RSA INSURANCE GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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INTERIM MANAGEMENT REPORT
For the 6 month period ended 30 June 2021

RSA Insurance Group Limited (the Company), formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and 100% of the Company's ordinary share capital was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation (IFC)) on 1 June 2021. On 1 June 2021, the Company disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited), and these have been classified as discontinued operations (refer to note 5 for further information).

Principal activity
The principal activity of the Company, its subsidiaries and associates (together the Group or RSA) remains the transaction of insurance and related financial services predominantly in the United Kingdom, Ireland, Europe and Middle East.

Business review
The Group reports a profit before tax of **£4,308m** for the six month period to 30 June 2021 of which continuing operations contributed a loss before tax of **£(249)m** and discontinued operations a profit before tax of **£4,557m** (six month period to 30 June 2020: £11m and £200m profit before tax respectively).

On a continuing basis, profitable underwriting performance was impacted by specific accounting adjustments. These were in respect of reserve strengthening, primarily to align to IFC practices and to reflect heightened estimation uncertainty along with an increased level of reserve margin to reflect the methodology of IFC (refer to note 16 insurance contract liabilities) and **£(61)m** write-down of software assets (refer to note 10 goodwill and intangible assets). On the same continuing basis, losses before tax consisted of **£(143)m** underwriting losses (2020: £14m profit), **£57m** investment result (2020: £60m), **£(6)m** central costs (2020: £(3)m) and **£(157)m** of other charges (2020: £(60)m). Other charges were also hit by **£(104)m** of costs relating to the transaction and **£(16)m** of early redemption fees on the repayment of senior debt (within interest costs). Refer to note 6 operating segments for a full profit and loss breakdown.

Profit from discontinued operations before tax included a **£4,388m** gain on the disposal of the Group's operations in Scandinavia and Canada (refer to note 5 discontinued operations).

Net written premiums were **£2,898m** of which **£1,717m** were in respect of continuing operations and **£1,181m** from discontinued (2020: £1,446m and £1,689m respectively).

Net assets of the Group are **£2,799m** (2020: £4,730m).

Other important events that have occurred after the period end include the announcement on 22 July 2021 that Motability Operations Ltd intend to switch to another insurance provider upon completion of the existing contract with RSA in 18 months' time. No significant impact is anticipated in the 2021 financial results or financial position. Also, on 27 July 2021, the Group entered into a reinsurance contract for adverse development coverage which will reduce the potential volatility in the Group's claims liabilities. Refer to note 19 Events after the reporting period for more detail.

Related party transactions
The group received a capital injection from Regent Bidco Limited of **£1,021m** during the period and also declared a dividend in specie of **£6,914m**. Refer to note 18 for further information on all related party transactions.

Key performance indicators (KPIs)
The Group use both IFRS and non-IFRS financial measures (alternative performance measures (APMs)) to assess performance, including common insurance industry metrics, as well as measures that management and the Board consider are useful to enhance the understanding of its performance and allow meaningful comparisons between periods and business segments.

As the Group is now a wholly owned subsidiary with no publicly listed ordinary share capital, the KPIs reported by the Group have been reassessed and have subsequently reduced.

The KPIs most relevant to the financial performance of the Group are now as follows:

- **Net written premiums for continuing operations £1,717m** (2020: £1,446m): premiums incepted in the period, irrespective of whether they have been paid, less the amount shared with reinsurers. They represent how much premium the Group gets to keep for assuming risk. The Group targets growth - that is without compromising underwriting performance.
- **Underwriting result* for continuing operations £(143)m** (2020: £14m)**:** net earned premium less net claims and underwriting and policy acquisition costs. The Group aims to achieve an underwriting result that is as sustainably high as possible – that is without uncompetitive pricing or compromising reserves. The Group targets further improvements to its underwriting result.
- **(Loss)/profit before tax for continuing operations £(249)m** (2020: £11m): the Group seeks to maximise its profit before tax, which is a key statutory measure of the earnings of the Group.

*The underwriting result is an Alternative Performance Measure (APM). Refer to Appendix B for reconciliation to the nearest IFRS measure. A 'Jargon buster' can also be found on pages 181 to 183 of the RSA Insurance Group plc Annual Report and Accounts 2020.

Principal risks and uncertainties
Following the disposal of the Group's operations in Scandinavia and Canada, the principal risks and uncertainties of the Group have been reassessed. These are set out in note 4, risk and capital management.

CONDENSED CONSOLIDATED INCOME STATEMENT
STATUTORY BASIS
For the 6 month period ended 30 June 2021

	Note	(Unaudited) 6 months 30 June 2021 £m	Re-presented[1] (Unaudited) 6 months 30 June 2020 £m
Continuing operations			
Income			
Gross written premiums		**2,327**	1,979
Less: reinsurance written premiums		**(610)**	(533)
Net written premiums	**6**	**1,717**	1,446
Change in the gross provision for unearned premiums		**(155)**	33
Change in provision for unearned reinsurance premiums		**127**	43
Change in provision for net unearned premiums		**(28)**	76
Net earned premiums		**1,689**	1,522
Net investment return	**7**	**58**	39
Other operating income		**41**	47
Total income		**1,788**	1,608
Expenses			
Gross claims incurred		**(1,657)**	(1,245)
Less: claims recoveries from reinsurers		**430**	268
Net claims		**(1,227)**	(977)
Underwriting and policy acquisition costs		**(645)**	(576)
Unwind of discount		**(3)**	(3)
Other operating expenses		**(131)**	(26)
		(2,006)	(1,582)
Finance costs		**(31)**	(15)
(Loss)/profit before tax from continuing operations	**6**	**(249)**	11
Income tax expense	**8**	**(20)**	(1)
(Loss)/profit after tax from continuing operations		**(269)**	10
Profit from discontinued operations, net of tax	**5**	**4,528**	154
Profit for the period		**4,259**	164
Attributable to:			
Owners of the Parent Company from continuing operations		**(272)**	(2)
Owners of the Parent Company from discontinued operations		**4,528**	154
Total owners of the Parent Company		**4,256**	152
Non-controlling interests		**3**	12
		4,259	164

[1]Comparatives have been re-presented to show Scandinavia and Canada as discontinued operations. Refer to note 5 for further information.

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
STATUTORY BASIS
For the 6 month period ended 30 June 2021

	(Unaudited) 6 months 30 June 2021 £m	Re-presented[1] (Unaudited) 6 months 30 June 2020 £m
(Loss)/profit for the period from continuing operations	**(269)**	10
Profit for the period from discontinued operations	**4,528**	154
Profit for the period	**4,259**	164
Items from continuing operations that may be reclassified to the income statement:		

Exchange (losses)/gains net of tax on translation of foreign operations	**(19)**	27
Fair value (losses)/gains on available for sale financial assets net of tax	**(39)**	49
	(58)	76
Items from continuing operations that will not be reclassified to the income statement:		
Pension – remeasurement of defined benefit asset/liability net of tax	**(123)**	4
Other comprehensive (expense)/income for the period from continuing operations	**(181)**	80
Other comprehensive (expense)/income for the period from discontinued operations	**(129)**	76
Total other comprehensive (expense)/income for the period	**(310)**	156
Comprehensive (expense)/income for the period from continuing operations	**(450)**	90
Comprehensive income for the period from discontinued operations (note 5)	**4,399**	230
Total comprehensive income for the period	**3,949**	320
Attributable to:		
Owners of the Parent Company from continuing operations	**(450)**	64
Owners of the Parent Company from discontinued operations	**4,399**	230
Total owners of the Parent Company	**3,949**	294
Non-controlling interests	**-**	26
	3,949	320

[1]Comparatives have been re-presented to show Scandinavia and Canada as discontinued operations. Refer to note 5 for further information.

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
STATUTORY BASIS
For the 6 month period ended 30 June 2021

(Unaudited)

	Ordinary share capital £m	Ordinary share premium £m	Preference shares £m	Tier 1 notes £m	Revaluation reserves £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Equity attributable to owners of the Parent Company[2] £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2021	**1,035**	**1,095**	**125**	**297**	**371**	**389**	**20**	**1,232**	**4,564**	**166**	**4,730**
Total comprehensive income											
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,256**	**4,256**	**3**	**4,259**
Other comprehensive expense for the period	**-**	**-**	**-**	**-**	**(228)**	**-**	**32**	**(111)**	**(307)**	**(3)**	**(310)**
	-	**-**	**-**	**-**	**(228)**	**-**	**32**	**4,145**	**3,949**	**-**	**3,949**
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,926)**	**(6,926)**	**(10)**	**(6,936)**
Shares issued for cash	**1,023**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,030**	**-**	**1,030**
Share-based payments	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**28**	**-**	**28**
Transfers	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**(1)**	**-**	**-**	**-**
Capital reduction[1]	**(800)**	**(1,095)**	**-**	**-**	**-**	**(389)**	**-**	**2,284**	**-**	**-**	**-**
	234	**(1,088)**	**-**	**-**	**1**	**(389)**	**-**	**(4,626)**	**(5,868)**	**(10)**	**(5,878)**
Changes in shareholders' interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Total transactions with owners of the Group	**234**	**(1,088)**	**-**	**-**	**1**	**(389)**	**-**	**(4,626)**	**(5,868)**	**(12)**	**(5,880)**
Balance at 30 June 2021	**1,269**	**7**	**125**	**297**	**144**	**-**	**52**	**751**	**2,645**	**154**	**2,799**
Balance at 1 January 2020	1,032	1,090	125	297	259	389	(26)	1,003	4,169	173	4,342
Total comprehensive income											
Profit for the period	-	-	-	-	-	-	-	152	152	12	164
Other comprehensive income for the period	-	-	-	-	47	-	81	14	142	14	156
	-	-	-	-	47	-	81	166	294	26	320
Transactions with owners of the Group											
Contribution and distribution											
Dividends (note 9)	-	-	-	-	-	-	-	(12)	(12)	(5)	(17)
Shares issued for cash	1	2	-	-	-	-	-	-	3	-	3
Share-based payments	2	-	-	-	-	-	-	6	8	-	8
	3	2	-	-	-	-	-	(6)	(1)	(5)	(6)
Balance at 30 June 2020	1,035	1,092	125	297	306	389	55	1,163	4,462	194	4,656

[1] A reduction of the Company's share capital of £800m, share premium of £1,095m and capital redemption reserve of £389m was effected in June 2021 by special resolution supported by a solvency statement which resulted in the creation of distributable reserves of £2,284m

[2] Equity attributable to owners of the Parent Company was a new sub total at 31 December 2020 and includes Tier 1 notes. This has replaced the shareholders equity sub total disclosed in the 2020 interim financial statements, which did not include Tier 1 notes.

