

# Ageas Insurance Limited

Annual Report  
For the year ended 31 December 2023

Company Registration Number : 354568

# Ageas Insurance Limited

Company registration number 354568

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# Ageas Insurance Limited

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## Directors and Advisers

### Directors

Hans De Cuyper  
Bart De Smet  
Antonio Cano  
Jeremy Haynes  
Richard Jackson  
Malcolm McCaig  
Anthony Middle  
Nerissa Nadu (appointed 31 March 2023)  
Alison Platt  
Jonathan Price  
Tara Waite  
Gregor Ball (resigned 31 March 2023)

### Secretary

Claire Marsh

### Head Office and Registered Address

Ageas House  
Hampshire Corporate Park  
Templars Way  
Eastleigh  
SO53 3YA

### Independent Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Bankers

HSBC  
Rms Dept Level 2 2nd Floor  
62-76 Park Street  
London  
SE1 9DZ

### Registered Number

354568  
Registered in England and Wales

# Ageas Insurance Limited

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## Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2023.

### Business Review

#### Activities

The principal activity of Ageas Insurance Limited ('the Company') is the provision of general insurance in the United Kingdom, with a small proportion written in the Channel Islands. The core products that are sold by the Company are:

- Motor related insurance; and
- Property related insurance.

The Company adopts a multi-channel distribution model focusing on direct and intermediated channels, supported by technical excellence.

#### Financial Performance during the year

In these financial statements, the Company has applied IFRS 17: Insurance Contracts ('IFRS 17') and IFRS 9: Financial instruments ('IFRS 9') for the first time, which has resulted in significant changes compared to the previously applied accounting policies. Prior year comparatives have been restated where applicable and the impact of the adoption of IFRS 9 and IFRS 17 is detailed within note 2.

Insurance revenue totalled £1,109.3m (2022: £1,159.6m) decreasing by 4.3% compared to 2022. This reflects the reduction in earned revenues following the sale of the Commercial Lines business in 2022.

In the prior year, the Company announced the sale of its Commercial Lines business to AXA Insurance UK PLC ('AXA'), recognising an initial consideration of £47.5m and contingent deferred consideration of £5m, realising a profit of £52.5m in 2022. During 2023, the estimated net consideration receivable in respect of this transaction was reduced by £4.3m to £0.7m, which was received during the year. See note 9.

Profit after tax for the year was £36.1m (2022 restated: profit of £47.0m, which includes the proceeds of the sale of the Commercial Lines business). During the year, the Company's underlying result benefitted from increased competitiveness, favourable prior year claims movement and favourable returns on investments.

Under its reinsurance agreements with ageas SA/NV, the ultimate parent holding company, the Company transfers 40% of both prior and future claim liabilities under a loss portfolio transfer ('LPT') agreement and quota share treaties. See note 32 for further details.

The Combined Operating Ratio ('COR') for 2023 was 96.2% (2022 restated: 99.2%). The improvement reflects a reduction in severe weather events from the previous year and lower expenses.

Other Comprehensive Income ('OCI') reflects the movements in the defined benefit pension surplus net of tax, the change in fair value of financial assets and the change in fair value of insurance and reinsurance contracts. Remeasurements of the net defined benefit pension scheme assets and liabilities has led to a net negative contribution of £1.8m after tax to shareholders' equity (2022: negative £12.9m) due to overall impact of yield curve movements and a reduction in inflation. The change in fair value of financial assets and insurance and reinsurance contracts saw an increase to shareholders' equity of £11.9m after tax (2022 restated: a reduction of £26.0m) due to overall impact of yield curve movements and a tightening of credit spreads.

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## Strategic Report (continued)

### Key Financial Performance Indicators

Key performance indicators have been reviewed and restated where applicable following the Company's application of IFRS 17: Insurance Contracts and IFRS 9: Financial instruments for the first time.

The Board considers that the key indicators that will communicate the financial performance and strength of the Company are:

- Shareholders' equity
- Insurance revenue
- Profit/(loss) before taxation
- Combined operating ratio
- Return on equity

	2023 £m	2022 £m Restated	Change %
Shareholders' equity	432.4	386.2	12.0

Shareholders' equity is the value of the Company's assets minus its liabilities.

	2023 £m	2022 £m	Change %
Insurance revenue	1,109.3	1,159.6	(4.3)

Insurance revenue drives the size of the business, and reflect actions to ensure that business is underwritten at the appropriate rates for the risks undertaken.

	2023 £m	2022 £m Restated	Change %
Profit before taxation	48.1	61.0	(21.1)

The Company aims to deliver sustainable profits over the insurance cycle by risk selection at appropriate rates, rigorous expense control and the delivery of superior customer service to its policyholders and intermediaries.

	2023 %	2022 % Restated	Change
Combined operating ratio	96.2	99.2	(3.0)

The combined operating ratio is a measure of the Company's efficiency. It is calculated by combining a number of key performance indicators which include the total of incurred claims, commissions, expenses, other operating income and reinsurance, as a percentage of insurance revenue.

	2023 %	2022 % Restated	Change
Return on equity	8.8	11.2	(2.4)

The return on equity after tax is a key measure of the total return the Company generates for its shareholder. Return on equity is measured by taking the profit after tax over average shareholders' equity.

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## Strategic Report (continued)

### Year End Position

#### Shareholders' equity

Shareholders' equity increased in the year by £46.2m to £432.4m, from a restated opening position of £386.2m. This was driven by an increase in fair value of investments and insurance and reinsurance contracts of £11.9m (2022 restated: a reduction of £26.0m) and an increase in retained earnings of £34.1m (2022 restated: decrease of £42.2m) as a result of profit after tax in the year of £36.1m (2022 restated: profit of £47.0m).

#### Assets

Total assets have increased by £103.9m in the year to £2,789.7m (2022 restated: decrease of £364.9m). The increase has been driven by an increase in the fair value of financial assets and in other receivables, offset by a reduction in reinsurance contract assets.

#### Liabilities

Total liabilities have increased by £57.7m in the year to £2,357.3m (2022 restated: decrease of £296.6m) mainly as a result of an increase in insurance contract liabilities as a result of business growth. See note 21.

#### Cash and cash equivalents and financial assets

Cash and cash equivalents have increased by £29.2m (2022: decrease of £0.4m). Financial assets have increased by £69.3m (2022 restated: decrease of £177.2m) following an increase in the fair value of investments. Debt securities are liquid and can be converted to cash in a normal market at short notice. Financial assets valued at fair value through profit or loss can be converted to cash subject to the fund manager's terms and conditions on notice.

#### Non-Financial and Sustainability Information Statement

Following the implementation of The Companies (Strategic Report) (Climate-Related Financial Disclosures) Regulations 2022, which amended sections 414C, 414CA and 414CB of the Companies Act 2006, Ageas Insurance Limited is required to provide additional disclosures regarding climate change related risks and opportunities, the following disclosures have been included for the first time.

The following section outlines the key non-financial matters of the Company:

##### *Climate Related Risks and Opportunities*

The Ageas UK Boards (which includes the Board of Ageas Insurance Limited) are responsible for perpetuating the long term, sustainable success of the Ageas UK companies, and has ultimate oversight of climate change related risks and opportunities. In addition to considering the impact of Ageas UK companies on the environment, the Ageas UK Boards also consider the impact of climate change on the business, specifically within the context of Ageas UK strategy and risk management, including supporting policies. The Ageas UK Boards are supported by a number of committees including the Ageas UK Board Risk Committee, Investment Committee, Reinsurance Committee and Remuneration Committee.

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## Strategic Report (continued)

### Non-Financial and Sustainability Information Statement (continued)

In February 2022 the Ageas UK 2022-2024 Environmental, Social and Governance ('ESG') strategy and supporting targets were approved by the Ageas UK Boards, which sought to ensure ESG considerations are integral to the way the Company works, including by ensuring we have robust governance measures in place, deliver the best possible service and products for Ageas customers, reduce the impact of the Company on the environment and supporting employees and communities. The Ageas UK Boards oversee implementation of the ESG strategy on a quarterly basis by tracking progress against an ESG scorecard. In addition, the Ageas UK Boards, supported by the Board Risk Committee, set risk appetite in respect of climate related risks, approving the Ageas Insurance Limited ('AIL') Own Risk and Solvency Assessment ('ORSA') report, which includes the consideration of climate related risks, alongside the forward looking risk and capital assessment of the Ageas UK strategy and plans, together with supporting stress and scenario analysis.

