CSM 2023 £m**	**Total 2023 £m**	Present value of future cash flows 2022 £m	Risk adjustment - non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**(371)**	**102**	**337**	**68**	(466)	145	408	87
Opening insurance contract assets	**-**	**-**	**-**	**–**	-	-	-	–
Net balance as at 1 January	(371)	102	337	68	(466)	145	408	87
Changes that relate to current service								
CSM recognised for services provided	**-**	**-**	**(3)**	**(3)**	-	-	(19)	(19)
Change in the risk adjustment for non-financial risk for risk expired	**-**	**(1)**	**-**	**(1)**	-	(3)	-	(3)
Experience adjustments	**(28)**	**-**	**-**	**(28)**	46	-	-	46
Total changes that relate to current service	**(28)**	**(1)**	**(3)**	**(32)**	46	(3)	(19)	24
Changes that relate to future service								
Changes in estimates which adjust the CSM	**82**	**8**	**(90)**	**–**	201	(59)	(142)	–
Contracts initially recognised in the year	**(116)**	**4**	**112**	**–**	(41)	2	39	–
Total changes that relate to future service	**(34)**	**12**	**22**	**–**	160	(57)	(103)	–
Changes that relate to past service								
Adjustments to the liabilities for incurred claims	**(47)**	**-**	**-**	**(47)**	(9)	-	-	(9)
Insurance service result	**(109)**	**11**	**19**	**(79)**	197	(60)	(122)	15
Finance (income)/expenses from insurance contracts	**99**	**(6)**	**(18)**	**75**	(73)	17	50	(6)
Total amount recognised in comprehensive income	**(10)**	**5**	**1**	**(4)**	124	(43)	(72)	9
Cash flows								
Premiums received	**64**	**-**	**-**	**64**	27	-	-	27
Claims and other directly attributable expenses	**(67)**	**-**	**-**	**(67)**	(56)	-	-	(56)
Total cash flows	**(3)**	**–**	**–**	**(3)**	(29)	–	–	(29)
Closing insurance contract liabilities	**(384)**	**106**	**339**	**61**	(371)	102	337	68
Closing insurance contract assets	**-**	**-**	**-**	**–**	-	-	-	–
Net balance as at 31 December	**(384)**	**106**	**339**	**61**	(371)	102	337	68

14. Insurance contract liabilities (continued)

(iv) Protection – Insurance contracts issued (continued)

(c) Impact of contracts recognised in the year

		Of which relates to:			Of which relates to:	
	Total impact of contracts recognised in the year 2023 £m	**Transfers or acquisitio 2023 £m**	**Contracts initiated loss compone 2023 £m**	Total impact of contracts recognised in the year 2022 £m	Transfers or business acquisitions 2022 £m	Contracts initiated with loss recovery component 2022 £m
Claims and other insurance service expenses payable	**24**	**–**	**–**	11	–	–
Estimates of present value of cash outflows	**24**	**–**	**–**	11	–	–
Estimates of present value of cash inflows	**(140)**	**–**	**–**	(52)	–	–
Risk adjustment for non-financial risk	**4**	**–**	**–**	2	–	–
CSM	**112**	**–**	**–**	39	–	–
Increase in insurance contract liabilities from contracts recognised in the period	**–**	**–**	**–**	–	–	–

The Protection inward reinsurance from LGA is written through a new contract every year which triggers a major modification under IFRS 17, resulting in the de-recognition of the existing business within the contract and the re-recognition of this business on the new terms and conditions of the contract, including the new tranche of the business for the year. As a result of this, the ‘Contracts written in the year’ disclosure takes the impact between the de-recognition and re-recognition of the contract to show the CSM attributed to new business. This includes the impact of the business being re-recognised on current financial assumptions.

14. Insurance contract liabilities (continued)

(v) Maturity of contractual undiscounted cashflows

	Insurance contracts issued		
For the year ended 31 December 2023	**Annuities £m**	**Protection £m**	**Total £m**
Number of years until expected to be recognised			
1 year or less	**(163)**	**(27)**	**(190)**
1 - 2 years	**(161)**	**(33)**	**(194)**
2 - 3 years	**(159)**	**(25)**	**(184)**
3 - 4 years	**(158)**	**(31)**	**(189)**
4 - 5 years	**(156)**	**(33)**	**(189)**
5 - 10 years	**(735)**	**(171)**	**(906)**
10 - 20 years	**(1,132)**	**(345)**	**(1,477)**
Over 20 years	**(933)**	**(142)**	**(1,075)**
Total	**(3,597)**	**(807)**	**(4,404)**

	Insurance contracts issued		
For the year ended 31 December 2022	Annuities £m	Protection £m	Total £m
Number of years until expected to be recognised			
1 year or less	(126)	(43)	(169)
1 - 2 years	(126)	(41)	(167)
2 - 3 years	(125)	(38)	(163)
3 - 4 years	(124)	(35)	(159)
4 - 5 years	(122)	(35)	(157)
5 - 10 years	(582)	(162)	(744)
10 - 20 years	(907)	(328)	(1,235)
Over 20 years	(710)	(154)	(844)
Total	(2,822)	(835)	(3,657)

14. Insurance contract liabilities (continued)

(vi) CSM maturity profile

	Insurance contracts issued		
	Annuities	**Protection**	**Total**
For the year ended 31 December 2023	**£m**	**£m**	**£m**
Number of years until expected to be recognised			
1 year or less	**114**	**35**	**149**
1 - 2 years	**115**	**34**	**149**
2 - 3 years	**114**	**30**	**144**
3 - 4 years	**112**	**28**	**140**
4 - 5 years	**108**	**25**	**133**
5 - 10 years	**472**	**95**	**567**
10 - 20 years	**643**	**80**	**723**
Over 20 years	**505**	**12**	**517**
Total	**2,183**	**339**	**2,522**