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
STATUTORY BASIS
As at 30 June 2021

	Note	(Unaudited) 30 June 2021 £m	(Audited) 31 December 2020 £m
Assets			
Goodwill and other intangible assets	**10**	**294**	868
Property and equipment		**116**	237
Investment property		**305**	285
Investments in associates		**-**	5
Financial assets	**11**	**5,038**	11,826
Total investments		**5,343**	12,116
Reinsurers' share of insurance contract liabilities	**16**	**2,446**	2,340
Insurance and reinsurance debtors		**1,926**	2,989
Deferred tax assets	**12**	**149**	199
Current tax assets		**3**	23
Other debtors and other assets		**693**	840
Other assets		**845**	1,062
Cash and cash equivalents	**13**	**1,114**	1,094
Total assets		**12,084**	20,706
Equity and liabilities			
Equity			
Equity attributable to owners of the Parent Company		**2,645**	4,564
Non-controlling interests		**154**	166
Total equity		**2,799**	4,730
Liabilities			
Issued debt	**15**	**403**	751
Insurance contract liabilities	**16**	**7,200**	12,614
Insurance and reinsurance liabilities		**907**	932
Borrowings		**13**	132
Deferred tax liabilities	**12**	**-**	105
Current tax liabilities		**8**	40
Provisions		**72**	172
Other liabilities		**682**	1,230
Provisions and other liabilities		**762**	1,547
Total liabilities		**9,285**	15,976
Total equity and liabilities		**12,084**	20,706

The following explanatory notes form an integral part of these condensed consolidated financial statements.

The condensed financial statements were approved on 3 August 2021 by the Board of Directors and are signed on its behalf by:

Charlotte Jones
Group Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
STATUTORY BASIS

For the 6 month period ended 30 June 2021

	Note	(Unaudited) 6 months 30 June 2021 £m	(Unaudited) 6 months 30 June 2020 £m
Cash flows from operating activities			
Cash generated from operating activities	**21**	**289**	8

Tax paid		**(93)**	(51)
Net cash flows from operating activities		**196**	(43)
Cash flows from investing activities			
Proceeds from sales or maturities of:			
Financial assets		**1,115**	1,560
Subsidiaries and associates (net of cash disposed of)		**6,559**	-
Purchase of:			
Financial assets		**(1,411)**	(1,364)
Property and equipment		**(8)**	(10)
Intangible assets		**(53)**	(54)
Subsidiaries		**(1)**	-
Net cash flows from investing activities		**6,201**	132
Cash flows from financing activities			
Proceeds from issue of share capital		**1,029**	3
Dividends paid to ordinary shareholders	**9**	**(6,914)**	-
Coupon payment on Tier 1 notes		**(7)**	(7)
Dividends paid to preference shareholders		**(5)**	(5)
Dividends paid to non-controlling interests		**(10)**	(5)
Redemption of debt instruments		**(350)**	-
Payment of lease liabilities		**(17)**	(21)
Movement in other borrowings		**(71)**	(42)
Interest paid		**(24)**	(4)
Net cash flows from financing activities		**(6,369)**	(81)
Net increase in cash and cash equivalents		**28**	8
Cash and cash equivalents at beginning of the period		**1,083**	886
Effect of exchange rate changes on cash and cash equivalents		**(10)**	27
Cash and cash equivalents at end of the period	**13**	**1,101**	921

The following explanatory notes form an integral part of these condensed consolidated financial statements.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

RSA Insurance Group Limited (the Company), formerly RSA Insurance Group plc, was re-registered as a private limited company on 26 May 2021 and the Company's ordinary share capital was purchased by Regent Bidco Limited (a wholly owned subsidiary of Intact Financial Corporation) on 1 June 2021 (the acquisition). The company is incorporated and domiciled in England and Wales and, through its subsidiaries and associates (together the Group or RSA), provides personal and commercial insurance products to its global customer base, principally in the UK, Ireland, Europe and Middle East. On 1 June 2021, the Group disposed of its operations in Scandinavia (Codan A/S) and Canada (Roins Holdings Limited), and these have been classified as discontinued operations (refer to note 5 for further information).

1. BASIS OF PREPARATION

The annual financial statements were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the next annual financial statements will be prepared in accordance with UK-adopted International Accounting Standards. The condensed consolidated financial information in this half-yearly financial report has been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' (IAS 34).

The condensed consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for the next twelve months and beyond. The Board's assessment included the review of Group's strategic plans and latest forecasts, capital position and liquidity including on demand capital funding arrangements with Intact Financial Corporation. These assessments include stress and scenario testing and consider significant areas of risk and uncertainty for the Group in the current challenging economic environment. Scenarios considered include the impacts and uncertainty as a result of the COVID-19 pandemic and the transition to a post Brexit environment. In making their assessment, the Board have reviewed the latest position on business interruption losses and availability of reinsurance to recover incurred claims and there have been no significant changes. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the condensed consolidated statement of financial position and the approval of the condensed consolidated financial statements.

These condensed consolidated financial statements have been prepared by applying the accounting policies used in the 2020 Annual Report and Accounts (see note 5 and Appendix A therein), with the addition of the following discontinued operations accounting policy.

Discontinued operations accounting policy

A discontinued operation is a component of the Group that has been disposed of and represents a separate major line of business or geographical area of operation.

The profit from discontinued operations is shown separately on the face of the consolidated income statement as a single amount. It comprises the profit or loss after tax from discontinued operations together with the gain or loss after tax recognised on disposal. Further information can be found in note 5.

In the period in which an operation is first classified as discontinued, the consolidated income statement and consolidated statement of other comprehensive income for the comparative prior period is re-presented to present those operations as discontinued.

Where intragroup arrangements between continuing and discontinued operations continue after the point of disposal, the continuing operations are presented as if the income/expense had always been an external party, with the result of the discontinued operation being reduced to offset. Where the arrangement ceased at the point of disposal the income/expense of the continuing operation in relation to the arrangement with the discontinued operation is eliminated.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these condensed consolidated financial statements, management has made judgements and calculated estimates in accordance with the Group's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant estimates described below, including the underlying estimation techniques and assumptions, remain consistent with those reported in the 2020 Annual Report and Accounts (see note 2 for more information). These estimates have been reviewed following the disposals of the Group's operations in Scandinavia and Canada, and any changes as a result of this have been disclosed below or in the relevant note.

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the claim events that have occurred but remain unsettled at the end of the reporting period. Refer to note 16 of this interim report and note 39 of the 2020 Annual Report and Accounts for additional information.
- Measurement of defined benefit obligations: key actuarial assumptions. Refer to note 17 of this interim report and note 41 of the 2020 Annual Report and Accounts.
- Recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised. Forecast future taxable profits include the potential impact of COVID-19 and are based on the continuing Group composition following the disposals of the Canadian and Scandinavian operations. Refer to note 12 of this interim report and note 31 of the 2020 Annual Report and Accounts for additional information.
- Valuation of level 3 financial assets and investment properties: use of significant unobservable inputs. The continued economic uncertainty means that asset valuation techniques that rely on unobservable inputs have a greater degree of estimation uncertainty. Refer to note 11 of this interim report for additional information.
- Measurement and impairment of goodwill and intangible assets: key assumptions applied in the valuation of the recoverable amount and the estimation of useful economic life. The value in use calculations are based on management's latest operational plans, which include the potential impact of COVID-19 and are based on the continuing Group composition following the disposals of the Canadian and Scandinavian operations, and considering both RSA, and Intact Financial Corporation management future intent. Refer to note 10 of this interim report and note 23 of the 2020 Annual Report and Accounts for additional information.

The areas where management has applied judgement are as follows:

- Classification of financial assets in fair value hierarchy: management apply judgement when deciding to classify financial instruments for which immediate prices are available as being level 1 in the fair value hierarchy and financial assets for which observable prices are also available as level 2 on the basis of a lower level of activity in the market from which those prices are quoted. Refer to note 11 for additional information.
- Impairment of financial assets: determining if there is objective evidence of impairment requires judgement and, in the 6 months to 30 June 2021, **£2m** of impairments have been recognised on a continuing basis (6 months to 30 June 2020: £2m) (note 7). The value of unrealised losses in the revaluation reserve at 30 June 2021 is **£13m** (31 December 2020: £84m).
- Valuation of intangible assets: determining if there is evidence of impairment requires judgement and in the 6 months to 30 June 2021, **£61m** of internally generated software assets not yet available for use were written down (6 months to 30 June 2020: £nil). Refer to note 10 of this interim report for more information.
- Valuation of insurance contract liabilities: management continually monitors claims experience, key assumptions and estimation techniques to determine best estimate provisions. As a result of management's review given the current uncertain economic environment and in alignment with IFC practices, reserves have been strengthened and additional margin is held. Refer to note 16 for additional information.
- Recognition of deferred tax assets: management apply judgement in the application of contingency on the estimation of future forecast taxable profits in determining the value of deferred tax asset to be recognised. Following the acquisition, the UK profit forecasts have been updated to reflect the latest view of taxable profits. A number of transactions post acquisition and a higher DTA contingency have reduced forecast UK taxable profits and have resulted in a **£83m** reduction in the UK deferred tax asset at 30 June 2021. This impact was offset by the effect of the UK tax rate increase on the UK deferred tax asset (**£49m**). Refer to note 12 of this interim report for additional information on these changes.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Transition from EU-adopted IAS to UK-adopted IAS

Following the end of the Brexit Transition Period, SI 2019/685 brought the International Accounting Standards (IAS) already endorsed in the EU into UK law as ‘UK-adopted international accounting standards’. The Group has applied UK-adopted IAS from 1 January 2021. As there are no changes when applying UK-adopted IAS, there has not been an impact on the Group with the exception of the following narrow scope amendments:

Extension of the Temporary Exemption from Applying IFRS 9

IFRS 9 has been issued to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39). IFRS 4 ‘Insurance Contracts’ (IFRS 4) permits an insurance company that meets the criteria a temporary exemption from applying IFRS 9 and continue to apply IAS 39. The exemption has been extended by two years to annual periods beginning before 1 January 2023.

The Group meets the criteria and has elected to defer the application of IFRS 9 to the reporting period beginning on 1 January 2023, alongside IFRS 17.

Other standards

Other amendments to UK-adopted IAS became mandatory as of 1 January 2021. The Group has evaluated these changes, none of which have had a significant impact on the condensed consolidated financial statements.

RISK AND CAPITAL MANAGEMENT

4. RISK AND CAPITAL MANAGEMENT

Risk management

Following the disposals of the Group's operations in Scandinavia and Canada, the Group's exposures to certain risks arising from its financial instruments have materially changed as at 30 June 2021 and the updated positions have been set out below.