Senior Management from across the Ageas UK business have different ESG related responsibilities, whereby the Ageas UK Boards have allocated responsibility for managing climate change financial risks to the Chief Underwriting Officer who, throughout 2023, reported on ESG related matters to the Boards on a quarterly basis. To support him with the discharge of responsibilities he attended the People & ESG Forum, which oversees and supports the implementation of the ESG Strategy set by the Ageas UK Boards, together with an ESG Working Group established to co-ordinate ESG activities across the business. In addition, the Ageas UK Chief Financial Officer, supported by the Ageas UK Investment Committee, is responsible for investments, which includes responsible investment and climate change considerations.

The Ageas UK Boards are supported by the Risk Function, whereby assessment of climate related risks and opportunities have been integrated into the overall approach to risk management, with the output reported to Executive and Board Risk committees and incorporated within the ORSA report. The Risk Function also supports the production of an Emerging Trends report that is provided to the Board Risk Committee bi-annually, providing the latest view of the matters that could impact the business on a 0-3 year; 3-5 year; more than 5 year basis, and the changing environmental landscape and the impact on the business incorporated. During 2023, the Ageas UK Board Risk Committee also received focussed sessions on Weather & Climate risks and also on Investments, where further details of the approach taken to ensure ESG investment targets are met were provided.

As a General Insurance group, Ageas UK has limited involvement in activities that give rise to substantial direct emissions, with the bigger potential climate change impact being through the delivery of general insurance products, and by seeking to introduce products that encourage environmentally responsible actions by Ageas UK customers. From a risk perspective, the general adoption of annual insurance policies means Ageas UK is able to adjust portfolios in response to climate changes. The primary insurance impacts are therefore expected to be:

- Physical Risks – risks arising from the physical effects of climate change; and
- Transition Risks – risks arising from a transition to a low-carbon economy.

The primary physical risk to the Company arises from higher than expected losses because of climate driven changes in the frequency and/or severity of weather events. In addition, a high prevalence of future physical risk has the potential to adversely impact on reinsurance market capacity, affecting the availability and/or pricing of reinsurance.

The primary transition risks to the Company arise through strategic risk, as the transition could lead to a fall in demand for traditional motor insurance products and services; and investment risk, with the transition leading to volatile asset values, credit rating, and default activity.

The ongoing execution of Ageas UK's wider ESG strategy serves as the over-riding mitigation to climate risk. The importance of understanding and managing climate impacts is recognised and therefore climate risk considerations have been incorporated into our decision-making, for example by actively seeking to innovate Ageas products to support a climate-resilient future and a commitment to growing profitably through ethical and responsible investments that support a sustainable future.

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## Strategic Report (continued)

### Non-Financial and Sustainability Information Statement (continued)

We recognise that with the risks posed by climate change, there are also significant opportunities that could ultimately impact the future success of the business, examples of which include:

- The introduction of initiatives to improve sustainability, strengthen resilience and reduce reoccurrence (e.g., through supporting the Build Back Better initiative, a 'repair over replace' philosophy, and an award-winning green parts programme).
- The potential to develop new products and grow our existing product offering which supports the transition to a low carbon economy by incentivising climate-positive behavioural change (e.g. use of electric/hybrid vehicles, pay-per-mile and telematics).
- Increasing exposure to a wider range of 'positive impact investments' which support the transition (e.g. sustainable infrastructure equity and certified real estate funds with a high Global Real Estate Sustainability Benchmark (GRESB) rating).

In recognition of the importance of understanding and managing climate impacts, the Company has undertaken stress and scenario analysis to help better understand the impacts of climate change on ALL assets and liabilities over an extended time horizon. The scenario analysis undertaken has involved considering various climate pathways based on a different range of global mean temperature increases over the 21st century, resulting in a varying degree of physical and transition risk, and the outcomes shared with the Ageas UK Board Risk Committee and the Ageas UK Boards.

It is not considered that climate related physical or transitional risks will pose a material threat to the Company's solvency and therefore, the Directors do not consider that it is necessary for an understanding of the Company's business to include here a description of the actual or potential impacts on the business model and strategy, or their resilience, under different climate related scenarios, or the targets or key performance indicators used. Further details of the Company's energy use and associated greenhouse gas emissions have been included on page 14.

#### *Employees*

For an overview of employee numbers and how the Company engages with its employees, see the Report of the Directors on pages 11 to 15.

#### *Human rights*

The respect for human rights, as described in the Universal Declaration of Human Rights of the United Nations of 1948, is a condition for maintaining a sustainable society. The Company applies the relevant human rights principles in relationships with employees and suppliers and acknowledges responsibility for promoting the application of human rights whenever the Company, as a private enterprise, is in a position to make a meaningful contribution to this cause.

#### *Social matters*

The Company instils a culture which is inclusive and supports diversity, which is essential to the long-term success of the business and better enables the Company to respond to customer and wider stakeholder needs. This is reflected in the Company's diversity and inclusion strategy and policy, which applies to the Company as a whole. Further details are given in the Report of the Directors on pages 11 to 15.

#### *Anti-corruption and anti-bribery*

The Company's reputation as a market leading insurer is important to the directors and is maintained and enhanced by proper business conduct. The Company operates a policy of zero-tolerance to any form of bribery or corruption whether through direct or indirect contact with third parties. The appropriate policy defines this stance in accordance with the Bribery Act 2010 and Financial Conduct Authority ('FCA') requirements to avoid any acceptance or offering of bribes or sales inducements.

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## Strategic Report (continued)

### Non-Financial and Sustainability Information Statement (continued)

The Company has procedures in place to ensure ongoing compliance with the policies referenced above. Adherence to the policies and applicable legislation and guidance is monitored by Ageas UK's Compliance department.

#### Section 172(1) statement

The Ageas UK directors continue to be aware of and attentive to all of their duties and responsibilities, including those as set out under section 172 of the Companies Act 2006, when setting and embedding Ageas UK's culture and values in line with its purpose to 'Understand People + Simplify Insurance'. The Ageas UK Boards (including the Board of Ageas Insurance Limited) recognises that the long-term success of the Company is only possible through engagement with, and having regard to, the interests of key stakeholders, which for Ageas UK includes customers, employees, shareholders, suppliers, the community, environment, and regulators.

The Ageas UK Boards' role is to perpetuate the long term, sustainable success of the Ageas UK business; providing strategic leadership within a framework of prudent and effective controls, setting the strategy, ensuring the direction and performance of the business is aligned to Ageas Group objectives, that obligations to all stakeholders are understood and met, including through the delivery of good customer outcomes. A range of mechanisms have been established to support directors in the discharge of their duties, and for each matter which comes before the Boards, stakeholders who may be affected and their interests, are carefully considered as part of the decision-making process. Further detail has been incorporated within the Corporate Governance and Stakeholder Engagement statements set out in this report and in the Report of the Directors on pages 11 to 15.

#### Corporate Governance Statement

Ageas UK considers a strong culture of corporate governance and ethical behaviour is fundamental to the way it does business, and therefore a governance framework that complies with the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) has been adopted by the Ageas UK Boards. An Ageas UK Governance Manual has been established which incorporates these principles, together with those as set out within the PRA Rulebook, the FCA Handbook and the UK Corporate Governance code (where relevant), which explains how these principles are reflected in the organisation and operations of the Ageas UK businesses. The corporate governance framework is reviewed at least annually by the Ageas UK Boards to confirm that governance arrangements remain effective.

The Company complies with the Wates Principles as follows:

#### Principle one: Purpose and Leadership

The purpose of Ageas UK is to 'Understand People + Simplify Insurance'. The Ageas UK Boards develop and promote this purpose, and ensure that its vision, values, strategy, and culture align with it. This purpose, as well as the Ageas Group wide values of 'Care, Dare, Deliver and Share', form the basis of the Ageas UK Strategy set by the Ageas UK Boards and are embedded into Ageas UK's way of working. The purpose and values underpin Ageas UK's strategy to have 'a sharp focus to deliver better results, with brilliant service where it matters'. Details have been cascaded to employees by the UK Executive Team at a series of employee briefings, with functional and individual priorities and objectives aligned to the values and strategy, and recognition schemes reflecting the values and these strategic priorities.

The Ageas UK Boards set the tone from the top, they have articulated the desired culture within the Ageas UK values & behaviours framework and the UK strategy, and act in a manner consistent with this framework, including building positive relationships with all stakeholders. Formal responsibility for leading the development of culture, and for overseeing the adoption of Ageas UK's culture on a day-to-day basis has been apportioned by the Ageas UK Boards to the Chair and CEO, with quarterly reports providing information to support oversight.

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## Strategic Report (continued)

### **Principle two: Board Composition**

Ageas UK is committed to attracting and retaining Boards of Directors whose composition reflects a diversity of backgrounds, skills, knowledge, abilities, and experience necessary for the Boards to be effective, including the appointment of Independent Non-Executive Directors ('INEDs') with the capacity and capabilities to make a valuable contribution, and provide independent and informed challenge both from an external perspective (via INEDs) and from an Ageas Group perspective (via Ageas Group Executive and Non-Executive Directors). Appointments are based on merit, and also consider diversity and the mix of skills required. A copy of the Ageas UK Boards' diversity and inclusion statement is available on the Ageas UK website ([www.ageas.co.uk](http://www.ageas.co.uk)) and further information regarding Ageas' approach to diversity and inclusion can be found in the Stakeholder Engagement statements on page 11. The current composition of the Ageas Insurance Limited Board is set out on page 1.