	Insurance contracts issued		
	Annuities	Protection	Total
For the year ended 31 December 2022	£m	£m	£m
Number of years until expected to be recognised			
1 year or less	130	35	165
1 - 2 years	125	34	159
2 - 3 years	119	31	150
3 - 4 years	112	28	140
4 - 5 years	106	26	132
5 - 10 years	440	94	534
10 - 20 years	520	78	598
Over 20 years	305	11	316
Total	1,857	337	2,194

The amounts presented reflect the amount of CSM amortisation expected to be recognised in insurance service result in future periods. The total amount to be reflected in insurance service result exceeds the carrying value of the CSM as it incorporates the future accretion of interest. Actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM and changes in the future coverage units.

(vii) Deferred acquisition costs

	Annuities 2023 £m	**Protection 2023 £m**	**Total 2023 £m**	Annuities 2022 £m	Protection 2022 £m	Total 2022 £m
Opening balance	**–**	**–**	**–**	–	–	–
Amounts incurred during the year	**2**	**–**	**2**	1	–	1
Amounts derecognised and included in the measurement of insurance contracts	**(2)**	**–**	**(2)**	(1)	–	(1)
Closing balance	**–**	**–**	**–**	–	–	–
Presented in insurance contract assets	**–**	**–**	**–**	–	–	–
Presented in insurance contract liabilities	**–**	**–**	**–**	–	–	–
Total	**–**	**–**	**–**	–	–	–

15. Investment contract liabilities

(i) Analysis of investment contract liabilities

	Note	**Gross 2023 £m**	Gross 2022 £m
Investment contract liabilities	15(iii)	**22**	225
Total investment contract liabilities		**22**	225

(ii) Expected investment contract liability cash flows

As at 31 December 2023	**0-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Over 25 years £m**	**Total £m**	**Carrying Value £m**
Investment contract liabilities	**1**	**9**	**16**	**32**	**58**	**22**

Investment contract undiscounted cash flows are based on the expected date of settlement. The weighted average discount rate applied for the carrying value is 4.07%.

As at 31 December 2022	0-5 years £m	5-15 years £m	15-25 years £m	Over 25 years £m	Total £m	Carrying Value £m
Investment contract liabilities	29	94	103	154	380	225

Investment contract undiscounted cash flows are based on the expected date of settlement. The weighted average discount rate applied for the carrying value is 4.89%.

(iii) Movement in investment contract liabilities

	Note	**Gross 2023 £m**	Gross 2022 £m
As at 1 January		**225**	353
New liabilities in the year		**–**	9
Liabilities discharged in the year		**(2)**	(5)
Effect of change in economic assumptions	16	**(7)**	(138)
Investment return and related benefits		**5**	6
Investment contract liability divested		**(199)**	–
As at 31 December		**22**	225
Expected to be settled within 12 months		**–**	4
Expected to be settled after 12 months		**22**	221

16. Long term insurance valuation assumptions

Non-participating business
The Company writes only non-participating business and it seeks to make assumptions about its future experience based on current market conditions and recent experience. The assumptions reflect our best estimate view based on recent experience and expert judgement.

IFRS discount rates
The interest rates used to discount the cash flows for the purpose of valuing insurance contract liabilities should reflect the timing and liquidity characteristics of the insurance liability cash flows and current market conditions. The valuation interest rate assumptions are derived as interest rate curves with full term structure.

In deriving the liquidity premium assumptions for annuity business, an explicit allowance for risk is deducted from the yield on the assets backing annuity liabilities. The allowance for risk comprises long-term assumptions about defaults and the market risk premiums for taking credit risk. For the UK annuity business, the deduction for risk of default for corporate bonds and direct investments equated to 40bps, for European business this was 48bps.

Annuitant Mortality
Mortality and morbidity assumptions for the UK business are set with reference to standard tables drawn up by the Continuous Mortality Investigation Bureau (CMI), a subsidiary of the Institute and Faculty of Actuaries, and/or UK death registrations. LGA reinsured assumptions are set with reference to standard tables drawn up by the American Academy of Actuaries. Tables are based on industry-wide mortality and morbidity experience for insured lives.

The company conducts statistical investigations of its mortality and morbidity experience, the majority of which are carried out at least annually. Investigations determine the extent to which the company's experience differs from that underpinning the standard tables, and suggest appropriate adjustments which need to be made to the valuation assumptions. In particular, the recent mortality experience observed as a result of Covid-19 and industry studies on its potential endemic effects have been used to derive appropriate adjustments to the assumptions.

Expenses
IFRS 17 expense reserves are intended to include directly attributable maintenance costs only, which for the Company consist of the costs incurred in paying claims on external business which is immaterial.

Risk Adjustment
The risk adjustment is the compensation that the company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For the majority of risks, the company's view on the compensation required for non-financial risks is determined with reference to an 85th percentile confidence level (2022: 85th percentile), calculated using a one-year Value-at-Risk (VaR) measure. This VaR measure reflects the company's view on how non-financial risks behave (risk distributions), diversification of risks across the Company (risk correlations). This is consistent with how risks are priced for and managed across the Company. The calculation uses a capital basis appropriate for the territory, the type of business, and how it is priced.