Except for the quantitative impact of the disposals on exposures, the Group's principal risks and uncertainties are broadly consistent with those reported in the 2020 Annual Report & Accounts. Where there have been any changes since those last reported updates have been included in the relevant sections.

Risk and capital management information can be found in note 6 on pages 114 to 122 of the 2020 Annual Report & Accounts.

Insurance risk - reserving risk

There is a risk to the Group from the inherent uncertainty in estimating provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. This is especially true due to the heightened uncertainty arising through 2020 and 2021 as the direct and indirect impacts of the COVID-19 pandemic evolve. There is also uncertainty in the level of future costs of handling and settling the outstanding claims.

The Group seeks to reduce its reserving risk through the use of experienced, regional actuaries who estimate the actuarial indication of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. This information is used by local reserving committees to recommend to the newly established UK&I Reserving Committee (formed to replace the former RSA Group Reserving Committee further to the acquisition) the appropriate level of reserves for each region. This will include adding a margin onto the actuarial indication as a provision for unforeseen developments such as future claims patterns differing from historical experience, future legislative changes and the emergence of latent exposures. The UK&I Reserving Committee reviews these local submissions and recommends the final level of reserves to be held by the Group. The UK&I Reserving Committee is chaired by the UK&I Chief Financial Officer and includes the UK&I Chief Executive, UK&I Underwriting Director, UK&I Claims Director, Managing Directors for key business units, UK&I Chief Actuary and UK&I Chief Risk Officer. A similar committee has been established in each of the UK&I's primary operating segments. The UK&I Reserving Committee monitors the decisions and judgements made by the business units as to the level of reserves to be held. It then recommends to the Group Board via the Group Audit Committee the final decision on the level of reserves to be included within the consolidated financial statements. In forming its collective judgement, the committee considers the following information:

- The actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. These risks and developments include: the possibility of future legislative change having a retrospective effect on open claims or changes in interpretation or regulatory application of existing legislation; changes in claims settlement practice or procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim arising either from changes in business mix, or, such as disease claims emerging from historical business; general uncertainty in the claims environment and emerging claims trends; the emergence of latent exposures; the outcome of litigation on claims received; failure to recover reinsurance as we expect and unanticipated changes in claims inflation.
- How previous actuarial indications have developed as claims experience has evolved.
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers.
- The outcome from independent assurance reviews performed by both external actuarial consultants and the Intact Financial Corporation Group Actuarial Function to assess the reasonableness of regional actuarial indication estimates.
- Emerging trends where COVID-19 has caused changes in experience along with analysis to demonstrate the impact on reserving estimates. Some areas such as business interruption have observed direct claims, whereas other lines have seen indirect changes in policyholder behaviour such as reduced motor frequency during lockdown which can change the mix of claims.
- Changes in the external claims environment in areas such as legal and medical activities which impact the speed of claims development. The distortions in data caused by the various issues means identification of trends is more difficult than normal. Claims experience may exhibit different characteristics and runoff trends compared to historic experience, resulting in increased uncertainty relating to actuarial indications of ultimate losses.
- COVID-19 claims experience, which continues to be monitored closely and the Group is engaging with its reinsurers as payment and settlement activity grows following the increased clarity brought by the Supreme Court judgement on 15 January 2021. Whilst experience has tracked in line with the Groups expectations to this stage, it is still relatively early in the process. Many key areas of uncertainty remain such as the value of eligible claims and the extent to which reinsurance will ultimately respond compared to how the Group expects. It may take many months before clarity increases on these gross and reinsurance uncertainties as claims details and consideration of these evolve.

- Given the COVID-19 pandemic and other changes such as Brexit, there is considerable uncertainty in the economic environment through 2021 and beyond, and the potential impacts any changes in the economic environment could have on claims costs, such as inflationary pressure. This is a key uncertainty that is monitored by Reserving Committee with sensitivity testing to monitor, assess and understand potential impacts should the risks manifest.

As a result of the disposal of Codan A/S on 1 June 2021, the Group is no longer exposed to very long-tail liabilities in Scandinavia that are closely tied to the economic, legislative and social environment. The relevant classes of business that fell into this category were Denmark Workers Compensation, Swedish Personal Accident, and Swedish Motor annuities. Selling these liabilities has materially reduced the Group's exposure to this type of risk.

Credit risk

The Group's largest reinsurance exposures to active reinsurance groups are Berkshire Hathaway, Lloyd's of London and Talanx. At 30 June 2021 the reinsurance asset recoverable from these groups does not exceed 8.5% (31 December 2020: 3.9%) of the Group's total financial assets. Stress tests are performed by reinsurer counterparty and the limits are set such that in a catastrophic event, the exposure to a single reinsurer is estimated not to exceed 14.9% (31 December 2020: 6.3%) of the Group's total financial assets.

The credit profile of the Group's assets exposed to credit risk is shown below. The credit rating bands are provided by independent rating agencies. The table below sets out the Group's aggregated credit risk exposure for its financial and insurance assets.

As at 30 June 2021

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total financial assets that are neither past due nor impaired £m
Debt securities	706	1,253	1,456	1,042	173	-	4,630
Of which would qualify as solely for payment of principal and interest (SPPI) under IFRS 9[1]	706	1,234	1,400	938	75	-	4,353
Loans and receivables[2]	3	-	59	193	27	-	282
Reinsurers' share of insurance contract liabilities	-	619	1,711	60	37	19	2,446
Insurance and reinsurance debtors[3]	-	19	926	28	37	820	1,830
Derivative assets	-	-	61	-	-	-	61
Other debtors	-	-	8	8	-	82	98
Cash and cash equivalents	791	2	291	4	4	22	1,114

[1] The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value.
[2] Loans and receivables are measured using amortised cost and their carrying amounts are considered to be as approximate fair values.
[3] The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment isn't received in accordance with agreed credit terms.

As at 31 December 2020

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA	AA	A	BBB	<BBB	Not rated	Total financial assets that are neither past due nor impaired
	£m	£m	£m	£m	£m	£m	£m
Debt securities	4,978	2,026	2,295	1,288	107	4	10,698
Of which would qualify as SPPI under IFRS 9[1]	4,977	2,006	2,065	1,159	91	4	10,302
Loans and receivables[2]	64	-	59	274	27	5	429
Reinsurers' share of insurance contract liabilities	-	670	1,554	58	34	21	2,337
Insurance and reinsurance debtors[3]	-	12	928	50	49	1,803	2,842
Derivative assets	-	1	15	78	-	31	125
Other debtors	-	-	21	17	-	140	178
Cash and cash equivalents	447	207	343	77	4	16	1,094

[1] The debt securities meeting SPPI criteria under IFRS 9 which are below investment grade are stated under IAS 39 at fair value.
[2] Loans and receivables are measured using amortised cost and their carrying amounts are considered to be as approximate fair values.
[3] The insurance and reinsurance debtors classified as not rated comprise personal policyholders and small corporate customers that do not have individual credit ratings. Credit risk of this balance is managed through close monitoring of ageing profiles and cover can be cancelled if payment isn't received in accordance with agreed credit terms.

With the exception of government debt securities, the largest single aggregate credit exposure does not exceed 3% (31 December 2020: 2%) of the Group's total financial assets.

Ageing of financial assets that are past due but not impaired

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired, excluding those assets that have been classified as held for sale.

As at 30 June 2021

			Financial assets that are past due but not impaired						
		Neither past due nor impaired	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Financial assets that have been impaired**	**Carrying value in the statement of financial position**	**Impairment losses charged/(reversed) to the income statement during the period**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Debt securities	11	**4,630**	**-**	**-**	**-**	**-**	**-**	**4,630**	**-**
Loans and receivables	11	**282**	**-**	**-**	**-**	**-**	**-**	**282**	**-**
Reinsurers' share of insurance contract liabilities	16	**2,446**	**-**	**-**	**-**	**-**	**-**	**2,446**	**-**
Insurance and reinsurance debtors[1]		**1,830**	**57**	**15**	**9**	**3**	**12**	**1,926**	**7**
Derivative assets		**61**	**-**	**-**	**-**	**-**	**-**	**61**	**-**
Other debtors		**98**	**1**	**2**	**1**	**1**	**-**	**103**	**-**
Cash and cash equivalents	13	**1,114**	**-**	**-**	**-**	**-**	**-**	**1,114**	**-**

[1] Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience.

As at 31 December 2020

	Note	Neither past due nor impaired	Financial assets that are past due but not impaired: Up to three months	Three to six months	Six months to one year	Greater than one year	Financial assets that have been impaired	Carrying value in the statement of financial position	Impairment losses charged/(reversed) to the income statement during the period
		£m	£m	£m	£m	£m	£m	£m	£m
Debt securities	11	10,698	-	-	-	-	26	10,724	8
Loans and receivables	11	429	-	-	-	-	-	429	-
Reinsurers' share of insurance contract liabilities	16	2,337	-	-	-	-	3	2,340	-
Insurance and reinsurance debtors[1, 2]		2,842	81	21	17	5	23	2,989	19
Derivative assets		125	-	-	-	-	-	125	-
Other debtors		178	2	2	3	-	-	185	-
Cash and cash equivalents	13	1,094	-	-	-	-	-	1,094	-

[1] Debtors with similar credit risk characteristics are collectively assessed for impairment with provisions being made based on past experience.
[2] Included within impairment losses charged in the period is a £10m write off in relation to aged debtors in Sweden.

Market risk

Market risk for the Group can be broken down into three key components:

i. Equity risk

At 30 June 2021 the Group held investments classified as AFS equity securities of **£126m** (31 December 2020: £673m). These include interests in structured entities and other investments where the price risk arises from interest rate risk rather than from equity market price risk. The Group considers that within AFS equity securities, investments with a fair value of **£1m** (31 December 2020: £190m) may be more affected by equity index market price risk than by interest rate risk. The significant reduction in exposure to equity index market price risk is due to the disposals of the Group's operations in Scandinavia and Canada. On this basis a 15% fall in the value of equity index prices would result in the recognition of losses of **£nil** (2020: £29m) in other comprehensive income.

This analysis assumes that all other assets and liabilities remain unchanged and that no management action is taken. This analysis does not represent management's view of future market change, but reflects management's view of key sensitivities.

This analysis is presented gross of the corresponding tax credits/(charges).

ii. Interest rate risk

Given the composition of the Group's investments as at 30 June 2021, the table below illustrates the impact to the income statement and other comprehensive income of a hypothetical 100bps change in interest rates on fixed income securities and cash that are subject to interest rate risk.

Changes in the income statement and other comprehensive income (OCI):

	Increase in income statement		**Decrease in other comprehensive income**	
As at:	**1 July 2021**	1 January 2021	**1 July 2021**	1 January 2021
	£m	£m	**£m**	£m
Increase in interest rate markets:				
Impact on fixed income securities and cash of an increase in interest rates of 100bps	**11**	22	**(149)**	(440)

The Group principally manages interest rate risk by holding investment assets (predominantly fixed income) that generate cash flows which broadly match the duration of expected claim settlements and other associated costs.