There is a clear division of responsibilities between the Chair of the Boards and the CEO, whereby the Chair is responsible for the leadership of the Boards, and the CEO is responsible for the day-to-day leadership of the business operations. The Chair is an INED and has a pivotal role in setting the Boards' cultural tone, facilitating positive behaviours, and creating the conditions for the overall effectiveness of the Boards and individual directors.

A formal review and assessment of the performance of the Board and its directors is undertaken on a regular basis. Having undertaken externally facilitated Board performance reviews for the last three years, in 2023 an internal Board effectiveness assessment was performed that confirmed the Ageas UK Boards continue to be well functioning, with some identified opportunities for further improvement that are being tracked through an action plan agreed with the Boards.

Ageas UK is committed to the ongoing professional development of the Board, and the training and the development needs of each director are regularly reviewed. To support Board development, a series of focus sessions are organised throughout the year and directors engage with all training opportunities provided.

### **Principle three: Director Responsibilities**

The decision-making framework within Ageas UK is defined by the Ageas UK Boards using high-level parameters agreed with Ageas Group. It reflects the principle of delegated authority based on competence and appropriate mechanisms and triggers for escalation. The framework is a tiered approach with ultimate authority in the UK resting with the Ageas UK Boards. Guiding principles have been established by the Ageas UK Boards within the Ageas UK Governance Manual, and roles and responsibilities are clearly articulated in the Boards' Terms of Reference. The Boards delegate authority to certain key governance committees and the scope and responsibilities of each committee is set out in separate Terms of Reference which are agreed by the Boards.

The corporate governance framework also operates effectively through individuals fulfilling their responsibilities. These are outlined within specific job descriptions, role profiles and the Ageas UK Management Responsibilities Map. Accountabilities are further recorded within policies and processes where relevant.

The Ageas UK Boards receive timely, accurate, complete, and relevant management information, in a form and of a quality appropriate to enable it to discharge its duties. In particular, the Board receives a balanced and understandable assessment of the Company's performance, strategic position, stakeholders, and prospects consistent with the values and standards set.

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## Strategic Report (continued)

### **Principle four: Opportunity and Risk**

The role of the Ageas UK Boards is to perpetuate the long term, sustainable success of the Ageas UK business. Ageas UK strategy is set by the Boards, balancing entrepreneurship with sound control and risk management.

The Ageas UK Boards are supported by the Board Risk Committee, which is comprised of INEDs and a Group Executive Director. This Committee assists the Boards in fulfilling their responsibilities for the oversight of the adequacy and effectiveness of risk governance and the capital allocation models and, in particular, the risk profile relative to the risk appetite determined by the Ageas UK Boards. The Committee reports to the Ageas UK Boards on its activities, and the principal risks and uncertainties have been documented within the strategic report

Ageas UK is organised within a 'three lines of defence' model of operation consistent with that established across the Ageas Group. Management and staff within each Ageas UK function have the primary responsibility for owning and managing risks (first line of defence). Oversight of the effective operation of the internal control framework is supported by the Risk Management and Compliance functions (second line of defence). The third line of defence is provided via independent verification and challenge of the adequacy and effectiveness of the internal risk and control management framework by the Internal Audit Function. Both the Audit Committee and the Board Risk Committee oversee the adequacy and effectiveness of internal controls, receiving reports from the Risk Management, Compliance and Internal Audit Functions and track actions.

### **Principle five: Remuneration**

The Ageas UK Boards have established a Remuneration Committee, comprised of Group Executive and Non-Executive Directors, to consider and ensure that the framework and arrangements that govern the remuneration of the executive and senior management are appropriate, transparent, and aligned with Ageas UK's long term business strategy, risk appetite and values. The Terms of Reference of the Remuneration Committee make it clear that the pay and employment conditions of all Ageas UK employees and the delivery of good customer outcomes is considered when reviewing the structure of the Executive remuneration package. Employees of work level 6 and above are invited to participate in the Ageas Group Share Linked Incentive Plan.

### **Principle six: Stakeholder Relationships and Engagement**

The Ageas UK Boards have a responsibility to set and maintain a culture, values and standards that have customers at the heart of how the Company's business is conducted and to ensure that the Company's obligations to its shareholders and other stakeholders, including customers, employees, suppliers, the community, the environment, and regulators, are understood and met.

A range of mechanisms have been established to support directors in the discharge of their duties and obligations to key stakeholders are understood and met, and further detail, including the Company's approach to diversity and inclusion, and environmental social and governance matters has been included within the Stakeholder Engagement statements on pages 11 to 15.

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## Strategic Report (continued)

### Strategic direction

During 2023, the Ageas UK Executive continued to execute the three-year strategy set by the Ageas UK Boards in 2021. Regular updates as to the progress of the strategy are reported to and considered by the Ageas UK Boards quarterly. The strategic purpose of the Company is aligned to that of the Ageas UK Group, which is to Understand People + Simplify Insurance, this is supported by focusing on four key areas:

- *Competing where we can win*  
Ageas remains committed to becoming market leaders in Broker and Direct personal lines insurance.
- *Maximising Commercial Value*  
Ageas continues to apply sharp focus to everything we do, reinvesting in efficiencies to sharpen our competitive position.
- *Investing in the Best*  
Ageas is committed to investing in key areas and technologies to support the business growth ambitions.
- *Pride in Low Cost*  
As well as investing, Ageas continues to build genuine pride in being a truly low-cost business by working and buying smarter.

### Principal risks and uncertainties

The Company has identified the following principal risks and uncertainties:

- Inflation;
- Insurance;
- Regulation;
- Market;
- Credit;
- Liquidity;
- Operational;
- Sustainability and climate change;
- Pension; and
- Capital management.

A review of these principal risks and uncertainties and the way in which they are managed is detailed in note 4 to the financial statements, and details regarding climate related risks are provided on pages 4 to 6. In addition, details of energy and carbon emissions in connection with Ageas UK activity has been provided on page 14.

This report was approved by the Board of Directors on 4 April 2024 and signed on behalf of the board by:



Jonathan Price  
Chief Financial Officer

# Ageas Insurance Limited

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## Report of the Directors

The directors submit their report, together with the audited financial statements for the year ended 31 December 2023.

### Results

The results of the Company are contained in the financial statements on pages 17 to 101. The 2023 profit before tax was £48.1m (2022: £61.0m restated following the adoption of IFRS 17: Insurance contracts. See note 2 for further information).

### Business review and future direction

The business review and future direction of the Company is set out in the Strategic Report on pages 2 to 10.

### Dividends

The Company did not declare or pay dividends during the year (2022: £76.3m).

### Use of financial instruments

Further information on the Company's risk management process and the policies for mitigating certain risks are set out in note 4.

### Directors

The Members of the Board are shown on page 1. All directors served throughout the year and to the date of this report except as highlighted on page 1.

### Employees

The average number of persons employed in the United Kingdom by the Company during the year was 1,830 (2022: 1,898). The full-time equivalent number of employees adjusted for part time staff was 1,719 (2022: 1,784). Their annual aggregate remuneration was £79.5m (2022: £77.8m). An analysis is shown in note 28.

### Stakeholder Engagement Statements

#### Ageas UK Shareholder, ageas SA/NV

Given ageas SA/NV's 100% ownership of the Company, the promotion of the long-term success of Ageas UK, including the development of a clear UK purpose and strategy, is fully aligned to and supportive of Ageas SA/NV's strategy, Impact24. During 2023, Ageas SA/NV was represented on the Ageas UK Boards by Ageas Group Executive and Non-Executive Directors.

#### Customers, Brokers and Partners and Suppliers

Customers are at the heart of how Ageas UK's business is conducted, supported by its purpose which is set by the Boards and articulated with the Ageas UK Strategy. During the year the Ageas UK Boards, supported by the Board appointed Consumer Duty Champion (an INED), focussed on ensuring the FCA's Consumer Duty was properly embedded across the business and approved an assessment that confirmed the Company to be delivering good outcomes for customers.

Ageas UK maintained the Institute of Customer Service 'Service Mark' accreditation in 2023 having continued to uphold customer satisfaction scores above the all-sector average. As part of Ageas UK's ongoing relationship with the Institute of Customer Service, the Ageas UK CEO spoke at an All-party Parliamentary Group for customer service, discussing the role of customer service in retail finance, and how organisations like Ageas UK were supporting positive customer outcomes.