We have estimated the equivalent confidence level for the Company on a multi-year basis, using a weighted average of the key risks. Overall the Company risk adjustment as at 2023 is aligned to a c75th percentile multi-year confidence level (2022: 75th percentile) over the full runoff of the portfolio.

Adjustments are applied to best estimate non-financial risk assumptions to calculate the risk adjustment required over and above the best estimate liability for each contract. These adjustments (which vary by risk) are calibrated such that the total group risk adjustment calculated aligns to the group's view of compensation for non-financial risks and the risk adjustment at contract level is representative of the compensation required for that contract.

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16. Long term insurance valuation assumptions (continued)

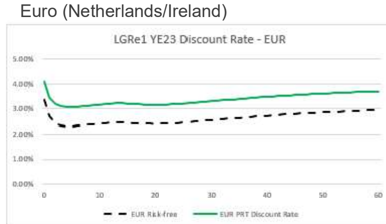
The principal assumptions are:

2023

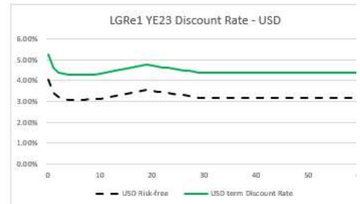
Rate of interest / discount rate

UK

Euro (Netherlands/Ireland)



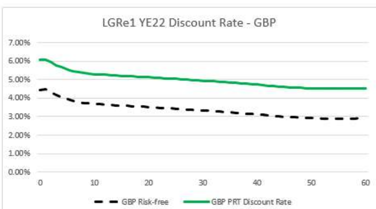
USA



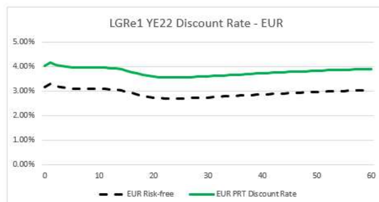
2022

Rate of interest / discount rate

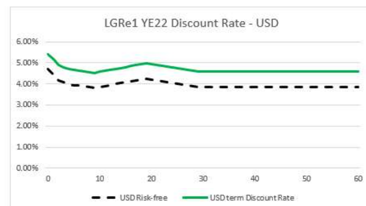
UK



Euro (Netherlands/Ireland)



USA



Mortality tables

Mortality tables	2023	2022
Non-linked individual assurance business		
LGA reinsured[1]	**Adjusted SOA 2014 VBT**	Adjusted SOA 2014 VBT
Annuity business		
UK Annuities in deferment[2]	**95.6% - 95.3% PMA16_PBO/PFA16_PBO**	75.7%-85.6% PNMA00/PNFA00
UK Vested annuities[3]		
Pension risk transfer	**95.6% - 95.3% PMA16_PBO/PFA16_PBO**	75.7%-85.6% PCMA00/PCFA00
Other annuities	**79.0% - 131.6% PMA16_PBO/PFA16_PBO**	66.4%-105.5% PCMA00/PCFA00

[1] Adjustments are made for gender, select period, smoker status, policy size, policy duration and year, issue year, age and calendar year.

[2] Table for male is created by using PMA16_PBO and for female it is PFA16_PBO. (2022: PCXA00, PNXA00). These tables are used for both IA and DA.

[3] Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2021 (2022: CMI 2020) with the following parameters

- Males: Long Term Rate of 1.75% p.a. up to age 85 tapering to 0% at 110 (2022: Long Term Rate of 1.50% p.a. up to age 85 tapering to 0% at 110).
- Females: Long Term Rate of 1.25% p.a. up to age 85 tapering to 0% at 110 (2022: Long Term Rate of 1.00% p.a. up to age 85 tapering to 0% at 110).

16. Long term insurance valuation assumptions (continued)

Persistency assumptions
The company monitors its persistency experience and carries out detailed investigations annually. Persistency experience can be volatile and past experience may not be an appropriate future indicator. The company tries to balance past experience and potential future conditions in setting assumptions about expected long-term average persistency levels.

A summary of the lapse basis for major classes of LGA reinsured business is shown below:

	Lapse rates assumed by term	
	2023	2022
Term	**%**	%
10	**5.50%**	5.40%
15	**3.00%**	3.00%
20	**2.20%**	2.30%
25	**2.40%**	2.50%
30	**2.00%**	2.10%
35	**2.50%**	2.70%
40	**2.50%**	2.50%

Reserves assumptions
Provisions for the liabilities arising under contracts with policyholders are based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the regulators.

17. Payables and other financial liabilities

	Notes	**2023** **£m**	Restated 2022 £m
Derivative liabilities	10	**66**	83
Other financial liabilities		**1**	1
Collateral received from banks		**11**	8
Other balances due	20	**3**	12
Payables and other financial liabilities		**81**	104
Expected to be settled within 12 months		**16**	27
Expected to be settled after 12 months		**65**	77

Payables and other financial liabilities settled after 12 months are expected to be settled within five years, with the exception of derivative liabilities, as disclosed in Note 10.

Fair value hierarchy

Payables and other financial liabilities	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Amortised cost £m**
Derivative liabilities	**66**	**–**	**66**	**–**	**–**
Other financial liabilities	**1**	**–**	**–**	**–**	**1**
Collateral received from banks	**11**	**–**	**–**	**–**	**11**
Other balances due [1]	**3**	**–**	**–**	**–**	**3**
As at 31 December 2023	**81**	**–**	**66**	**–**	**15**

[1] See Note 20 (iv) Related party transactions, of which £3m relate to expenses owned by the Company to affiliates within the group.