The sensitivity of the fixed interest securities of the Group has been modelled by reference to a reasonable approximation of the average interest rate sensitivity of the investments held within each of the portfolios. The effect of movement in interest rates is reflected as a one time rise of 100bps on 1 July 2021 and 1 January 2021 on the following year's income statement and other comprehensive income. The impact of an increase in interest rates on the fair value of fixed income securities that would be initially recognised in OCI will reduce over time as the maturity date approaches.

iii. Currency risk

The sale of the Canadian and Scandinavian subsidiaries on 1 June 2021 has simplified the structural currency exposure of the Group, noting the remaining material subsidiaries are exclusively denominated in EUR or USD.

At 30 June 2021, the Group's equity attributable to owners of the Parent Company deployed by currency was:

	Pounds Sterling	**Euro**	**United States Dollar[1]**	**Other[2]**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Equity attributable to owners of the Parent Company at 30 June 2021	**2,354**	**105**	**193**	**(7)**	**2,645**
Equity attributable to owners of the Parent Company at 31 December 2020	2,579	335	204	1,446	4,564

[1] United States Dollar equity includes equity denominated in Bahraini Dinar, Omani Rihal, Saudi Arabian Riyal and UAE Dirham, currencies which are pegged to the United States Dollar.

[2] Other as at 31 December 2020 includes the Danish Krone, Swedish Krona and Canadian Dollar equity in respect of the subsidiaries disposed of.

Equity attributable to owners of the Parent Company is stated after taking account of the effect of currency forward contracts, swaps and foreign exchange options. Hedging arrangements in place to manage the structural currency risk related to the Group's operations in Scandinavia and Canada have been closed out following the disposals on 1 June 2021.

The table below illustrates the impact of a hypothetical 10% change in Euro or US Dollar exchange rates on equity attributable to owners of the Parent Company when retranslating into sterling.

Movement in equity attributable to owners of the Parent Company at:

	30 June 2021	31 December 2020
	£m	£m
10% strengthening in Pounds Sterling against Euro	**(10)**	(30)
10% weakening in Pounds Sterling against Euro	**12**	37
10% strengthening in Pounds Sterling against US Dollar	**(18)**	(19)
10% weakening in Pounds Sterling against US Dollar	**21**	23

Changes arising from the retranslation of foreign subsidiaries' net asset positions from their primary currencies into Sterling are taken through the foreign currency translation reserve and so consequently these movements in exchange rates have no impact on profit or loss.

Liquidity risk

The following table summarises the contractual repricing or maturity dates, whichever is earlier. Provision for losses and loss adjustment expenses are presented and are analysed by remaining estimated duration until settlement.

As at 30 June 2021

	Note	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Subordinated guaranteed US$ bonds[1]	15	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**7**	**6**
Guaranteed subordinated notes due 2045[1]	15	**-**	**-**	**-**	**-**	**400**	**-**	**-**	**400**	**397**
Provisions for losses and loss adjustment expenses	16	**2,183**	**981**	**590**	**317**	**202**	**443**	**499**	**5,215**	**5,215**
Direct insurance creditors		**72**	**1**	**-**	**-**	**-**	**-**	**-**	**73**	**73**
Reinsurance creditors		**570**	**198**	**66**	**-**	**-**	**-**	**-**	**834**	**834**
Borrowings		**13**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13**
Deposits received from reinsurers		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative liabilities		**12**	**-**	**-**	**4**	**1**	**1**	**60**	**78**	**78**
Lease liabilities[1]		**13**	**15**	**11**	**11**	**9**	**24**	**12**	**95**	**84**
Total		**2,863**	**1,195**	**667**	**332**	**612**	**475**	**571**	**6,715**	**6,700**
Interest on bonds and notes		**21**	**21**	**21**	**21**	**6**	**2**	**-**	**92**	

[1]Maturity profile shown on an undiscounted basis

As at 31 December 2020

	Note	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
		£m	£m	£m	£m	£m	£m	£m		£m
Subordinated guaranteed US$ bonds[1]	15	-	-	-	-	-	7	-	7	6
Senior notes due 2024[1]	15	-	-	-	350	-	-	-	350	348
Guaranteed subordinated notes due 2045[1]	15	-	-	-	-	400	-	-	400	397
Provisions for losses and loss adjustment expenses	16	3,106	1,885	1,108	721	492	1,088	979	9,379	9,379
Direct insurance creditors		121	-	-	-	-	-	-	121	121
Reinsurance creditors		537	201	73	-	-	-	-	811	811
Borrowings		132	-	-	-	-	-	-	132	132
Deposits received from reinsurers		8	-	-	-	-	-	-	8	8
Derivative liabilities		32	-	-	2	4	2	105	145	145
Lease liabilities[1]		39	35	30	25	22	51	29	231	204
Total		3,975	2,121	1,211	1,098	918	1,148	1,113	11,584	11,551
Interest on bonds and notes		27	27	27	27	17	2	-	127	

[1]Maturity profile shown on an undiscounted basis

The above maturity analysis is presented on a discounted basis, with the exception of issued debt and lease liabilities, for consistency with the consolidated statement of financial position and supporting notes.

The capital and interest payable on the bonds and notes have been included until the earliest dates on which the Group has the option to call the instruments and the interest rates are reset.

Capital management

Following the acquisition of the Group by Regent Bidco Limited on 1 June 2021, the Company is no longer a regulated entity, however its principal operating subsidiary, Royal & Sun Alliance Insurance Limited (RSAI) is deemed to be equivalent from a risk perspective and therefore is covered within the capital management section.

It is a key regulatory requirement that RSAI maintains sufficient capital to support its exposure to risk. Accordingly, RSAI's capital management strategy is closely linked to its monitoring and management of risk. RSAI's capital objectives consist of striking the right balance between the need to support claims liabilities and ensure the confidence of policyholders, exposure to other risks, support competitive pricing strategies, meet regulatory capital requirements, and providing adequate returns for its shareholder.

RSAI's overall capital position is primarily comprised of shareholders' equity and subordinated loan capital and aims to maximise shareholder value, while maintaining financial strength and adequate regulatory capital. In addition RSAI aims to hold sufficient capital so as to maintain its single 'A' credit rating.

RSAI holds an appropriate level of capital to satisfy all applicable regulations. Compliance with regulatory requirements is embedded within the Board Risk Committee mandate, for the protection of RSAI's policyholders and the continuation of the RSAI's ability to underwrite.

Regulatory solvency position

RSAI operates a Prudential Regulation Authority (PRA) approved Solvency II Internal Model which forms the basis of the primary Solvency II solvency capital ratio (SCR) measure. The internal model is used to support, inform and improve RSAI's decision making. It is used to inform RSAI's optimum capital structure, its investment strategy, its reinsurance programme and target returns for each portfolio.

As at 30 June 2021, RSAI's estimated coverage of its Solvency II SCR is approximately 1.6 times (31 December 2020: 2.0 times).

SIGNIFICANT TRANSACTIONS AND EVENTS

5. DISCONTINUED OPERATIONS

On 1 June 2021, the Group disposed of its operations in Scandinavia and Canada. These have been classified as discontinued operations in the consolidated income statement and consolidated statement of comprehensive income, and the comparatives have been re-presented on this basis.

Income statement of discontinued operations
For the 6 month period ended 30 June 2021

	6 months 30 June 2021 £m	6 months 30 June 2020 £m
Income		
Gross written premiums	**1,269**	1,773
Less: reinsurance written premiums	**(88)**	(84)
Net written premiums	**1,181**	1,689
Change in the gross provision for unearned premiums	**(97)**	(160)
Change in provision for unearned reinsurance premiums	**39**	33
Change in provision for net unearned premiums	**(58)**	(127)
Net earned premiums	**1,123**	1,562
Net investment return	**65**	38
Other operating income	**15**	24
Total income	**1,203**	1,624
Expenses		
Gross claims incurred	**(711)**	(1,017)
Less: claims recoveries from reinsurers	**2**	3
Net claims	**(709)**	(1,014)
Underwriting and policy acquisition costs	**(297)**	(375)
Unwind of discount and change in economic assumptions	**(10)**	(20)
Other operating expenses	**(19)**	(13)
	(1,035)	(1,422)
Finance costs	**(1)**	(2)
Gain on disposal of business	**2**	-
Profit before tax from operating activities	**169**	200
Income tax expense	**(29)**	(46)
Profit after tax from operating activities	**140**	154
Gain on disposal of discontinued operation	**4,388**	-
Profit after tax from discontinued operation	**4,528**	154
Attributable to:		
Owners of the Parent Company	**4,528**	154
Non-controlling interests	**-**	-
	4,528	154

Statement of comprehensive income of discontinued operations
For the 6 month period ended 30 June 2021

	6 months 30 June 2021 £m	6 months 30 June 2020 £m
Profit for the period	**4,528**	154
Items that may be reclassified to the income statement:		
Exchange gains net of tax on translation of foreign operations	**42**	79
Fair value losses on available for sale financial assets net of tax	**(183)**	(13)
	(141)	66
Items that will not be reclassified to the income statement:		
Pension – remeasurement of defined benefit asset/liability net of tax	**12**	10
Total other comprehensive (expense)/income for the period	**(129)**	76
Total comprehensive income for the period	**4,399**	230
Attributable to:		
Owners of the Parent Company	**4,399**	230
Non-controlling interests	**-**	-
	4,399	230

Cash flows from discontinued operations
For the 6 month period ended 30 June 2021

	6 months 30 June 2021 £m	6 months 30 June 2020 £m
Net cash flows from operating activities	**54**	187
Net cash flows from investing activities	**6,562**	(25)
Net cash flows from financing activities	**(81)**	(115)
Net increase in cash and cash equivalents	**6,535**	**47**

Gain on disposal of discontinued operations

	30 June 2021 £m
Consideration	**6,913**
Net assets disposed of:	
Goodwill and other intangible assets	**521**
Property and equipment	**123**
Investments in associates	**4**
Financial assets	**6,603**
Reinsurers' share of insurance contract liabilities	**1,073**
Insurance and reinsurance debtors	**1,194**
Deferred tax assets	**18**
Current tax assets	**47**
Other debtors and other assets	**182**
Cash and cash equivalents	**357**
Total assets	**10,122**
Insurance contract liabilities	**6,659**
Insurance and reinsurance liabilities	**159**
Borrowings	**46**
Deferred tax liabilities	**79**
Current tax liabilities	**16**
Provisions	**91**
Other liabilities	**500**
Total liabilities	**7,550**
Total net assets disposed of	**2,572**
Net assets disposed of attributable to non-controlling interests	**2**
Net assets disposed of attributable to owners of the Parent Company	**2,570**
Gain on disposal of discontinued operation before recycling of items from other comprehensive income	**4,343**
Gains/(losses) recycled to income statement:	
Fair value gains on available for sale financial assets	**114**
Exchange losses on translation of foreign operations	**(69)**
Total gains recycled to income statement	**45**
Gain on disposal of discontinued operation	**4,388**

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT, CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND DIVIDENDS

6. OPERATING SEGMENTS

The Group's primary operating segments comprise UK, International and Central Functions. Canada and Scandinavia are shown as discontinued operations following the disposal of these operations. The primary operating segments are based on geography and are all engaged in providing personal and commercial general insurance services. International comprises of all other operating segments based in Middle East, Ireland, and Europe, which individually do not meet the criteria of a reportable segment. Central Functions include the Group's internal reinsurance function and Group Corporate Centre.