To support oversight, quarterly customer reporting continued to be provided to the Ageas UK Boards, and Board Members have participated in a customer immersion programme throughout the year, which has provided them the opportunity to experience first-hand the experience of Ageas UK customers. Output from the sessions, together with customer metrics and feedback had been incorporated into Board discussions that ultimately shaped Ageas UK strategy.

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## Report of the Directors (continued)

### Customers, Brokers and Partners and Suppliers (continued)

Several initiatives were implemented throughout 2023 to improve the customer experience and to ensure customers continued to receive good outcomes. The Board received regular updates on actions being undertaken by a Weather Taskforce, established by the business to proactively support Ageas customers before, during and after severe weather events, including enhanced customer communications and digital capabilities. A new Ageas Care programme was also launched during 2023 that aimed to strengthen existing practices and processes for vulnerable customers who may require additional, tailored support when managing their insurance. The Ageas UK Boards also oversaw the deployment of the customer digital transformation programme, increasing online functionality, making it easier for Ageas customers to manage their insurance policies as they choose.

Ageas UK's relationships with brokers and intermediaries are fundamental to its distribution, because over 80% of business is conducted through this channel. A focus of the Ageas UK strategy continues to be to grow personal lines business via brokers and, throughout 2023, the Ageas UK Boards were provided with details of the new arrangements established in support of the strategy. To support broker engagement and to understand their experiences working with Ageas, a feedback tool 'Your Platform' has been provided to them, and the high-level results shared with the Ageas UK Boards.

Ageas UK uses a wide variety of suppliers. Like most large businesses, it engages with suppliers to support the provision of core business activities (e.g. IT), the supply of commodities or maintenance service contracts. As an insurer we also engage with suppliers of goods and repair services when customers' property has been lost or damaged, and medical and assistance services when customers have suffered accident or injury. Ageas UK is committed to high standards of business conduct and has policies and procedures in place to define the way in which Ageas wants to do business and the standards of conduct required. During 2023, suppliers were asked to complete a questionnaire which sought to understand whether their environmental, societal and governance standards were aligned to those of Ageas UK.

### Employee engagement

Attracting, developing, retaining and engaging our people is central to our success as a business, enabling Ageas UK to achieve its strategy by building 'Podium People'. Throughout 2023 the Ageas UK Boards have overseen a number of activities that have sought to: develop a strong people culture, drive engagement, commitment and strong leadership; create a positive working environment in which people have the tools and resources to give their best; grow and attract strong technical skills and capabilities; and improve efficiency and effectiveness.

The Ageas UK Boards receive a quarterly 'People and Property' report from the HR Director that provides a summary of the key developments and activities; and they are kept apprised of the feedback from employees via 'Peakon' the digital employee engagement tool which enabled the business to monitor employee sentiment on a real time basis and respond accordingly. A focus session on People strategy was provided to the Ageas UK Boards, providing an opportunity to understand in greater depth the actions being taken to respond to a more challenging external labour market and to improve employee experience. In response to employee feedback and market analysis, in 2023 the Ageas UK Boards oversaw the implementation of an enhanced employee reward proposition, with the aim of strengthening the employee proposition and to support employees through the cost-of-living crisis.

Board directors have participated in a number of employee events throughout the year, including leadership events, employee townhalls, strategic briefings and attendance at the Employee Forum, with the direct engagement providing them with vital insight into the culture of the Company. The Employee Forum has continued to perform an important role supporting the engagement of employees, attended by the Ageas UK CEO and HR Director, it provides an opportunity for employees to raise questions and concerns directly with Board directors and facilitates the escalation and cascade of key messages, from and to the Executive team and the Ageas UK Boards. In addition, the Chair of the Remuneration Committee, an INED, is invited to attend the Employee Forum, and to meet the Chair of the Forum, an employee, without the Executive present, in order to enhance further engagement between the Ageas UK Boards and employees.

# Ageas Insurance Limited

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## Report of the Directors (continued)

### Employee engagement (continued)

To reinforce a strong people culture, Ageas UK continues to provide employees with timely and regular communications issued via a digital platform 'Viva Engage', whilst an online 'People Hub' provides online learning and development tools. Health and wellbeing of our people has continued to be a priority throughout 2023, with campaigns focussing on financial, physical, and mental wellbeing. The Ageas UK Boards have also received details of the actions being taken to invest in the talent and skills across the business, specifically through the building of technical excellence, supporting career mobility and the deployment of apprenticeships in key business areas. Employee engagement scores remained positive throughout 2023, with Ageas UK certified as a Top Employer by the Top Employer Institute for the second year and rated a 5\* employer by the Insurance Post following a voluntary survey of industry wide employees.

Ageas UK has established and promotes a culture where employees have the confidence and ability to raise their concerns. The Ageas UK Boards approved a 'Speak Up' policy and process, providing clear principles and guidance on the action to take in the event of bullying, harassment, or victimisation or in the event of a financial crime such as Internal Fraud, Money Laundering or if Data Theft was identified. Ageas Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised and any wrongdoing dealt with. The Chair of the Audit Committee has responsibility for the maintenance of the independence, autonomy and effectiveness of Ageas UK whistleblowing policies and procedures; he reported to the Ageas UK Boards and Audit Committee in 2023 stating his view that the systems and controls in place were satisfactory.

### Diversity and Inclusion

The Company is committed to a culture which is inclusive and supports diversity, helping Ageas achieve the combined purpose to Understand People + Simplify Insurance. Recruitment, promotion, career development, selection for training and all other aspects of people management are regularly reviewed and monitored to ensure they are free from discrimination, including all protected characteristics as set out in the Equality Act 2010. The Ageas UK Boards have set the policies and standards within which the Company will operate, and the Boards' approach to diversity and inclusion is monitored regularly.

An inclusion steering group known as 'Momentum', chaired by the Ageas UK CEO, has been established comprising senior representatives from each area of the business who are held accountable for progress against the diversity targets. During 2023, the Ageas UK Boards received regular updates on progress to deliver the inclusion plan which included: meeting the Women in Finance target of 40% women in senior management, receiving Disability Confident Leader status; and undertaking a deep dive review to understand the experiences of ethnic minority applicants and employees with a view to improving overall representation.

The gender pay gap report is provided to the Ageas UK Boards annually, together with progress against agreed targets. Since 2021, Ageas UK has published data on ethnicity, disability and LGBTQIA+ pay gaps, as well as the gender pay gap.

Ageas UK policies and standards are aligned to legislation relating to discrimination in employment, including the employment of people with disabilities. Ageas UK has continued to focus on raising awareness of autism in partnership with GAIN, an organisation working across the insurance industry, and has run several educational sessions for employees. Employees with disabilities are treated fairly and can compete on equal terms for career progression, an applicant with a disability who meets the minimum criteria is guaranteed an interview. Ageas UK is committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Ageas.

### Community and Environment

Details on the identification, process and governance arrangements of the Company in relation to ESG oversight, specifically climate-related risks and opportunities, have been included within the Non-Financial and Sustainability Information Statement on page 4. In terms of the wider society, the Ageas UK Boards receive quarterly updates on progress against the ESG strategy and associated targets, together with updates on the environmental and community initiatives undertaken by the Company, such as the green parts initiative to make the repair of vehicles more sustainable. This award-winning initiative reduced plastic and metal waste, giving a second life to car parts that would have otherwise been scrapped, whilst alleviating supply chain challenges. Ageas UK also continued to support the 'Build Back Better' scheme, designed to help those most at risk from flooding by offering homeowners the chance to have good resistance and resilience measures installed if their home had been damaged by flood waste.

# Ageas Insurance Limited

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## Report of the Directors (continued)

### Community and Environment (continued)

The Company supports a 'Charity of the Year' as nominated by the employees which, for 2023, continued to be the Air Ambulance UK, whereby employees raised funds through sponsorship, fundraising and donations. Ageas UK also agreed to match employee donations made to the Disaster Emergency Committee appeal in response to earthquakes in Turkey and Syria. Employees are also supported to help the community, with paid absence available for staff choosing to volunteer, with a significant increase in volunteering reported to the Ageas UK Boards, following a change in volunteering policy.

Following the implementation of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 (the Regulations), which resulted in additional disclosures for quoted companies and new disclosures for all large unquoted companies and large LLPs, the Company is required to disclose its energy and carbon emissions in the year.

The following table shows the Company's energy use and associated greenhouse gas emissions:

	2023	2022
Energy consumption in kilowatt hours ('kWh')	4,308,000	5,055,000
Total gross emissions in metric tonnes of carbon dioxide equivalent ('tCO <sub>2</sub> e')	292.6	310.4
Intensity metric	0.15	0.16

The 2022 energy consumption in kWh has been restated to include scope 2 emissions in line with the total gross emissions in metric tCO<sub>2</sub>e.