Payables and other financial liabilities	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Derivative liabilities	83	4	79	–	–
Other financial liabilities	1	–	–	–	1
Collateral received from banks	8	–	–	–	8
Other balances due [1]	12	–	–	–	12
As at 31 December 2022 (restated)	104	4	79	0	21

[1] See Note 20 (iv) Related party transactions, of which £7m relate to expenses owned by the Company to affiliates within the group.

There have been no significant transfers between levels (2022: No significant transfers).

18. Contingent liabilities, guarantees and indemnities

(i) Liquidity facility
The Company has access to a rolling credit facility ('RCF') from Legal & General Group Plc. In the event of a liquidity need the Company can call upon this facility to meet its obligations (See Note 20 (vii)).

(ii) Letters of Credit Contracts ('LOC')
The Company has entered into three credit facility agreements totaling $0.075m (2022: $0.075m), $0.075m (2022: $0.075m), and €31m (2022: €31m). These credit facilities expire in July 2024, August 2024 and December 2026 respectively.

The Company does not have any other contingent liabilities, guarantees or indemnities (2022: £Nil) arising as part of its normal course of business.

19. Parent companies

The immediate parent company of Legal & General Reinsurance Company Limited is Legal & General Re Holdings Limited, a company incorporated in England and Wales. The ultimate holding company for both of those entities is Legal & General Group Plc. These accounts provide information about Legal & General Reinsurance Company Limited as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available on the Legal & General Group Plc website at https://group.legalandgeneral.com/en/investors/results-reports-and-presentations.

20. Related party transactions

(i) Insurance
As at 31 December 2023, the Company held net insurance liabilities in respect of the insurance contracts of £265m (2022: £241m restated) and in respect of investment contracts £22m (2022: £225m) with respect to insurance to a related party, Legal & General Assurance Society (LGAS). An investment contract funds withheld receivable of £64m (2022: £264m) was reported on the balance sheet. The Company received £2,171m (2022: £1,222m restated) of insurance premium and paid £851m (2022: £651m restated) in claims during the year in respect of annuity business. The Company also received £1,266m (2022: paid £4,925m restated) in investment income and paid £39m (2022: £40m) in respect of reinsured investment management expenses to LGAS.

With regards to its transactions with Legal & General America Inc ('LGA'), a related party belonging to Legal & General Group Plc, the Company received £50m (2022: £47m restated) of insurance premium to cover mortality business via excess of loss insurance agreements and paid £45m (2022: £71m restated) in claims during the year. Under its contract with LGA, the Company has received an experience refund of £11m (2022: £12m). The Company held net insurance liabilities of £61m (2022: £68m restated) in order to cover for this business.

(ii) Investments in Group unit trusts and the Group liquidity funds
The Company held £474m (2022: £404m) of investments in unit trusts, controlled and managed by Legal & General Group Plc subsidiary companies that are classified as other related parties. The Company made a gain of £10m (2022: £10m gain) from those unit trusts.

(iii) Assets due from related parties

As at 31 December	**2023 £m**	2022 £m
- Premium receivable from First British Bermuda Reinsurance Company III	–	7
- Premium receivable from Banner Life Insurance Company	**23**	–
Total	**23**	7

(iv) Liabilities due to related parties

As at 31 December	**2023 £m**	2022 £m
- Premium payable to Banner Life Insurance Company	**–**	2
- LGRB management charges due[1]	**2**	4
- Investment management charges due	**1**	1
Total	**3**	7

[1] The management charges due relate to expenses owed by the Company to affiliates within the Legal & General Group. These charges have accrued over the year and relate to the operation costs including employee benefits. Legal & General Resources Limited which employs all UK staff, charges all of its costs pertaining to secondees to Legal & General Resources Bermuda Limited ('LGRB') from the UK offices. LGRB employs Bermuda based staff and incurs all costs of operation, which is recharged to the Company.

20. Related party transactions (continued)

(v) Other expenses

For the year ended 31 December	**2023 £m**	2022 £m
LGRB Management charges	**8**	9
Total	**8**	**9**

(vi) Dividends
During the 2023 financial year, the Company approved and paid £179m (2022: £324m) in dividends to its parent company, Legal & General Re Holdings Limited.

(vii) Finance costs
On 20 December 2018, the Company agreed a rolling credit facility (RCF) from its ultimate parent company, Legal & General Group Plc. The facility is available for use to remedy a liquidity deficit in respect of the non-participating business with related party, Banner. The facility was renewed on 19 August 2022 until 31 December 2026. Under the facility the Company is allowed to apply any amounts borrowed to remedy any liquidity deficit. The facility available is US$130m (2022: US$130m) and a commitment fee of 0.45% (2022: 0.45%) is payable on the undrawn portion of the facility quarterly. The loan balance at the end of the year was £Nil (£Nil). Interest expense from the facility for the year was £472k (2022: £472k).

(viii) Financial assets - debt security
In 2019, the Company invested in debt issued by Legal & General Finance Plc, an affiliate company. The carrying value of the debt security at amortised cost is £301m (2022: £301m restated). The interest recognised in the year was £7m (2022: £7m).

21. Management of capital resources

Capital management policies and objectives
The Company aims to manage its capital resources to maintain financial strength, ensure policyholder security, meet local capital requirements and maintain the Company's strong financial strength rating which provides a competitive advantage.