The basis of the segmental disclosure has been reassessed following the acquisition of the Group and the disposal of the Group's operations in Scandinavia and Canada, with UK and International now shown separately.

Each operating segment is managed by individuals who are accountable to the Group Chief Executive and the Group Board of Directors, who together are considered to be the chief operating decision maker in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets.

As explained in note 1, where intragroup arrangements between continuing and discontinued operations continue after the disposal, the continuing operations are presented as if the income/expense had always been an external party, with the result of the discontinued operation being reduced to offset.

Assessing segment performance

The Group uses the following key measures to assess the performance of its operating segments:
- Net written premiums
- Underwriting result

Net written premiums are the key measure of revenue used in internal reporting.

Underwriting result is the key internal measure of profitability of the operating segments.

Underwriting result and business operating result are Alternative Performance Measures (APMs). Refer to Appendix B for a reconciliation to the nearest IFRS measure. A 'Jargon buster' can also be found on pages 181 to 183 of the RSA Insurance Group plc Annual Report and Accounts 2020.

Transfers or transactions between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Segment revenue and results

Period ended 30 June 2021

	UK	International	Central Functions	Total continuing operations	Discontinued operations	Total Group
	£m	£m	£m	£m	£m	£m
Net written premiums	**952**	**363**	**402**	**1,717**	**1,181**	**2,898**
Underwriting result[2]	**(143)**	**27**	**(27)**	**(143)**	**134**	**(9)**
Investment result				**57**	**37**	**94**
Central costs and other activities				**(6)**	**-**	**(6)**
Business operating result (management basis)				**(92)**	**171**	**79**
Realised (losses)/gains				**(7)**	**9**	**2**
Unrealised (losses)/gains, impairments and foreign exchange				**(16)**	**2**	**(14)**
Interest costs				**(31)**	**(1)**	**(32)**
Amortisation of intangible assets				**-**	**(2)**	**(2)**
Pension net interest and administration costs (note 17)				**1**	**(1)**	**-**
Transaction costs[1]				**(104)**	**(11)**	**(115)**
Gain on disposal of business				**-**	**4,390**	**4,390**
Profit before tax				**(249)**	**4,557**	**4,308**
Tax on operations				**(20)**	**(29)**	**(49)**
Profit after tax				**(269)**	**4,528**	**4,259**

[1] Transaction costs relate to central costs incurred in relation to the acquisition of the Group.

[2] A profitable UK underwriting result has been offset by the impacts of reserve strengthening in aligning to IFC practices and due to heightened uncertainty and an increased level of reserve margin to reflect the methodology of IFC (note 16) and **£(61)m** write down of internally generated software (note 10).

Period ended 30 June 2020

	Re-presented[1] UK	International	Central Functions	Total continuing operations	Discontinued operations	Total Group
	£m	£m	£m	£m	£m	£m
Net written premiums	926	365	155	1,446	1,689	3,135
Underwriting result	6	50	(42)	14	193	207
Investment result				60	52	112
Central costs and other activities				(3)	-	(3)
Business operating result (management basis)				71	245	316
Realised (losses)/gains				(4)	3	(1)
Unrealised losses, impairments and foreign exchange				(24)	(27)	(51)
Interest costs				(15)	(2)	(17)
Amortisation of intangible assets				(1)	(5)	(6)
Impairment of goodwill				-	(5)	(5)
Pension net interest and administration costs				2	(1)	1
Reorganisation costs				(18)	-	(18)
Changes in economic assumptions				-	(8)	(8)
Profit before tax				11	200	211
Tax on operations				(1)	(46)	(47)
Profit after tax				10	154	164

[1]Comparatives have been re-presented to show Scandinavia and Canada as discontinued operations (see note 5 for further information) and for the new segmental basis explained above, with UK shown separately from International.

7. NET INVESTMENT RETURN

A summary of the net investment return in the income statement is given below:

	Investment income		**Net realised (losses)/gains**		**Net unrealised (losses)/gains**		**Impairments**		**Total investment return**	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Investment property	**8**	9	**-**	-	**(1)**	(14)	**-**	-	**7**	(5)
Equity securities										
Available for sale	**1**	3	**-**	1	**-**	-	**(2)**	-	**(1)**	4
Debt securities										
Available for sale	**45**	47	**(5)**	(1)	**-**	-	**-**	(2)	**40**	44
At FVTPL	**-**	-	**-**	-	**(12)**	(1)	**-**	-	**(12)**	(1)
Other loans and receivables										
Loans secured by mortgages	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Other loans	**4**	3	**-**	-	**-**	-	**-**	-	**4**	3
Deposits, cash and cash equivalents	**-**	2	**-**	(4)	**-**	-	**-**	-	**-**	(2)
Derivatives	**-**	1	**-**	-	**1**	(5)	**-**	-	**1**	(4)
Other	**21**	-	**(2)**	-	**-**	-	**-**	-	**19**	-
Continuing operations	**79**	65	**(7)**	(4)	**(12)**	(20)	**(2)**	(2)	**58**	39
Discontinued operations	**51**	69	**9**	3	**16**	(16)	**(11)**	(18)	**65**	38
Total net investment return	**130**	134	**2**	(1)	**4**	(36)	**(13)**	(20)	**123**	77

Unrealised gains and losses recognised in other comprehensive income for available for sale assets are as follows:

	Net unrealised (losses)/gains		Net realised losses/(gains) transferred to income statement		Impairments transferred to income statement		Net movement recognised in other comprehensive income	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equity securities	**(2)**	6	**-**	(1)	**2**	-	**-**	5
Debt securities	**(79)**	47	**5**	1	**-**	2	**(74)**	50
Other	**-**	-	**2**	-	**-**	-	**2**	-
Continuing operations	**(81)**	53	**7**	-	**2**	2	**(72)**	55
Discontinued operations	**(85)**	(29)	**(168)**	(3)	**11**	18	**(242)**	(14)
Total	**(166)**	24	**(161)**	(3)	**13**	20	**(314)**	41

8. INCOME TAX

Income tax expense is calculated based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year by region, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group reported a tax charge for continuing operations for the six months ended 30 June 2021 of **£20m** (six months ended 30 June 2020: £1m), giving an effective tax rate of **(8.1)%** (six months ended 30 June 2020: 9%).

The main drivers of the Group's tax charge (and effective tax rate) for the continuing operations for the six months to 30 June 2021 are as follows:

- The Group made a loss for tax purposes in the period to 30 June 2021 on its continuing UK operations of **£209m**. These tax losses have not been recognised for deferred tax purposes due to insufficient future taxable profits. The tax loss of **£209m** includes the impact of non-deductible expenses predominantly related to the acquisition of the Group (**£86m**). The tax impact of the unrecognised losses in the income statement is an increased tax charge of **£40m**.
- In May 2021, the change in the UK tax rate from 19% to 25% from 1 April 2023 was substantively enacted. The change in tax rate increased the valuation of the Group's UK deferred tax assets, which has been reflected in the period to 30 June 2021. In addition, the UK deferred tax asset was partially derecognised in the period to 30 June 2021 following the latest view of taxable profits post the acquisition (see note 12 for further detail). The combined impact of the tax rate change and derecognition on the deferred tax asset reported in the income statement is an **£11m** charge.
- A **£4m** current tax charge arose in relation to intra-group interest received from Canada for which no UK group relief was claimed.

The low effective tax rate of **1.1%** in respect of total profits (including discontinued operations) for the period to 30 June 2021 is mainly due to the non-taxable gain realised on the disposal by the Group of its Canadian and Scandinavian subgroups as part of the restructuring post the acquisition. The **£4.4bn** gain realised on these disposals is not subject to tax due to the applicability of the UK substantial shareholding exemption. This had a **c£830m** favourable impact on the Group's tax charge for discontinued operations.

9. DIVIDENDS

	30 June 2021	30 June 2020
	£m	£m
Ordinary dividend	**6,914**	-
Preference dividend	**5**	5
Tier 1 notes coupon payment	**7**	7
	6,926	12

Following the acquisition of the Group and the disposal of the Group's operations in Scandinavia and Canada, a dividend in specie of £6,914m was paid to Regent Bidco Limited. The dividend was settled with highly liquid financial instruments, classified as cash equivalents.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. GOODWILL AND INTANGIBLE ASSETS

	30 June 2021 £m	31 December 2020 £m
Goodwill	**40**	330
Externally acquired software	**3**	3
Internally generated software	**251**	499
Customer related intangibles[1]	**-**	36
Total goodwill and other intangible assets	**294**	868

[1]Customer related intangibles includes customer lists and renewal rights.

The disposal of the Group's operations in Scandinavia and Canada has reduced goodwill and other intangible assets by **£521m** in the period. Refer to note 5 for further detail.

The carrying value of intangible assets not yet available for use at 30 June 2021 is **£74m** (31 December 2020: £188m). This primarily relates to the implementation of strategic software assets in the UK and Ireland (2020 including Canada and Scandinavia also).

Impairment assessments

A review for indications of impairment since the end of the last annual reporting period has been performed.

The disposals as detailed above, were in respect of the Canadian and Scandinavian Cash Generating Units (CGU's). There have been no other changes to the CGU's recognised by the Group.

The appropriateness of key assumptions and operational plans underpinning the 2020 year end value in use calculations have been reviewed, including the potential impact of the acquisition on cash flow projections. Lower forecast profits are expected in the UK due to transitional costs associated with the acquisition along with increased contingency to reflect increased uncertainty in the forecast following the acquisition. This change in cashflow projections did not significantly impact headroom. Overall, no material adverse changes have been identified.

Following this review, no impairments of Goodwill were required as at 30 June 2021 with recoverable values sufficiently exceeding carrying values. For more information on the headroom for the remaining CGU's and sensitivities relating to the key assumptions refer to note 23 of the 2020 Annual Report and Accounts.