UK energy use covers the Company's consumption of electricity and gas across all office sites, together with energy consumed through reimbursed company mileage and pool cars. Total emissions have been calculated using the latest applicable UK Government emission conversion factors for greenhouse gas reporting.

Ageas UK continues to investigate opportunities to reduce energy consumption. Through monitoring office occupancy, workspaces have been consolidated to occupy less floor space and enabling reduced run-times of plant equipment and lighting in unused office areas. In addition, through migrating services to the cloud we have consolidated our data centre activity and continue to adjust the levels of cooling as demand increases.

All emissions are from the UK.

The Company is required to calculate and disclose an intensity metric. The intensity metric has been calculated as the tCO<sub>2</sub>e per employee.

# Ageas Insurance Limited

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## Report of the Directors (continued)

### Regulatory

The Company and the Ageas UK Boards maintain an open and constructive dialogue with the PRA and FCA alongside the provision of routine regulatory reporting. Throughout 2023 we maintained regular contact with the PRA and FCA, including in relation to the progress of Consumer Duty implementation, our response to inflation, and updates on operational resilience activities.

### Donations

No political donations (2022: £Nil) were made during the year. The Company made charitable donations of £21,683 in the year (2022: £122,850).

### Disclosure of information to auditor

Each of the persons who are directors at the date of approval of this report confirm that, so far as each director is aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

### Independent Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

This report was approved by the Board of Directors on 4 April 2024 and signed on behalf of the board by:



Jonathan Price  
Chief Financial Officer

# Ageas Insurance Limited

Company registration number 354568

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Ageas Insurance Limited

Company registration number: 354568

## Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Note	2023 £m	2022 £m <b>Restated</b>
Insurance revenue		1,109.3	1,159.6
Insurance service expense	5	(926.5)	(1,114.7)
Net result from reinsurance contracts	6	<u>(111.6)</u>	<u>(9.1)</u>
<b>Insurance service result</b>		<b><u>71.2</u></b>	<b><u>35.8</u></b>
<b>Net investment income</b>	7	<b>38.9</b>	<b>19.8</b>
Insurance finance income/(expenses) from insurance contracts issued		(38.0)	(19.8)
Reinsurance finance income/(expenses) from reinsurance contracts held		<u>20.2</u>	<u>11.2</u>
<b>Net insurance finance result</b>	8	<b>(17.8)</b>	<b>(8.6)</b>
<b>Net finance result</b>		<b>21.1</b>	<b>11.2</b>
<b>Net insurance and finance result</b>		<b><u>92.3</u></b>	<b><u>47.0</u></b>
Other income and charges		1.0	2.1
Other operating expenses	10	(29.6)	(33.3)
Other finance costs	11	<u>(11.3)</u>	<u>(7.3)</u>
<b>Total other income and expenses</b>		<b><u>(39.9)</u></b>	<b><u>(38.5)</u></b>
(Loss)/profit on sale of line of business	9	(4.3)	52.5
<b>Profit before tax</b>		<b>48.1</b>	<b>61.0</b>
Tax income/(expense)	12	(12.0)	(14.0)
<b>Profit for the year</b>		<b><u>36.1</u></b>	<b><u>47.0</u></b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Debt securities - net change in fair value		33.0	(82.4)
Debt securities - reclassified to profit or loss	7	(0.1)	-
Related tax	12	(7.1)	18.8
Net finance (expense)/income from insurance contracts	8	(37.4)	241.6
Net finance income/(expense) from reinsurance contracts held	8	19.6	(192.0)
Related tax	12	<u>3.9</u>	<u>(12.0)</u>
		<u>11.9</u>	<u>(26.0)</u>
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of defined benefit pension scheme	30	(2.7)	(19.8)
Related tax	12	<u>0.9</u>	<u>6.9</u>
		<u>(1.8)</u>	<u>(12.9)</u>
<b>Other comprehensive income/(expense), net of tax</b>		<b><u>10.1</u></b>	<b><u>(38.9)</u></b>
<b>Total comprehensive income</b>		<b><u>46.2</u></b>	<b><u>8.1</u></b>

The notes on pages 21 to 101 form an integral part of these financial statements.

Further details on the restatement required upon adoption of IFRS 17 are included in note 2.

# Ageas Insurance Limited

Company registration number: 354568

## Statement of financial position

As at 31 December 2023

	Note	2023 £m	2022 £m <b>Restated</b>	1-Jan 2022 £m <b>Restated</b>
<b>Assets</b>				
Investment in group undertakings	13	-	-	-
Investment property	14	18.5	18.8	19.1
Property, plant and equipment	15	36.9	39.9	41.6
Intangible assets	16	70.3	33.0	15.3
Employee benefits	30	27.7	29.4	48.3
Deferred tax assets	17	39.7	53.0	58.7
Financial assets	18	1,147.6	1,078.3	1,255.5
Reinsurance contract assets	21	888.7	975.6	1,106.6
Current tax asset	25	1.6	2.9	2.0
Other receivables	19	428.9	354.3	402.6
Cash and cash equivalents	20	129.8	100.6	101.0
<b>Total assets</b>		<b><u>2,789.7</u></b>	<b><u>2,685.8</u></b>	<b><u>3,050.7</u></b>
<b>Shareholders' equity</b>				
Share capital	27	277.8	277.8	277.8
Share premium		3.9	3.9	3.9
Retained earnings		166.8	132.7	174.9
Other reserves		(16.1)	(28.2)	(2.1)
<b>Total shareholders' equity</b>		<b><u>432.4</u></b>	<b><u>386.2</u></b>	<b><u>454.5</u></b>
<b>Liabilities</b>				
Insurance contract liabilities	21	2,127.3	2,077.3	2,333.1
Reinsurance contract liabilities	21	0.1	2.0	0.2
Financial liabilities:				
- Loans and borrowings from group companies	22	119.6	119.5	119.4
- Other	23	1.8	5.4	5.1
Other provisions	24	19.0	19.9	19.8
Deferred tax liability	17	9.7	10.3	16.9
Other payables and deferred income	26	79.8	65.2	101.7
<b>Total liabilities</b>		<b><u>2,357.3</u></b>	<b><u>2,299.6</u></b>	<b><u>2,596.2</u></b>
<b>Total equity and liabilities</b>		<b><u>2,789.7</u></b>	<b><u>2,685.8</u></b>	<b><u>3,050.7</u></b>

The statement of financial position is presented in order of liquidity in accordance with IAS 1 Presentation of Financial Statements.

The notes on pages 21 to 101 form an integral part of these financial statements.

Further details on the restatement required upon adoption of IFRS 17 are included in note 2.

These financial statements were approved by the Board of Directors on 4 April 2024 and were signed on its behalf by:



Jonathan Price  
Chief Financial Officer

# Ageas Insurance Limited

Company registration number: 354568

## Statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Retained earnings £m	Other reserves		Total £m
					Insurance finance reserve £m	Fair value reserve £m	
<b>As at 31 December 2021, as previously reported</b>		277.8	3.9	229.3	-	11.1	522.1
Impact of initial application of IFRS17	2	-	-	(54.4)	(13.2)	-	(67.6)
Impact of initial application of IFRS 9	2	-	-	-	-	-	-
<b>Restated balance as at 1 January 2022</b>		<u>277.8</u>	<u>3.9</u>	<u>174.9</u>	<u>(13.2)</u>	<u>11.1</u>	<u>454.5</u>
Profit for the year restated		-	-	47.0	-	-	47.0
Other comprehensive (expense)/income restated		-	-	(12.9)	37.6	(63.6)	(38.9)
<b>Total comprehensive income restated</b>		<u>-</u>	<u>-</u>	<u>34.1</u>	<u>37.6</u>	<u>(63.6)</u>	<u>8.1</u>
Dividend paid	27	-	-	(76.3)	-	-	(76.3)
<b>Restated balance as at 31 December 2022</b>		<u>277.8</u>	<u>3.9</u>	<u>132.7</u>	<u>24.4</u>	<u>(52.5)</u>	<u>386.3</u>
<b>Balance as at 1 January 2023</b>		<u>277.8</u>	<u>3.9</u>	<u>132.7</u>	<u>24.4</u>	<u>(52.5)</u>	<u>386.3</u>
Profit for the year		-	-	36.1	-	-	36.1
Other comprehensive (expense)/income		-	-	(1.8)	(13.9)	25.8	10.1
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>34.3</u>	<u>(13.9)</u>	<u>25.8</u>	<u>46.2</u>
Other movements		-	-	(0.2)	-	0.1	(0.1)
Dividend paid	27	-	-	-	-	-	-
<b>Balance as at 31 December 2023</b>		<u>277.8</u>	<u>3.9</u>	<u>166.8</u>	<u>10.5</u>	<u>(26.6)</u>	<u>432.4</u>

The impact of initial recognition of IFRS 17 and IFRS 9 shows the impact of the restatement to opening balances as at the transition date.