Capital measures
The Company measures its capital on a number of different bases, including those which comply with the regulatory framework within which the Company operates, and those which the Directors consider most appropriate for managing the business. The measures used by the Company include Bermuda Economic Balance Sheet ('EBS') regulatory capital and a bespoke economic capital model used in the Company's annual CISSA (Commercial Insurer's Solvency Self-Assessment) exercise. Changes have been introduced to the Bermuda EBS regulatory regime, coming into effect 31 March 2024, following a consultation by the Bermuda Monetary Authority.

Accounting bases
Management uses the primary financial statements prepared on an IFRS basis to manage capital and cash flow usage and to determine dividend paying capacity.

Bermuda statutory requirements
The Company is licensed as a long-term Class E reinsurer under the Bermuda's Insurance Act 1978. Under the Act, the Company is required to maintain a minimum capital and surplus. There are no statutory restrictions on the payment of dividends from retained earnings of the Company as the minimum statutory capital and surplus requirements are satisfied by the share capital and additional paid in capital. However, approval from the BMA must be obtained before the statutory capital is reduced by more than 25% of the previous year's statutory filing. In all cases, the Approved Actuary needs to provide support for any proposed dividends.

Capital resources
The financial strength of the Company is measured by reference to its Bermudian statutory accounts which are a requirement of all Class E reinsurers. The Company's total capital resources of £922m (2022: £878m) comprise an initial capital contribution received in 2014 from the ultimate parent of £220m, a further £300m of issued share capital to the ultimate parent in 2019 and £739m (2022: £362m) in respect of retained earnings after payment of a £179m dividend in 2023 (2022: £324m). The Deferred tax asset upon transition to the Bermuda CIT is not admissible for BMA statutory purposes.

These resources are in excess of the required minimum capital and solvency requirements.

Available regulatory capital resource risks
The Company's capital resources are sensitive to changes in market conditions, due to both changes in the value of the assets and to the effect that changes in investment conditions may have on the value of the liabilities. Capital resources are also sensitive to assumptions and experience relating to mortality, longevity and to a lesser extent expenses.

The most significant risks arise from:
- Credit risk: this materialises if the default and downgrade experience of the assets backing the liabilities exceed the reserving assumptions,
- Longevity risk: losses occur if the mortality of annuitants is lower than the assumptions used for reserving, and
- Mortality risk: losses occur if the mortality of reinsured policyholders is higher than the assumptions used for reserving.

22. Risk management and control

This section describes the Company's approach to risk management. It covers the overall approach that applies to all risks and includes a detailed review of risks within the Company's business.

Insurance risk
Exposure to loss arising from claims experience being different to that anticipated.

Insurance risk is implicit in the Company's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks. Insurance risk is managed with policies for underwriting, pricing and reinsurance. The Company's insurance risk policy sets out the overall framework for the management of insurance risk. Areas where the Company is primarily exposed to insurance risk are longevity, rates of longevity improvement and mortality. Insurance risk also arises from incomplete scheme demographic data, specifically where information concerning spouses is unavailable (spouse risk).

Pricing is based on a fixed set of assumptions, such as mortality, which consider past experience, recent trends, and expert opinion. Actual experience may vary from the pricing assumptions, leading to profits or losses. Insurance exposures are limited through reinsurance for specific cohorts of business. Overall, the Company seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits.

Operational risk
Exposure to loss arising from inadequate or failed internal processes, people, systems or external events.

Potential for exposure to operational risk extends to all aspects of the business. The Company has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action or reputational damage.

Concentration risk
Exposure to loss arising from a specific geographic location or type of loss event.

As part of the ongoing risk assessment processes the Company considers the concentration of risk. The Company seeks to manage concentrations by setting limits around the maximum exposure to loss that it can tolerate from a series of related events. Limits set include maximum exposures to single lives, financial instruments and reinsurance balances. Insurance risk may be concentrated in geographic regions, altering the risk profile of the Company. The most significant exposure of this type arises for the Group protection business, where a single event could result in a large number of related claims.

Market risk
Exposure to loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets.

The Company's exposure to market risk is influenced by one or more external factors, including changes to interest rates, inflation, financial instrument prices, foreign exchange rates and indices of prices or rates.

Significant areas where the Company is exposed to these risks are:
- assets backing insurance contracts;
- assets and liabilities denominated in foreign currencies; and
- other financial assets and liabilities.

The Company's market risk policy sets out the overall framework for the management of market risk. The policy is reinforced by more granular investment policies for long term and other business, which have due regard to the nature of liabilities and guarantees and other embedded options given to policyholders.

The Company is ultimately responsible for the management of market risk. The Company has chosen to outsource the execution of the funds withheld investment risk policy, as noted below, to LGAS. The Company manages market risk using the following methods:

<u>Asset liability matching</u>
The Company manages its assets and liabilities in accordance with relevant regulatory requirements, reflecting the differing types of liabilities it has on the Company's Statement of Financial Position.For business such as immediate annuities, which is sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change. This type of analysis helps protect profits from changing interest rates. Interest rate risk cannot be completely eliminated, due to the nature of the liabilities and any early redemption options contained in the assets.

The Company holds a range of asset types to meet liabilities and stochastic models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities. This allows the Company to devise an investment strategy which maximises risk-adjusted returns to its shareholder.

22. Risk management and control (continued)

Derivatives
The Company uses derivatives to reduce the market risk arising in the funds. The most widely used derivatives are exchange-traded swaps. The Company may use futures to facilitate efficient asset allocation within the long term funds. In addition, derivatives within the long term fund are used to improve asset liability matching and to manage interest rate, foreign exchange and inflation risks. It is the Company's policy that amounts at risk through derivative transactions are covered by cash or corresponding assets and that swaps are collateralised as appropriate to reduce counterparty risk.