The acquisition has resulted in a strategic reassessment of programme plans for certain UK internally generated software assets. Impairment indicators were identified for assets not yet available for use for which there are no future economic benefits expected. As a result of this a £61m write down has been recognised in Underwriting and policy acquisition costs.

11. FINANCIAL ASSETS AND FAIR VALUE MEASUREMENTS

Financial assets

	30 June 2021 £m	31 December 2020 £m
Equity securities	**126**	673
Debt securities	**4,630**	10,724
Financial assets measured at fair value	**4,756**	11,397
Loans and receivables	**282**	429
Total financial assets	**5,038**	11,826

The disposal of the Group's operations in Scandinavia and Canada has reduced financial assets by **£6,603m** in the period. Refer to note 5 for further detail.

IFRS 9 'Financial Instruments'

The Group qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 and debt instruments included within regulatory capital being greater than 90% of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value at 30 June 2021 and change during the period of financial assets that are held to collect cash flows on specified dates that are solely for payment of principal and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for other financial assets:

As at 30 June 2021

	SPPI financial assets	**Other financial assets**	**Total**
	£m	**£m**	**£m**
Available for sale equity securities	**-**	**126**	**126**
Available for sale debt securities	**4,353**	**277**	**4,630**
Loans and receivables	**282**	**-**	**282**
Derivative assets held for trading	**-**	**59**	**59**
Total	**4,635**	**462**	**5,097**

As at 31 December 2020

	SPPI financial assets	Other financial assets	Total
	£m	£m	£m
Available for sale equity securities	-	673	673
Available for sale debt securities	10,302	410	10,712
Debt securities at FVTPL	-	12	12
Loans and receivables	429	-	429
Derivative assets held for trading	-	85	85
Total	10,731	1,180	11,911

The fair value gains/losses of SPPI financial assets and other financial assets during the six months to 30 June 2021 are **£356m losses** (12 months to 31 December 2020: £144m gains) and **£36m gains** (12 months to 31 December 2020: £80m losses) respectively.

When IFRS 9 is adopted by the Group (currently expected to be 2023) an expected credit loss provision will be recognised replacing the incurred credit loss provision under IAS 39, the impact of which will be determined by the financial instruments held at that time.

Companies within the Group that are applying IFRS 9 and disclose relevant information in their own published financial statements in addition to that already included in these condensed consolidated financial statements are indicated in Appendix B of the 2020 Annual Report and Accounts.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into Levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Fair value hierarchy 30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Group occupied property - land and buildings	**-**	**-**	**18**	**18**
Investment property	**-**	**-**	**305**	**305**
Available for sale financial assets:				
Equity securities	**-**	**1**	**125**	**126**
Debt securities	**1,405**	**2,943**	**282**	**4,630**
	1,405	**2,944**	**730**	**5,079**
Derivative assets:				
At fair value through the income statement	**-**	**59**	**-**	**59**
Designated as hedging instruments	**-**	**2**	**-**	**2**
Total assets measured at fair value	**1,405**	**3,005**	**730**	**5,140**
Derivative liabilities:				
At fair value through the income statement	**-**	**59**	**-**	**59**
Designated as hedging instruments	**-**	**19**	**-**	**19**
Total liabilities measured at fair value	**-**	**78**	**-**	**78**
Issued debt	**-**	**466**	**-**	**466**
Total liabilities not measured at fair value	**-**	**466**	**-**	**466**

	Fair value hierarchy 31 December 2020			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Group occupied property - land and buildings	-	-	19	19
Investment property	-	-	285	285
Available for sale financial assets:				
Equity securities	185	179	309	673
Debt securities	2,416	7,874	422	10,712
Financial assets at fair value through the income statement:				
Debt securities	-	-	12	12
	2,601	8,053	1,047	11,701
Derivative assets:				
At fair value through the income statement	-	85	-	85
Designated as hedging instruments	-	40	-	40
Total assets measured at fair value	2,601	8,178	1,047	11,826
Derivative liabilities:				
At fair value through the income statement	-	97	-	97
Designated as hedging instruments	-	48	-	48
Total liabilities measured at fair value	-	145	-	145
Issued debt	-	837	-	837
Total liabilities not measured at fair value	-	837	-	837

Estimation of the fair value of assets and liabilities

Fair value is used to value a number of assets within the statement of financial position and represents their market value at the reporting date.

Cash and cash equivalents, loans and receivables, other assets and other liabilities

For cash and cash equivalents, loans and receivables, commercial paper, other assets, liabilities and accruals, their carrying amounts are considered to be as approximate fair values.

Group occupied property and investment property

Group occupied properties are valued annually on a vacant possession basis using third party valuers. Investment properties are valued, at least annually, at their highest and best use.

The fair value of property has been determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuations of Group occupied properties and investment properties are based on the comparative method of valuation with reference to sales of other comparable buildings. Fair value is then determined based on the locational qualities and physical building characteristics (principally condition, size, specification and layout) together with factoring in the occupational lease terms and tenant covenant strength as appropriate.

Derivative financial instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

Issued debt

The fair value measurement of the Group's issued debt instruments, with the exception of the subordinated guaranteed US$ bonds, are based on pricing obtained from a range of financial intermediaries who base their valuations on recent transactions of the Group's issued debt instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

The fair value measurement of the subordinated guaranteed US$ bonds is also obtained from an indicative valuation based on the applicable risk-free rate and appropriate credit risk spread.

Fair value hierarchy

Fair value for all assets and liabilities, which are either measured or disclosed, is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For level 1 and level 2 investments, the Group uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded, the Group determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date, taking into account the frequency and volume of trading of the individual investment, together with the spread of prices that are quoted at the reporting date for such trades. Typically, investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In certain circumstances, the Group does not receive pricing information from an external provider for its financial investments. In such circumstances the Group calculates fair value, which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

Investment property

Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) and are undertaken by independent RICS registered valuers. Valuations are based on the comparative method with reference to sales of other comparable buildings and take into account the nature, location and condition of the specific property together with factoring in the occupational lease terms and tenant covenant strength as appropriate. The valuations also include an income approach using discounted future cash flows, which uses unobservable inputs, such as discount rates, rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease. The valuations at 30 June 2021 reflects equivalent yield ranges between 4.05% and 11.35% (31 December 2020: 4.15% and 15.41%).

Private fund structures

Loan funds are principally valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. Several procedures are employed to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model at 30 June 2021 range from 0.2% to 4.6% (31 December 2020: 0.2% to 8.7%). If necessary, the Group will adjust the fund's reported NAV to the discounted cash flow valuation where this more appropriately represents the fair value of its interest in the investment.

A reconciliation of Level 3 fair value measurements of financial assets is shown in the table below. There are no Level 3 financial liabilities.

	Available for sale investments		Debt securities at fair value through the income statement			
	Equity securities	Debt securities		Investment property	Group occupied property	Total
	£m	£m	£m	£m	£m	£m
Level 3 financial assets at 1 January 2020	279	375	15	300	19	988
Total gains/(losses) recognised in:						
Income statement	-	7	(3)	(8)	-	(4)
Other comprehensive income	(5)	1	-	-	-	(4)
Purchases	49	153	-	19	-	221
Disposals	(27)	(113)	-	(29)	-	(169)
Exchange adjustment	13	(1)	-	-	-	12
Transfer from right-of-use assets	-	-	-	3	-	3
Level 3 financial assets at 1 January 2021	**309**	**422**	**12**	**285**	**19**	**1,047**
Total gains/(losses) recognised in:						
Income statement	**(2)**	**(6)**	**(12)**	**(1)**	**-**	**(21)**
Other comprehensive income	**-**	**(4)**	**-**	**-**	**-**	**(4)**
Purchases	**19**	**128**	**-**	**26**	**-**	**173**
Disposals[1]	**(192)**	**(256)**	**-**	**(5)**	**(1)**	**(454)**
Exchange adjustment	**(9)**	**(2)**	**-**	**-**	**-**	**(11)**
Level 3 financial assets at 30 June 2021	**125**	**282**	**-**	**305**	**18**	**730**

[1] AFS equity and AFS debt securities disposals includes **£160m** and **£218m** respectively in relation to the disposals of Codan A/S and Roins Holdings Limited.

Unrealised losses of **£12m** (12 months to 31 December 2020: £3m losses) attributable to FVTPL debt securities recognised in the condensed consolidated income statement relate to an asset that is still held at the end of the period but has been fully written down.

The following table shows the level 3 available for sale financial assets, investment properties and Group occupied property carried at fair value as at the balance sheet date, the main assumptions used in the valuation of these instruments and reasonably possible decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions			
		30 June 2021		31 December 2020	
Available for sale financial assets and property	**Main assumptions**	**Current fair value**	**Decrease in fair value**	Current fair value	Decrease in fair value
		£m	**£m**	£m	£m
Group occupied property - land and buildings[1]	Property valuation	**18**	**(2)**	19	(2)
Investment properties[1]	Cash flows; discount rate	**305**	**(28)**	285	(25)
Level 3 available for sale financial assets:					
Equity securities[2]	Cash flows; discount rate	**125**	**(2)**	309	(4)
Debt securities[2]	Cash flows; discount rate	**282**	**(6)**	422	(7)
Total		**730**	**(38)**	1,035	(38)

[1] The Group's property portfolio (including the Group occupied properties) is almost exclusively located in the UK. Reasonably possible alternative valuations have been determined using an increase of 50bps in the discount rate used in the valuation (31 December 2020: 50bps). This has been considered in light of the current level of uncertainty and a change of 50bps is considered a reasonably possible scenario.

[2] The Group's investments in financial assets classified at level 3 in the hierarchy are primarily investments in various private fund structures investing in debt instruments where the valuation includes estimates of the credit spreads on the underlying holdings. The estimates of the credit spread are based upon market observable credit spreads for what are considered to be assets with similar credit risk. Reasonably possible alternative valuations have been determined using an increase of 50bps in the credit spread used in the valuation (31 December 2020: 50bps). This has been considered in light of the current level of uncertainty and a change of 50bps is considered a reasonably possible scenario.

12. DEFERRED TAX

	Asset		Liability	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	£m	£m	**£m**	£m
Deferred tax position	**149**	199	**-**	105

The **£105m** reduction in deferred tax liabilities in the period is due to the disposal of the Canadian and Scandinavian sub-groups as part of the restructuring following the acquisition. The deferred tax liabilities were **£79m** at the date of disposal (note 5).