The insurance finance reserve represents the impact of changes in market discount rates on the insurance contract liabilities. For further details on insurance finance income and expenses see note 1.

The fair value reserve includes the cumulative net change in the fair value of investments at fair value through other comprehensive income until the investment is derecognised. Taxation is provided on the net change at the prevailing rates when the changes are booked.

Retained earnings include the defined benefit pension scheme remeasurements.

The Company has presented its statement of changes in equity net of tax.

The notes on pages 21 to 101 form an integral part of these financial statements.

# Ageas Insurance Limited

Company registration number: 354568

## Statement of cash flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m <b>Restated</b>
<b>Cash flows from operating activities</b>			
Profit before tax		48.1	61.0
<i>Adjustments for:</i>			
Investment income	7	(38.9)	(19.8)
Other finance costs relating to financial liabilities measured at amortised cost	22	9.9	5.8
Other finance costs relating to lease liabilities	23(a)	1.0	1.0
Defined benefit pension income	30	(0.9)	(0.4)
Depreciation of investment property	10, 14	0.3	0.3
Depreciation of property, plant and equipment	10, 15	3.0	3.3
Disposal of property, plant and equipment	10, 15	2.2	-
Amortisation and impairment of intangible assets	10, 16	6.2	1.9
Loss/(profit) on sale of line of business	9	4.3	(52.5)
<b>Operating profit before working capital changes</b>		<b>35.2</b>	<b>0.6</b>
(Increase)/decrease in financial assets		(36.6)	79.0
Decrease/(increase) in reinsurance contract assets		104.6	(59.2)
(Increase)/decrease in other receivables		(77.7)	51.5
Increase/(decrease) in insurance contract liabilities		12.6	(14.2)
(Decrease) in other payables and deferred income	26	14.6	(36.5)
(Decrease)/increase in financial liabilities	22, 23	(3.5)	0.4
(Decrease)/increase in provisions	24	(0.9)	0.1
<b>Cash flows generated from operations</b>		<b>48.3</b>	<b>21.7</b>
Defined benefit pension contributions paid	30	-	(0.3)
Interest received		38.7	35.4
Income taxes paid		-	(2.0)
<b>Net cash flows generated from operating activities</b>		<b>87.0</b>	<b>54.8</b>
<b>Cash flows used in investing activities</b>			
(Payments in relation to)/proceeds from sale of line of business		(1.2)	49.1
Purchase of property, plant and equipment	15	(2.2)	(1.6)
Purchase of intangible assets	16	(43.5)	(19.6)
<b>Net cash (used in) / generated from investing activities</b>		<b>(46.9)</b>	<b>27.9</b>
<b>Cash flows used in financing activities</b>			
Dividends paid	27	-	(76.3)
Interest paid on subordinated debt	22	(9.9)	(5.8)
Repayment of lease liabilities	23(a)	(1.0)	(1.0)
<b>Net cash used in financing activities</b>		<b>(10.9)</b>	<b>(83.1)</b>
<b>Net change in cash and cash equivalents</b>		<b>29.2</b>	<b>(0.4)</b>
Cash and cash equivalents at 1 January		100.6	101.0
<b>Cash and cash equivalents at 31 December</b>	20	<b>129.8</b>	<b>100.6</b>
<b>Cash available to the Company</b>	20	<b>129.8</b>	<b>100.6</b>

The notes on pages 21 to 101 form an integral part of these financial statements.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies

Ageas Insurance Limited is a private company, limited by shares, domiciled and incorporated in England. The Company is primarily involved in motor and property related insurance products in the UK.

#### (a) Statement of compliance

The financial statements were approved for issue by the Board of Directors on 4 April 2024.

The financial statements have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

In accordance with IFRS 8, the Company is not required to present segmental information as the equity of the Company is not publicly traded.

#### (b) Basis of preparation

The Company has elected not to prepare consolidated financial statements. The financial statements as prepared are separate financial statements and the exemption from consolidation has been based on the provisions of CA 2006 s401(2). Consolidated financial statements including the results of the Company are prepared by the ultimate holding company, ageas SA/NV, a company incorporated in Belgium, and copies can be obtained from the Company Secretary, Avenue du Boulevard 21, 1210 Brussels.

This is the first set of the Company's annual financial statements in which IFRS 17: Insurance Contracts and IFRS 9: Financial Instruments have been applied, retrospectively from 1 January 2023. As a result, certain comparative figures have been restated following the implementation of IFRS 17 and IFRS 9 as detailed in note 2. The related changes to material accounting policies are described further below.

The financial performance and position of the Company, its cash flows, liquidity position and borrowings are set out in the primary statements on pages 17 to 20, and in the subsequent notes on pages 21 to 101. Further analysis of the objectives and policies for mitigating risk can be found within note 4.

Having considered the position of the Company as above, the approved budget for the next 12 months from the approval date of these financial statements and reviewing the potential risks to the Company, the directors have concluded that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The Company presents its statement of financial position in order of liquidity in accordance with IAS 1 Presentation of Financial Statements. For each asset and liability line item in the statement of financial position that details amounts expected to be recovered or settled within twelve months, or more than twelve months after the statement of financial position date, a classification at the statement of financial position date is included within the notes. The disclosures in the notes for these classifications are distinguished as follows:

- amounts expected to be settled in less than one year are referred to as current; and
- amounts expected to be settled in more than one year are referred to as non-current.

#### (i) Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of financial instruments classified as fair value through profit or loss and other comprehensive income, which are stated at their fair value.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (b) Basis of preparation (continued)

##### (ii) Functional and presentation currency

The financial statements are presented in millions of Pounds Sterling, which is the Company's functional currency. All financial information presented in millions of Pounds Sterling has been rounded to one decimal place.

##### (iii) Use of estimates and judgements

The preparation of financial statements in conformity with international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of judgements concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by the directors in the application of international accounting standards that have a material effect on the financial statements and estimates with a material risk of material adjustment in the following year, are discussed in notes 3 and 4.

##### (iv) New Standards and Interpretations

All new standards, interpretations and amendments to published standards that have been issued and endorsed by the UK Endorsement Board, have been considered. The following new and amended standards that came into effect in the year have been adopted by the Company during the period as appropriate:

- IAS 1 amendments: Presentation of Financial Statements: Disclosure of Accounting Policies – January 2023.
- IFRS Practice Statement 2: Disclosure of Accounting Policies – January 2023.
- IAS 8 amendments: Definition of accounting estimates – January 2023.
- IAS 12 amendments: Deferred Tax related to assets and liabilities arising from a single transaction – January 2023.
- IAS 12 amendments: International Tax Reform - Pillar Two Model Rules – May 2023.
- IFRS 17: Insurance contracts – January 2023.
- IFRS 17 amendments: Initial application of IFRS 17 and IFRS 9 – comparative information – January 2023.

In these financial statements, the Company has applied IFRS 17: Insurance Contracts ('IFRS 17') and IFRS 9: Financial instruments ('IFRS 9') for the first time, which has resulted in material changes compared to the previously applied accounting policies. The Company has applied IFRS 9 for the first time as from 1 January 2023 because the amendments to IFRS 4 on 'Extension of the temporary exemption from applying IFRS 9' permitted the Company to apply IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts' at the same time. IFRS 17 materially impacts the measurement and presentation of insurance contracts, reinsurance contracts. The adoption of IFRS 9 has had no impact on the measurement of the Company's financial instruments. The impact of the adoption of both IFRS 9 and IFRS 17 is detailed in note 2.

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (b) Basis of preparation (continued)

##### (iv) New Standards and Interpretations (continued)

In addition, the following is a list of standards that are in issue but are not effective in 2023, together with the effective date of application to the Company:

- IAS 1 amendments: Classification of liabilities as current or non-current – January 2024.
- IAS 1 amendments: Non-current liabilities with covenants – January 2024.
- IAS 7 and IFRS 7 amendments: Supplier Finance Arrangements – January 2024.
- IFRS 16 amendments: Lease liability in a sale and leaseback – January 2024.
- IAS 21 amendments: Lack of Exchangeability – January 2025.

The standards effective from 2024 have been reviewed and are not expected to have a material impact on the Company. The implications of the remaining standards are under review. The material accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### (c) Insurance revenue

The Company recognises the majority of its insurance revenue in a reporting period based on the consideration that it expects to receive in that period for the provided insurance contract services. The Company allocates the premium it expects to receive for a group of contracts to insurance revenue based on the passage of time over the coverage period of the group of insurance contracts. However, if the expected pattern of release of risk during the coverage period significantly differs from the passage of time, then the expected premiums are allocated to the respective periods of service based on the expected timing of incurred insurance service expenses.