The most significant risks arise from:

Interest rate risk
Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.

The Company is exposed to interest rate risk on the investment portfolio it maintains to meet the obligations and commitments under its non-linked insurance contracts, in that the proceeds from the assets may not be sufficient to meet the Company's obligations to policyholders.

To mitigate the risk that guarantees and commitments are not met, the Company purchases financial instruments, which broadly match the expected non-participating policy benefits payable, by their nature and term. The composition of the investment portfolio is governed by the nature of the insurance liabilities, the expected risk-adjusted rate of return and the expected impact on the capital requirement.

Asset liability matching significantly reduces the Company's exposure to interest rate risk. Sensitivity to interest rate changes is included in Table 3 of Note 20.

Currency risk
The Company operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The Company has exposure to currency risk from financial instruments held in currencies other than their functional currency. The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts, cross currency basis swaps and futures.

The Company aims to maintain sufficient assets in local currency to meet local currency liabilities however movements may impact the value of the Company’s shareholder’s equity which is expressed in GBP Sterling. This aspect of foreign exchange risk is monitored and managed, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the Company’s regulatory capital requirements by currency. Currency borrowings and derivatives are used to manage exposures within the limits that have been set.

As at 31 December 2023, the Company held net assets of £102m in US dollar (2022: £80m restated), net liabilities of £(27)m in Euro (2022: net assets £264m restated). The Company mitigates exchange rate risk through the use of derivatives such as forward currency contracts.

The Company’s management of currency risk reduces the shareholder’s exposure to exchange rate fluctuations. The Company’s exposure to a 10% movement in the US dollar and Euro exchange rates on an IFRS basis, where the values of economic hedging instruments are reflected at their carrying value as opposed to their notional amounts, would result in a change in net asset value as reflected in the table below:

	A 10% increase in USD:GBP exchange rate		**A 10% decrease in USD:GBP exchange rate**	
	2023 £m	Restated 2022 £m	**2023 £m**	Restated 2022 £m
Movement in net assets / (liabilities) attributable to USD exposures	**(6)**	13	**5**	(11)

	A 10% increase in EUR:GBP exchange rate		**A 10% decrease in EUR:GBP exchange rate**	
	2023 £m	Restated 2022 £m	**2023 £m**	Restated 2022 £m
Movement in net assets / (liabilities) attributable to EUR exposures	**9**	7	**(7)**	(6)

22. Risk management and control (continued)

Other price risk
Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. These changes may be as a result of features of the individual instrument, its issuer, or factors affecting all similar financial instruments traded in the market.

The Company controls its exposure to geographical price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments.

Table 1 indicates the Company's exposure to different equity markets around the world.

Table 1 - Exposure to worldwide equity markets including funds withheld

	2023 £m	2022 £m
UK	–	4
North America	–	6
Europe	–	2
Asia Pacific	–	20
Multiple jurisdictions	–	8
Listed equities	**–**	40
Holdings in unit trusts	**1,591**	1,478
Total equities	**1,591**	1,518

Credit risk
Exposure to loss if another party fails to perform its financial obligations to the Company.

The Company's credit risk policy defines the overall framework for the management of credit risk. Credit risk exposures primarily arise in relation to corporate bonds held by the Company and those held by LGAS in relation to the funds withheld.

The Company holds fixed and variable rate securities within the financial investments and funds withheld to back part of its non-participating insurance liabilities. Significant exposures are managed by the application and regular review of concentration limits, with allowance being made in the actuarial valuation of the insurance liabilities for possible defaults.

The funds withheld includes LTMs, property lending and sale and leaseback investments. The Company is inherently exposed to the risk of default by a borrower or tenant. Each property lending and sale and leaseback investment transaction is subject to a due diligence process to assess the credit risks implicit in the transaction and confirm that the risk of default has been appropriately mitigated. The Company protects its interests through taking security over the underlying property associated with the investment transaction.

The credit profile of the Company's financial investments and funds withheld exposed to credit risk is shown in Table 2 and Table 3. The credit rating bands are provided by independent rating agencies. Credit risk bands are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies Standard & Poor's, Moody's, and Fitch. For unrated assets, such as cash and derivatives, not exposed to credit risk, the Company maintains internal ratings which are used to manage exposure to these counterparties.

The carrying amount of assets included in the Statement of Financial Position represents the maximum credit exposure. No impairment provisions have been made.

22. Risk management and control (continued)

Table 2 – Exposure to credit risk

As at 31 December 2023	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**BB and below £m**	**Unrated Other £m**	**Total £m**
Government securities	**40**	**2**	**–**	**–**	**–**	**–**	**42**
Other fixed rate securities	**33**	**39**	**371**	**132**	**4**	**–**	**579**
Variable rate securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lifetime mortgages	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total debt securities	**73**	**41**	**371**	**132**	**4**	**-**	**621**
Accrued interest	**–**	**–**	**1**	**2**	**–**	**–**	**3**
Derivatives	**–**	**–**	**81**	**–**	**–**	**–**	**81**
Cash and cash equivalents	**–**	**3**	**9**	**–**	**–**	**–**	**12**
Financial assets	**73**	**44**	**462**	**134**	**4**	**-**	**717**
Other assets	**–**	**–**	**4**	**–**	**–**	**5**	**9**
Total[1]	**73**	**44**	**466**	**134**	**4**	**5**	**726**

[1] Of the total debt securities and accrued interest that have been internally rated £69m is rated AAA, £301m A, £3m BBB, £4m BB.
Excludes equity securities (listed equity and holdings in unit trusts) which are included in Note 22 Table 1.