Of the **£149m** (31 December 2020: £199m) deferred tax asset recognised by the Group, **£147m** (31 December 2020: £181m) relates to the UK. The **£50m** decrease in deferred tax assets during the period is predominantly due to the de-recognition of deferred tax assets in the UK (**£34m**) (offset partly by the impact of the UK corporation tax rate increase) and the disposals of Canada and Scandinavia (**£18m**) (note 5) as part of the restructuring following the acquisition.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a seven-year forecast based on the three-year operational plans prepared by the relevant businesses and a further four years of extrapolation.

Following the acquisition, the forecasts have been updated to reflect the latest view of taxable profits. The UK forecast taxable profits are lower due to the combined impact of the following changes in the forecasts related to:

- Internal and external debt arrangements
- Internal and external reinsurance arrangements
- Investment portfolio rebalancing
- Transitional costs associated with the acquisition
- One-off transaction costs

In addition, the level of contingency included within the profit forecasts for the purposes of determining deferred tax asset recognition has been increased from **£25m** per annum (**£175m** in total across the 7-year forecast period) to **£411m** across the 7-year period. The increased contingency reflects the increased uncertainty in the forecast following the acquisition.

The valuation of the deferred tax asset reflects the impact of the UK corporation tax rate rise from 19% to 25%, which was substantively enacted in May 2021.

The movement in the UK deferred tax assets from the above changes is summarised below:

	£m
Deferred tax asset as at 31 December 2020	**181**
Impact of change in UK tax rate	**49**
Impact of lower profit forecast	**(54)**
Impact of increased DTA contingency	**(29)**
Deferred tax asset as at 30 June 2021	**147**

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below. The relationship between the UK deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

	30 June 2021	31 December 2020
	£m	£m
1% increase in combined operating ratio[1] across all 7 years	**(23)**	(16)
1 year reduction in the forecast modelling period	**(20)**	(18)
50 basis points decrease in bond yields	**(9)**	(6)
1% decrease in annual premium growth	**(1)**	(1)

[1] Combined operating ratio is an Alternative Performance Measure. A 'Jargon buster' can be found on pages 181 to 183 of the RSA Insurance Group plc Annual Report and Accounts 2020.

13. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020	30 June 2020
	£m	£m	£m
Cash and cash equivalents and bank overdrafts (as reported within the condensed consolidated statement of cash flows)	**1,101**	1,083	921
Add: Bank overdrafts reported in Borrowings	**13**	11	7
Total cash and cash equivalents (as reported within the condensed consolidated statement of financial position)	**1,114**	1,094	928

No cash and cash equivalents are restricted for operational RSA Group use at 30 June 2021 (31 December 2020: £27m restricted cash held in Canada).

14. SHARE CAPITAL

The issued share capital of the Parent Company is fully paid and consists of two classes: Ordinary Shares with a nominal value of £1 each and Preference Shares with a nominal value of £1 each. The issued share capital at 30 June 2021 is:

	30 June 2021	31 December 2020
	£m	£m
Issued and fully paid		
1,269,414,568 Ordinary Shares of £1 each (31 December 2020: 1,035,267,610 Ordinary Shares of £1 each)	**1,269**	1,035
125,000,000 Preference Shares of £1 each (31 December 2020: 125,000,000 Preference Shares of £1 each)	**125**	125
	1,394	1,160

The movement of Ordinary Shares in issue, their nominal value and the associated share premiums during 2021 are as follows:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2020	1,031,645,294	1,032	1,090
Issued in respect of employee share options and employee share awards	3,622,316	3	5
At 1 January 2021	**1,035,267,610**	**1,035**	**1,095**
Issued in respect of employee share options and employee share awards[1]	**13,146,958**	**13**	**7**
Capital injection from Regent Bidco Limited[1]	**1,021,000,000**	**1,021**	**-**
Capital reduction	**(800,000,000)**	**(800)**	**(1,095)**
At 30 June 2021	**1,269,414,568**	**1,269**	**7**

[1] The consolidated statement of changes in equity shows **£1,023m** shares issued for cash, which includes **£1,021m** capital injection from Regent Bidco Limited and **£2m** in respect of employee share options and employee share awards, and **£11m** share-based payments, which also relates to shares issued in respect of employee share options and employee share awards.

Shares issued in respect of employee share options and employee share awards includes **9,391,504** accelerated share awards under the long-term incentive plan (Performance Share Plan (PSP)) and **1,737,667** accelerated shares issued under the Group employee share option plan ahead of the acquisition of the Group.

15. ISSUED DEBT

	2021 £m	2020 £m
Subordinated guaranteed US$ bonds	**6**	6
Guaranteed subordinated notes due 2045	**397**	397
Total loan capital	**403**	403
Senior notes due 2024	**-**	348
Total issued debt	**403**	751

Loan capital

The subordinated guaranteed US$ bonds were issued in 1999 and have a nominal value of $9m and a redemption date of 15 October 2029. The rate of interest payable on the bonds is 8.95%.

The dated guaranteed subordinated notes were issued on 10 October 2014 at a fixed rate of 5.125%. The nominal £400m bonds have a redemption date of 10 October 2045. The Group has the right to repay the notes on specific dates from 10 October 2025. If the bonds are not repaid on that date, the applicable rate of interest would be reset at a rate of 3.852% plus the appropriate benchmark gilt for a further five year period.

The bonds and the notes are contractually subordinated to all other creditors of the Group such that in the event of a winding up or of bankruptcy, they are able to be repaid only after the claims of all other creditors have been met.

The Group has the option to defer interest payments on the bonds and notes, but has to date not exercised this right.

Senior notes

The nominal £350m senior notes, issued on 28 August 2019, were repaid in full on 16 June 2021. Make-whole and amortisation costs of c.£16m were incurred, and are presented in finance costs in the consolidated income statement.

All issued debt

There have been no defaults on any bonds or notes during the period.

16. INSURANCE CONTRACT LIABILITIES

Estimation techniques and uncertainties

Details of the Group accounting policies in respect of insurance contract liabilities can be found in note 39 on page 150 of the 2020 Annual Report and Accounts.

The 2020 year-end Annual Report and Accounts included details on all the significant accounting judgements made in the valuation of insurance contract liabilities, with particular focus on the increased level of estimation uncertainty due to the impact of the COVID-19 pandemic. The notes explained how various items such as direct COVID-19 claims, reinsurance, the legal and claims environments, changing frequency and severity, and distorted claims development patterns all contributed to the heightened uncertainty at that time.

The heightened uncertainty arising from COVID-19 persists and is not expected to subside in the short-term. The Group increased the COVID-19 net actuarial indication by approximately **£30m** during the six months to 30 June 2021 to true-up the estimate to reflect the latest experience and judgements.

Whilst claims experiences and development trends have continued to mature during 2021, the Group continues to monitor all key assumptions and sources of estimation uncertainty. Evolving experience, key assumptions and estimation techniques are reviewed regularly. As a result of management’s review and in aligning practices with IFC, then given the current uncertain economic environment which contributes to the heightened level of estimation uncertainty, an additional strengthening of circa **£70m** was recognised in June 2021 in best estimate provisions on top of that noted above for COVID-19, against some of the key uncertainties identified in the reserve review process. The method for the reserve margin calculation has also been changed in June 2021 to align with the method of calculation of RSA’s ultimate parent company Intact Financial Corporation. Applying this method and the continued heightened uncertainty has resulted in an increased level of reserve margin.

The relevant information provided in note 39 in the 2020 Annual Report and Accounts still applies as at 30 June 2021.

Sensitivities

Sensitivities in the table below show the impact on the net claims reserves of changes to key assumptions in relation to reserving risk and underwriting and claims risk.

	30 June 2021	30 June 2020
Impact on net claims reserves	**£m**	£m
Current year attritional loss ratios frequency or severity assumptions +5%	**25-35**	75-80
Current year large loss ratios frequency or severity assumptions +5%	**5-15**	15-20
Inflation being 1% higher than expected for the next 2 years (excluding annuities)	**50-60**	100-120

The decrease in the sensitivities compared to the prior year is mainly due to the disposals of the Group's operations in Scandinavia and Canada.

Gross insurance contract liabilities and the reinsurers' share of insurance contract liabilities

The gross insurance contract liabilities and the reinsurers' (RI) share of insurance contract liabilities presented in the condensed consolidated statement of financial position comprise the following:

As at 30 June 2021

	Gross	**RI**	**Net**
	£m	**£m**	**£m**
Provision for unearned premiums	**1,985**	**(812)**	**1,173**
Provision for losses and loss adjustment expenses	**5,215**	**(1,634)**	**3,581**
Total insurance contract liabilities	**7,200**	**(2,446)**	**4,754**

As at 31 December 2020

	Gross	RI	Net
	£m	£m	£m
Provision for unearned premiums	3,235	(716)	2,519
Provision for losses and loss adjustment expenses	9,379	(1,624)	7,755
Total insurance contract liabilities	12,614	(2,340)	10,274

The disposal of the Group's operations in Scandinavia and Canada has reduced gross insurance contract liabilities by **£6,659m** and reinsurers' (RI) share of insurance contract liabilities by **£(1,073)m**. Refer to note 5 for further detail.

17. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit pension schemes and other post-retirement benefits

The amounts recognised in the condensed consolidated statement of financial position are as follows:

	30 June 2021			31 December 2020		
	UK	**Other**	**Total**	UK	Other	Total
	£m	**£m**	**£m**	£m	£m	£m
Present value of funded obligations	**(8,377)**	**(73)**	**(8,450)**	(8,844)	(452)	(9,296)
Present value of unfunded obligations	**(7)**	**(8)**	**(15)**	(6)	(99)	(105)
Fair value of plan assets	**9,017**	**90**	**9,107**	9,355	500	9,855
Other net surplus remeasurements	**(224)**	**-**	**(224)**	(179)	-	(179)
Net IAS 19 surplus/(deficits) in the schemes	**409**	**9**	**418**	326	(51)	275
Defined benefit pension schemes	**409**	**17**	**426**	326	-	326
Other post-retirement benefits	**-**	**(8)**	**(8)**	-	(51)	(51)
Schemes in surplus	**416**	**17**	**433**	333	46	379
Schemes in deficit	**(7)**	**(8)**	**(15)**	(7)	(97)	(104)

Movement during the period:

	30 June 2021			
	Present value of obligations	**Fair value of plan assets**	**Other net surplus remeasurements**	**Net surplus**
	£m	**£m**	**£m**	**£m**
At 1 January	**(9,401)**	**9,855**	**(179)**	**275**
Current service costs	**(2)**	**-**	**-**	**(2)**
Past service costs	**(1)**	**-**	**-**	**(1)**
Interest (expense)/income	**(66)**	**70**	**-**	**4**
Administration costs	**-**	**(3)**	**-**	**(3)**
Total (expenses)/income recognised in income statement	**(69)**	**67**	**-**	**(2)**
Return on scheme assets less amounts in interest income	**-**	**(414)**	**-**	**(414)**
Effect of changes in financial assumptions	**432**	**-**	**-**	**432**
Experience losses	**(26)**	**-**	**-**	**(26)**
Investment expenses	**-**	**(6)**	**-**	**(6)**
Other net surplus remeasurements	**-**	**-**	**(45)**	**(45)**
Remeasurements recognised in other comprehensive income	**406**	**(420)**	**(45)**	**(59)**
Employer contribution	**-**	**162**	**-**	**162**
Benefit payments	**176**	**(176)**	**-**	**-**
Disposal of subsidiary (note 5)	**421**	**(378)**	**-**	**43**
Exchange adjustment	**2**	**(3)**	**-**	**(1)**
At 30 June	**(8,465)**	**9,107**	**(224)**	**418**
Deferred tax				**(1)**
IAS 19 net surplus net of deferred tax				**417**

Employer contributions include **£150m** of deficit funding paid in the six months to 30 June 2021. This includes an additional **£75m** of deficit funding paid following the acquisition, on top of the **£75m** expected deficit funding contributions disclosed in the 2020 Annual Report and Accounts.