#### (d) Insurance service expense

Insurance service expense arises from a group of insurance contracts are recognised in the statement of profit or loss as incurred, where permitted. Insurance service expense includes:

- Claims incurred during the year;
- Insurance acquisition cash flows that are immediately expensed during the year;
- Losses on onerous contracts and reversals of such losses; and
- Other incurred insurance service expenses, which include attributable expenses for the fulfilment of the insurance contract.

Expenses not meeting the above categories and not being part of insurance finance income and expense are included in other operating expenses in the statement of profit or loss.

#### (e) Net result from reinsurance contracts

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the net result from reinsurance contracts, and it is part of the Insurance service result. The Company recognises reinsurance expenses in its statement of profit or loss in a similar way as insurance revenue and is represented by an allocation of ceding premiums paid, as it receives services under groups of reinsurance contracts. The Company recognises reinsurance income, in a similar way as the insurance service expense, which is represented by the amounts that the Company recovered from the reinsurers for incurred claims. Reinsurance income and expense excludes insurance finance income and expenses. The net result from reinsurance contracts also includes the initial recognition of a loss component on an onerous group of underlying insurance contracts and subsequent measurement movements in that loss-recovery component.

# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (f) Net investment income

Investment income comprises interest income, dividend income, investment property income, net realised gains on debt securities, net unrealised gains or losses on financial assets designated as fair value through profit or loss, foreign exchange movements on derivatives, and other investment expense. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the statement of profit or loss on the date that the Company's right to receive payment is established.

#### (g) Net insurance finance income and expenses

Net insurance finance income and expenses comprise changes in the carrying amount of a group of insurance and reinsurance contracts that arise from the effects of the time value of money, financial risk and changes therein, unless such changes are allocated to any loss component and are included in insurance service expenses for groups of insurance contracts. Income and expenses from groups of reinsurance contracts held are presented separately from income and expenses from groups of insurance contracts issued.

Insurance finance income and expenses from insurance contracts issued relate to accreted interest on the fulfilment cash flows in the Liability for Incurred Claims and the effects of changes in interest rates and other financial variables. The Company has elected to recognise the changes to the discount rate for the calculation of the Insurance Liabilities and Reinsurance Assets, specifically in relation to the liability for incurred claims, in other comprehensive income.

#### (h) Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows that arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company recognises insurance acquisition cash flows as an expense when it incurs those costs where the coverage period is no more than 12 months. Where the coverage is more than 12 months, insurance acquisition cash flows are included in the liability for remaining coverage.

#### (i) Other finance costs

Other finance costs comprise interest payable on borrowings calculated using the effective interest rate method, and interest in respect of lease liabilities, and investment management fees, all of which are expensed in the statement of profit or loss in the period to which they relate.

#### (j) Income tax

Income tax in the statement of profit or loss and other comprehensive income for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes,
- the initial recognition of assets or liabilities that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (j) Income tax (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is only recognised to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

#### Pillar II – Global minimum taxation

Pillar II arose out of the Organisation for Economic Co-operation and Development's ('OECD') Base Erosion and Profit Shifting ('BEPS') project. It applies to large multinational groups and aims to ensure that large multinational businesses pay a minimum effective tax rate of at least 15% on profits in all countries.

The Company has assessed its exposure to the Pillar II Model rules and does not expect any impact to arise.

On 23 May 2023, the International Accounting Standards Board issued Amendments to IAS 12 Income Taxes in respect of the Pillar II model rules, which have been endorsed by the UK Endorsement Board. A mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar II rules is to be applied whilst further consideration is undertaken in respect of the rules on the accounting for income taxes applying under IAS 12.

#### (k) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the presentational currency (pounds sterling) at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to pounds sterling at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of profit or loss. The foreign exchange differences arise from the translation of both opening claims reserves and financial instruments from their functional currency.

#### (l) Investment in group undertakings

Investments in group undertakings are stated at the lower of cost and net realisable value.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (m) Investment property

##### (i) Owned assets

Investment properties are recognised, using the cost model, at cost (or deemed cost) less accumulated depreciation and impairment losses (see accounting policy (v)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

##### (ii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property.

The estimated useful lives of buildings are fifty years. Land is not depreciated.

#### (n) Property, plant and equipment

##### (i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (v)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition of qualifying assets are recognised as part of the cost of those assets in the statement of financial position.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial year in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### (ii) Leased assets

Leases under which the Company is a lessee are recognised as a right-of-use asset and measured at the amount equal to the present value of the minimum lease payments, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, plus any dilapidation provision required. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by any impairment and adjusted for certain remeasurements of the lease liability. Low value and short-term leases are not recognised in the Company's statement of financial position as payments made under such leases are recorded in the statement of profit or loss in the year in which they are incurred.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (n) Property, plant and equipment (continued)

##### (iii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives of assets are as follows:

Buildings	Fifty years
Equipment and motor vehicles	Two to ten years
IT equipment	Two to five years
Right-of-use assets	Lease term

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of profit or loss.

#### (o) Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (see accounting policy (v)). Cost is defined as its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

An internally generated intangible asset is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each intangible asset. The estimated useful lives are as follows:

Software and licences	Three to five years
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# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (p) Employee benefits

##### (i) Defined contribution pension plans

A defined contribution pension plan is a post-employment benefit plan under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Defined benefit pension plan

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years, discounting that benefit to determine its present value, and deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability/asset, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are immediately recognised in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset at that time, taking into account any changes in the net defined benefit liability/asset during the period from contributions and benefit payments. Net interest expense and other expenses related to the defined benefit pension scheme are recognised in the statement of profit or loss.

Where the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan with deferred taxation being recognised at the rate relevant to the expected form of recovery. Consideration is also given to any applicable minimum funding requirements.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (q) Financial assets

##### (i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to this amount.

##### (ii) Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost ('AC');
- Fair value through other comprehensive income ('FVOCI');
- Fair value through profit or loss ('FVPL').

##### Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

The details of these conditions are outlined below.

The Company classifies cash, short term deposits and other receivables, including amounts due from related companies, as debt instruments measured at amortised cost.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- how the performance of the classes of financial assets held are evaluated, monitored against expectation and reported to the Company's key management personnel;
- how the risks relating to the classes of financial assets affect the performance of those assets and, in particular, the way those risks are managed; and
- how the fund managers that the Company engages choose to invest within the classes of financial assets, how the fund managers perform and how the fund managers are compensated.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (q) Financial assets (continued)

##### (ii) Measurement categories (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

##### Debt instruments measured at fair value through other comprehensive income

The Company applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions. The Company classifies UK Government bonds, quasi Government bonds and corporate bonds as debt instruments measured at fair value through other comprehensive income.

##### Financial assets measured at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. The Company classifies property funds and derivatives as debt instruments measured at fair value through profit or loss.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (q) Financial assets (continued)

##### (iii) Subsequent measurement

###### Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. Expected credit losses are recognised in the statement of profit or loss when the investments are impaired.

###### Debt instruments at fair value through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss. The expected credit loss calculation for debt instruments at FVOCI is explained in accounting policy (v). Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

###### Financial assets at fair value through profit or loss

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss when the right to the payment has been established.

##### (i) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

##### (ii) Derecognition of financial assets

Further information relating to the derecognition of financial assets can be found in accounting policy (y).

#### (r) Reinsurance contracts held

##### (i) Classification of reinsurance contracts held

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss exposure through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

##### (ii) Aggregation

The Company measures and presents groups of reinsurance contracts it has purchased ('reinsurance contracts held') separately from groups of insurance contracts it has issued. Groups of reinsurance contracts held are measured using the same accounting policies as those applied to groups of insurance contracts issued. The carrying amount of a group of reinsurance contracts held at the reporting date is the sum of the Asset for Remaining Coverage ('ARC') and the Asset for Incurred Claims ('AIC'). The carrying amount of the ARC of a group of reinsurance contracts held is measured depending on the contract boundary using the Premium Allocation Approach ('PAA') or the General Measurement Model ('GMM').

The carrying amount of the AIC of a group of reinsurance contracts held represents the risk-adjusted present value of the fulfilment cash flows of the incurred claims that the Company has not yet received from the reinsurer.

# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (r) Reinsurance contracts held (continued)

##### (iii) Recognition

The Company recognises groups of reinsurance contracts held in its statement of financial position on the following dates:

- quota-share or other reinsurance contracts held that provide proportionate coverage, are recognised at the later of the date that any underlying insurance contract is initially recognised and the beginning of the coverage period of the group of reinsurance contracts purchased.
- other reinsurance contracts held, such as excess-of-loss and stop-loss reinsurance contracts, are recognised at the date that the coverage period of the group of reinsurance contracts purchased begins. However, if the Company recognises an onerous group of insurance contracts before the date that the coverage period of the group of reinsurance contracts purchased begins, and the related reinsurance contract was purchased before that earlier date, then the group of reinsurance contracts purchased is recognised on that earlier date.