There are no impaired or past due financial assets within the portfolios in 2023.

As at 31 December 2022 (Restated)[2]	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Unrated Other £m	Total £m
Government securities	27	–	2	14	–	8	51
Other fixed rate securities	78	11	362	121	5	–	577
Variable rate securities	–	–	–	–	–	–	–
Lifetime mortgages	–	–	–	–	–	–	–
Total debt securities	105	11	364	135	5	8	628
Accrued interest	1	–	–	2	–	–	3
Derivatives	–	–	91	–	–	–	91
Cash and cash equivalents	–	–	25	–	–	–	25
Financial assets	106	11	480	137	5	8	747
Other assets	–	–	6	–	–	23	29
Total[1]	106	11	486	137	5	31	776

[1] Of the total debt securities and accrued interest that have been internally rated £8m is rated AAA.
Excludes equity securities (listed equity and holdings in unit trusts) which are included in Note 22 Table 1.
[2] The 2022 table has been restated due to revised management review of the 2022 disclosure.

There are no impaired or past due financial assets within the portfolios in 2022.

22. Risk management and control (continued)

Table 3 – Funds Withheld exposure to credit risk

As at 31 December 2023	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Unrated Other £m	Total £m
Government securities	17	1,491	45	22	–	–	1,575
Other fixed rate securities	311	917	3,527	3,922	72	3,418	12,167
Variable rate securities	–	–	90	115	2	402	609
Lifetime mortgages	–	–	–	–	–	1,735	1,735
Total debt securities	**328**	**2,408**	**3,662**	**4,059**	**74**	**5,555**	**16,086**
Accrued interest	4	15	42	59	1	23	144
Derivatives	–	(243)	(305)	28	–	(34)	(554)
Cash and cash equivalents	–	–	–	–	–	–	–
Financial assets	**332**	**2,180**	**3,399**	**4,146**	**75**	**5,544**	**15,676**
Other assets	–	–	–	–	–	1,817	1,817
Total[1]	**332**	**2,180**	**3,399**	**4,146**	**75**	**7,361**	**17,493**

[1] Of the total debt securities and accrued interest that have been internally rated £104m AA, £1,712m A, £2,220m BBB, £1,538m BB and below.

There are no impaired or past due financial assets within the portfolios in 2023.

As at 31 December 2022 (Restated)[2]	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Unrated Other £m	Total £m
Government securities	207	379	66	21	–	66	739
Other fixed rate securities	309	775	2,974	3,459	86	2,582	10,185
Variable rate securities	7	191	528	467	30	782	2,005
Lifetime mortgages	–	–	–	–	–	1,353	1,353
Total debt securities	523	1,345	3,568	3,947	116	4,783	14,282
Accrued interest	6	11	42	58	1	17	135
Derivatives	–	–	–	–	–	(914)	(914)
Cash and cash equivalents	–	–	–	–	–	–	–
Financial assets	529	1,356	3,610	4,005	117	3,886	13,503
Other assets	–	–	–	–	–	1,655	1,655
Total[1]	529	1,356	3,610	4,005	117	5,541	15,158

[1] Of the total debt securities and accrued interest that have been internally rated £87m is rated AAA, £233m AA, £1,578m A, £1.339m BBB, £1,552m BB and below.

There are no impaired or past due financial assets within the portfolios in 2022.

Liquidity risk
The risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company's liquidity risk management framework defines the overall framework for the management of liquidity risk. The Company does not seek exposure to liquidity risk in its own right, but recognises that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

The liquidity risks to which the Company's business may be exposed, primarily stem from low probability events that if not adequately planned for, may result in unanticipated liquidity requirements.

A limited level of contingent liquidity risk is an accepted element of writing contracts of insurance. However, the Company's insurance business seeks to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity to be maintained by insurance funds is identified using techniques including cash flow analysis for ranges of extreme scenarios and stress tests for shock events.

22. Risk management and control (continued)

To ensure an appropriate pool of liquid assets are maintained in line with a prudent estimate of cash outflows, the profile of investment assets held to meet future liabilities from writing insurance business are structured to include an appropriate proportion of cash and other readily realisable assets. The required profile is formally defined as part of asset benchmarks provided to the investment managers, with regular management information provided by the investment manager on the actual holding relative to the fund benchmark.

Specific liquidity risks associated with the Company's core product lines and the risk mitigation techniques are as follows:

Annuities: Potential for liquidity risk arises within two specific aspects of the Company's annuity business (i) changes in future pension commitments and (ii) collateral requirements risk hedging strategies.

(i) Changes in future pension commitments - once business has been written, cash outflows for pensions in payment are generally predictable, enabling the Company to structure the liquidity, income and maturity profile of investment assets backing long term liabilities to meet projected cash outflows. Although variations in longevity can alter the duration of outflows over the long term, trends are gradual, providing opportunity to respond with appropriate risk mitigation strategies.

(ii) Collateral requirements for risk hedging strategies - as part of the investment asset management strategy for the Company's annuity business, financial instruments are utilised to manage exposure to fluctuations in interest rates, inflation and foreign currency, which may otherwise result in long term liabilities being unmatched. The use of such financial instruments can require the posting of liquid collateral with counterparties, and as such an appropriate pool of the asset types specified by counterparties must either be held or readily available.