£43m disposal of subsidiary relates to the sale of the Group's Canadian operations and is included in the net assets disposed of in note 5 as **£36m** within other debtors and other assets and **£79m** within provisions.

	31 December 2020			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus
	£m	£m	£m	£m
At 1 January	(8,681)	9,016	(141)	194
Current service costs	(6)	-	-	(6)
Past service costs	(1)	-	-	(1)
Interest (expense)/income	(178)	186	-	8
Administration costs	-	(7)	-	(7)
Gains on settlements/curtailments	1	-	-	1
Total (expenses)/income recognised in income statement	(184)	179	-	(5)
Return on scheme assets less amounts in interest income	-	950	-	950
Effect of changes in financial assumptions	(1,000)	-	-	(1,000)
Effect of changes in demographic assumptions	18	-	-	18
Experience gains	72	-	-	72
Investment expenses	-	(10)	-	(10)
Other net surplus remeasurements	-	-	(38)	(38)
Remeasurements recognised in other comprehensive income	(910)	940	(38)	(8)
Employer contribution	-	95	-	95
Benefit payments	376	(376)	-	-
Exchange adjustment	(2)	1	-	(1)
At 31 December	(9,401)	9,855	(179)	275
Deferred tax				15
IAS 19 net surplus net of deferred tax				290

18. RELATED PARTY TRANSACTIONS

Transactions with parent company

The Group's parent company is Regent Bidco Limited, a wholly owned subsidiary of Intact Financial Corporation, the ultimate controlling party.

During the six months to 30 June 2021, the following related party transactions have taken place with Regent Bidco Limited:

- The Group received a capital injection from Regent Bidco Limited of **£1,021m**
- Ordinary dividends paid to Regent Bidco Limited of **£6,914m**

Other related party transactions

The Group has a reinsurance arrangement with Unifund Assurance Company (Unifund), a member of the Intact Financial Corporation Group. Under the terms of the arrangement the insurance risk of Unifund's business is transferred to the Group. The Group pays a reinsurance commission in relation to the quota share agreement and the agreement covers Unifund's existing insurance liabilities and new written premium for all lines of business at a rate of 60%. This transaction became a related party transaction on 1 June following the disposal of Roins Holdings Limited. The outstanding balances are secured against collateral assets, made up of assets held in trust and a letter of credit.

The Group also has other reinsurance arrangements (also secured against collateral assets) and transactions with Roins Holdings Limited and other entities that are part of the Intact Financial Corporation Group.

The amounts relating to the above related party transactions included in the consolidated income statement for the 6 month period ended 30 June 2021, the consolidated statement of financial position as at 30 June 2021, and the collateral pledged, are provided in the table below.

	30 June 2021
	£m
Income	**55**
Expenses	**24**
Assets	**85**
Liabilities	**658**
Collateral pledged	**853**

The amounts outstanding are expected to be settled in cash or offset against other outstanding balances where possible. No provisions have been made for doubtful debts on any of the amounts owed by related parties.

19. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2021, it was announced that Motability Operations Ltd intend to switch to another insurance provider upon completion of the existing contract with RSA in 18 months' time. The scheme's Gross Written Premium is approximately £500m per annum with 80% of the risk reinsured back to Motability via a reinsurance captive arrangement. RSA will continue to insure the Motability fleet until the end of the contract with no significant impact anticipated in the 2021 results or financial position.

On 27 July 2021, the Group entered a reinsurance contract pursuant to which the reinsurer will assume 50% of negative reserve development with respect to RSA's UK&I claims liabilities for accident years 2020 and prior. The maximum amount recoverable under the reinsurance agreement is 50% of £400 million and is subject to certain exclusions and limitations. The purchase of this adverse development coverage will reduce the potential volatility in the Group's claims liabilities. The transaction is expected to close in the third quarter of 2021, subject to relevant regulatory approvals and satisfaction of various closing conditions.

20. RESULTS FOR THE YEAR 2020

The statutory accounts of RSA Insurance Group Limited for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The independent auditor's report on the Group accounts for the year ended 31 December 2020 is unqualified, does not draw attention to any matters by way of emphasis and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

The reconciliation of net profit before tax to cash flows from operating activities is as follows:

	30 June 2021	30 June 2020
	£m	£m
Cash flows from operating activities		
Profit for the period before tax	**4,308**	211
Adjustments for non-cash movements in net profit for the period		
Amortisation of available for sale assets	**24**	26
Depreciation of tangible assets	**21**	28
Amortisation and impairment of intangible assets	**100**	42
Fair value losses on financial assets	**1**	19
Impairment charge on available for sale financial assets	**13**	20
Gain on disposal of business	**(4,390)**	-
Other non-cash movements	**41**	(29)
Changes in operating assets/liabilities		
Loss and loss adjustment expenses	**238**	(24)
Unearned premiums	**51**	41
Movement in working capital	**7**	(255)
Reclassification of investment income and interest paid	**(101)**	(156)
Pension deficit funding	**(150)**	(75)
Cash generated from investment of insurance assets		
Dividend income	**12**	16
Interest and other investment income	**114**	144
Cash flows from operating activities	**289**	8

APPENDIX A: EXCHANGE RATES

	6 months		6 months		12 months	
Local currency/£	30 June 2021		30 June 2020		31 December 2020	
	Average	Closing	Average	Closing	Average	Closing
Canadian Dollar	1.73	1.72	1.72	1.68	1.72	1.74
Danish Krone	8.56	8.66	8.55	8.20	8.39	8.31
Swedish Krona	11.67	11.81	12.21	11.51	11.81	11.22
Euro	1.15	1.16	1.15	1.10	1.13	1.12
US Dollar	1.39	1.38	1.26	1.24	1.28	1.37

APPENDIX B: ALTERNATIVE PERFORMANCE MEASURES RECONCILIATIONS

IFRS reconciliation to management P&L

For the 6 month period ended 30 June 2021

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other charges	Loss before tax from continuing operations
		Management					
Continuing operations							
Income							
Gross written premiums	**2,327**	**2,327**					
Less: reinsurance written premiums	**(610)**	**(610)**					
Net written premiums	**1,717**	**1,717**					
Change in the gross provision for unearned premiums	**(155)**	**(155)**					
Change in provision for unearned reinsurance premiums	**127**	**127**					
Change in provision for net unearned premiums	**(28)**	**(28)**					

Net earned premiums	1,689	1,689					
Investment income	79		79				
Realised losses on investments	(7)					(7)	
Unrealised losses, impairments and foreign exchange	(14)					(14)	
Net investment return	58						
Other insurance income	40	40					
Pension net interest and administration costs	1					1	
Other operating income	41						
Total income	1,788						
Expenses							
Gross claims incurred	(1,657)	(1,657)					
Less: claims recoveries from reinsurers	430	430					
Net claims	(1,227)	(1,227)					
Underwriting and policy acquisition costs	(645)	(645)					
Unwind of discount	(3)		(3)				
Investment expenses	(19)		(19)				
Central expenses	(6)			(6)			
Foreign exchange losses	(2)					(2)	
Transaction costs	(104)					(104)	
Other operating expenses	(131)						
	(2,006)						
Interest costs	(14)					(14)	
Premiums on debt buyback	(16)					(16)	
Interest on lease liabilities	(1)					(1)	
Finance costs	(31)					(31)	
Loss/(profit) before tax from continuing operations	(249)	(143)	57	(6)	(92)	(157)	(249)
Income tax expense	(20)						
Loss after tax from continuing operations	(269)						
Profit from discontinued operations	4,528						
Profit for the period	4,259						

IFRS reconciliation to management P&L

For the 6 month period ended 30 June 2020

£m	IFRS	Underwriting result	Investment result	Central costs	Business operating result	Other charges	Profit before tax from continuing operations
		Management					
Continuing operations							
Income							
Gross written premiums	1,979	1,979					
Less: reinsurance written premiums	(533)	(533)					
Net written premiums	1,446	1,446					
Change in the gross provision for unearned premiums	33	33					
Change in provision for unearned reinsurance premiums	43	43					
Change in provision for net unearned premiums	76	76					
Net earned premiums	1,522	1,522					
Investment income	67		67				
Realised losses on investments	(4)					(4)	
Unrealised losses, impairments and foreign exchange	(24)					(24)	

Net investment return	39						
Other insurance income	45	45					
Pension net interest and administration costs	2					2	
Other operating income	47						
Total income	1,608						
Expenses							
Gross claims incurred	(1,245)	(1,245)					
Less: claims recoveries from reinsurers	268	268					
Net claims	(977)	(977)					
Underwriting and policy acquisition costs	(576)	(576)					
Unwind of discount	(3)		(3)				
Investment expenses	(4)		(4)				
Central expenses	(3)			(3)			
Amortisation of intangibles	(1)					(1)	
Reorganisation costs	(18)					(18)	
Other operating expenses	(26)						
	(1,582)						
Interest costs	(13)					(13)	
Interest on lease liabilities	(2)					(2)	
Finance costs	(15)					(15)	
Profit/(loss) before tax from continuing operations	11	14	60	(3)	71	(60)	11
Income tax expense	(1)						
Profit after tax from continuing operations	10						
Profit from discontinued operations	154						
Profit for the period	164						

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with the UK-adopted IAS 34 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

The interim management report includes a fair review of the information required by:

a) 4.2.7R of the Disclosure Guidance and Transparency Rules (DTR), being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) 4.2.8R of the DTR, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Scott Egan Group Chief Executive	Charlotte Jones Group Chief Financial Officer
3 August 2021	3 August 2021

INDEPENDENT REVIEW REPORT TO RSA INSURANCE GROUP LIMITED

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cashflows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Salim Tharani
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
3 August 2021