The Company manages its banking relationships, capital raising activities, overall cash and liquidity position and the payment of dividends, with support from its ultimate holding company, Legal & General Group Plc's treasury function. The Company seeks to manage its corporate funds and liquidity requirements on a pooled basis and to ensure the Company maintains sufficient liquid assets and standby facilities to meet a prudent estimate of its net cash outflows. In addition, it ensures that, even under adverse conditions, the Company has access to the funds necessary.

Protection: Potential for liquidity risk within the Company's protection businesses may arise should the rate of claims diverge significantly from that anticipated, typically as a consequence of an extreme event.

The risk of being unable to settle claims as they fall due is actively managed with provision being made and cash pools maintained within investment portfolios for a prudent estimate of the potential claims that may arise from in-force business, taking account of extreme events. Such provisions are validated using stress tests. An RCF is provided by Legal & General Finance Plc, should the Company require additional cash to meet claims obligations (See Note 18 (ix)). The exposure to pandemic risk has been partially mitigated through an adverse mortality stop-loss reinsurance treaty with third parties.

Table 4 – Sensitivity analysis including funds withheld

Table 4 shows the impact on pre-tax profit and equity under each sensitivity scenario for the non-participating business.

	Impact on post-tax profit arising from financial assets (including funds withheld) 2023 £m	Impact on equity arising from financial assets (including funds withheld) 2023 £m	Impact on post-tax Profit arising from Insurance liabilities 2023 £m	Impact on equity arising from Insurance liabilities 2023 £m	Impact on post-tax profit 2023 £m	Impact on equity 2023 £m
Sensitivity test						
1% increase in annuitant mortality	–	–	(9)	(9)	(9)	(9)
1% decrease in annuitant mortality	–	–	9	9	9	9
5% increase in assurance mortality	–	–	2	2	2	2
100 bps increase in interest rates	(1,696)	(1,696)	1,565	1,565	(131)	(131)
50 bps decrease in interest rates	963	963	(902)	(902)	61	61
50 bps increase in future inflation expectations	572	572	(563)	(563)	9	9
Credit spread widens by 100 bps with no change in expected defaults	(1,265)	(1,265)	1,077	1,077	(188)	(188)
10% increase in maintenance expenses	–	–	2	2	2	2
15% rise in property values[1]	159	159	(10)	(10)	149	149
15% fall in property values[1]	(199)	(199)	35	35	(164)	(164)
25% rise in equity markets	25	25	–	–	25	25
25% fall in equity markets	(25)	(25)	–	–	(25)	(25)
10bps increase in credit default assumptions	–	–	(130)	(130)	(130)	(130)
10bps decrease in credit default assumptions	–	–	120	120	120	120
10% Depreciation against GBP - USD	3	3	(9)	(9)	(6)	(6)
10% Appreciation against GBP - USD	(3)	(3)	8	8	5	5
10% Depreciation against GBP - EUR	–	–	9	9	9	9
10% Appreciation against GBP - EUR	–	–	(7)	(7)	(7)	(7)

[1] The impact from residential and commercial properties is included.

22. Risk management and control (continued)

	Impact on post-tax profit arising from financial assets (including funds withheld) 2022 £m	Impact on equity arising from financial assets (including funds withheld) 2022 £m	Impact on post-tax Profit arising from Insurance liabilities 2022 £m	Impact on equity arising from Insurance liabilities 2022 £m	Impact on post-tax profit 2022 £m	Impact on equity 2022 £m
Sensitivity test						
1% increase in annuitant mortality	–	–	(12)	(12)	(12)	(12)
1% decrease in annuitant mortality	–	–	12	12	12	12
5% increase in assurance mortality	-	-	2	2	2	2
100 bps increase in interest rates	–	–	2	2	2	2
50 bps decrease in interest rates	(1,228)	(1,228)	1,256	1,256	28	28
50 bps increase in future inflation expectations	699	699	(717)	(717)	(18)	(18)
Credit spread widens by 100 bps with no change in expected defaults	412	412	(372)	(372)	41	41
10% increase in maintenance expenses	(1,196)	(1,196)	960	960	(237)	(237)
15% rise in property values[1]	38	38	-	-	38	38
15% fall in property values[1]	(38)	(38)	-	-	(38)	(38)
25% rise in equity markets	127	127	14	14	141	141
25% fall in equity markets	(150)	(150)	–	–	(150)	(150)
10bps increase in credit default assumptions	(3)	(3)	(114)	(114)	(117)	(117)
10bps decrease in credit default assumptions	3	3	108	108	111	111
10% Depreciation against GBP - USD	21	21	(8)	(8)	13	13
10% Appreciation against GBP - USD	(17)	(17)	7	7	(11)	(11)
10% Depreciation against GBP - EUR	1	1	-	-	1	1
10% Appreciation against GBP - EUR	(1)	(1)	-	-	(1)	(1)

[1] The impact from residential and commercial properties is included.

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The Company seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the Company asset and liability position. In calculating the alternative values, all other assumptions are left unchanged, though in practice, items may be correlated. The sensitivity of the profit to changes in assumptions may not be linear. They should not be extrapolated to changes of a much larger order.

Climate Change

Climate change impacts will emerge through risks that we are already exposed to, with the key existing risk exposures covered by the economic and non-economic sensitivities shown in this section. In addition, given the uncertain nature of the risks from climate change, and the lack of historical data to support decision making, a specific scenario testing approach over a longer term time horizon has been developed by the Group to manage the risks from climate change.

23. Subsequent events

There were no adjusting or non-adjusting subsequent events between 31 December 2023 and the approval of the report and accounts of the Company that require disclosure.