##### (iv) Contract boundary

Cash flows are within the contract boundary of a group of reinsurance contracts held if they arise from substantive rights and obligations that exist during the reporting period in which the Company has the substantive obligation to pay amounts to the reinsurer and has a substantive right to receive services from the reinsurer.

The substantive right to receive services from the reinsurer ends when:

- the reinsurer has the practical ability to reassess the risks that are transferred to the reinsurer and the reinsurer can set a price or level of benefits for the contract that fully reflects those reassessed risks; or
- the reinsurer has a substantive right to terminate the coverage.

##### (v) Significant insurance risk

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are accounted for as financial assets (see accounting policy (q)).

#### (s) Insurance contracts issued

##### (i) Classification of insurance contracts issued

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the other party are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk. The core products sold by the Company are motor related insurance and property related insurance.

##### (ii) Significant insurance risk

For accounting purposes, a contract is classified and measured as an insurance contract if it transfers significant insurance risk from the holder to the issuer of the contract. The Company assesses on initial recognition of a contract whether significant insurance risk is transferred. No reassessment is performed subsequently, unless the terms of the contract are modified. In assessing whether significant insurance risk is transferred, the Company considers all substantive rights and obligations arising from the contract, including those arising from law or regulation.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (s) Insurance contract liabilities (continued)

##### (ii) Significant insurance risk (continued)

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

The Company assesses this by comparing, on a present value basis, the benefits payable after the insured event occurred with the benefits payable if the insured event does not occur.

The assessment of significant insurance risk is made only once, and a contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished (i.e., discharged, cancelled or expired), unless the contract is derecognised because of a modification.

##### (iii) Level of aggregation

The Company identifies portfolios and groups of insurance contracts. A portfolio of insurance contracts includes contracts that are subject to similar risk and that are managed together. The Company considers both the insurance risk and financial risk that is transferred from the policyholder. When identifying the portfolios and groups of insurance contracts, the Company does not consider lapse risk and expense risk (for example, unexpected increases in policy maintenance expense and claims handling expense).

For measurement purposes, the Company identifies portfolios of contracts which are not issued more than one year apart. A portfolio of insurance contracts includes contracts that are subject to similar risk and that are managed together. The Company further divides portfolios of insurance contracts into groups of insurance contracts, based on the underlying profitability of the contract, as follows:

- a group of insurance contracts that are onerous at initial recognition, if any;
- a group of insurance contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining insurance contracts, if any.

In its statement of financial position, the Company presents separately the carrying amount of the following portfolios of insurance contracts:

- Insurance and reinsurance contracts issued/held that are in an asset position, and
- Insurance and reinsurance contracts issued/held that are in a liability position.

The carrying amount of a portfolio of insurance contracts includes any asset or liability recognised for cash flows that arise before the recognition of any contracts that are part of the portfolio.

##### (iv) Recognition

The Company recognises groups of insurance contracts issued in its statement of financial position from the earliest of the date of the beginning of their coverage period, the date when the first payment from a policyholder in the group becomes due, or, when there is no due date, when the first payment from the policyholder is received; and when facts and circumstances indicate that the group of insurance contracts becomes onerous.

Where risk is not transferred from intermediaries to the Company, premiums due from these intermediaries have been recognised in insurance contract liabilities. Where risk transfer does exist, premiums due are recognised within other receivables.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (s) Insurance contract liabilities (continued)

##### (iv) Recognition (continued)

Premiums receivable from intermediaries can be recognised within the scope of IFRS 9 or IFRS 17. The Company has opted to recognise these receivables within the scope of IFRS 9 if the intermediary is acting on behalf of the Company, assessed by reference to whether a formal risk transfer agreement exists between the Company and the intermediary. In line with IFRIC interpretation, this best reflects the discharge of rights and obligations between the policyholder and the insurer under the insurance contract. If no such agreement exists, these receivables are recognised as future cash flows within the scope of IFRS 17.

##### (v) Investment components

Investment components exist where the structure of an insurance or reinsurance contract is such that repayments are due to the policyholder or cedant even if an insured event does not occur. Where investment components are identified, they are recognised using IFRS 9 only if they are 'distinct' from the insurance contract as defined by IFRS 17. If they are not distinct, they will continue to be recognised using IFRS 17 but will be excluded from insurance revenue and insurance service expense if they originate from an insurance contract, or reinsurance revenue and amounts recoverable from reinsurers if they originate from a reinsurance contract.

##### (vi) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services.

The substantive obligation to provide insurance contract services to the policyholder ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects the risks of that policyholder; or
- the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the particular contract and, as a result, can set a price or level of benefits that fully reflects the risks of that portfolio. The pricing of premiums up to the date when the risks are reassessed does not reflect the risks that relate to periods after the reassessment date.

In assessing its ability to reassess the risks, the Company only considers insurance and/or financial risks that are transferred from the policyholder to the Company.

##### (vii) Initial measurement

The Company's insurance contracts issued and the majority of reinsurance contracts held are measured applying the Premium Allocation Approach ('PAA') as the PAA can be applied to short term duration contracts and to longer duration contracts that meet the PAA eligibility, including coverage arising from all premiums within the contract boundary. The PAA is a policy choice if the eligibility criteria are met, and it simplifies the measurement of the Liability for Remaining Coverage and provides other policy choices that are not available under the General Measurement Model ('GMM'). The Loss Portfolio Transfer ('LPT') contracts held are measured applying the GMM.

The measurement of the insurance contract liability, which comprises both the Liability for Incurred Claims ('LIC') and the Liability for Remaining Coverage ('LRC'), is determined on a probability-weighted expected value basis. It is adjusted for the time value of money and includes an explicit risk adjustment for non-financial risk.

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (s) Insurance contract liabilities (continued)

##### (vii) Initial measurement (continued)

A “top-down” approach (aligned to Pillar II Solvency II reporting) is used by the Company to derive the discount rate. The Company has elected to recognise the changes to the discount rate in other comprehensive income (rather than in the statement of profit or loss). The risk adjustment for non-financial risk reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of the group of insurance contracts that arise from non-financial risk. It covers insurance risk and other non-financial risks, such as lapse and expense risk.

For groups of insurance contracts that are measured using the PAA and that are not onerous on initial recognition, the Company measures the carrying amount of the LRC on initial recognition at an amount equal to:

- the amount of premiums received on initial recognition;
- adjusted for any insurance acquisition cash flows that are not expensed as incurred and that are allocated to the group of insurance contracts at that date; and
- adjusted for amounts arising from the derecognition of any asset for pre-recognition insurance acquisition cash flows that are not expensed as incurred and any other pre-recognition cash flows that relate to the group at that date.

The Company assesses whether such a group of insurance contracts could be onerous on initial recognition or could become onerous subsequently using information provided by its internal reporting system, including amongst others a combined ratio that is modified based on the requirements in IFRS 17 and that excludes the effect of reinsurance.

If the assessment above reveals that a group of insurance contracts could be onerous, the Company increases the carrying amount of the LRC to the amount of the discounted fulfilment cash flows. The Company also recognises a loss in the statement of profit or loss equal to the increase in the carrying amount of the LRC.

##### (viii) Subsequent measurement

In subsequent reporting periods, the carrying amount of the LRC of a group of insurance contracts is the amount at the beginning of that reporting period, adjusted for:

- any premiums received during the reporting period;
- any insurance acquisition cash flows that are not expensed as incurred and that are allocated to the reporting period;
- amounts arising from the derecognition of any asset for pre-recognition insurance acquisition cash flows that are not expensed as incurred and any other pre-recognition cash flows allocated to the reporting period;
- any adjustments to the financing component, if applicable;
- the amount of insurance revenue recognised in the statement of profit or loss in the reporting period, reflecting the insurance contract services provided during that period; and
- any investment component paid or transferred to the LIC.

At the end of a subsequent reporting period, the Company assesses whether the group of insurance contracts has become or still is onerous, applying the same methodology as on initial recognition. If necessary, the carrying amount of the LRC is adjusted. This assessment may result in a (partial) reversal of a previously recognised loss component. The carrying amount of the LIC of a group of insurance contracts includes the amount of the risk-adjusted discounted fulfilment cash flows, discounted at current rates, relating to the incurred claims and the expenses that have not yet been paid.

#### (t) Other receivables

Other receivables are stated at their cost less impairment losses (see accounting policy (v)).

# Ageas Insurance Limited

Company registration number 354568

## Notes to the financial statements

### 1 Accounting policies (continued)

#### (u) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and money market funds. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

#### (v) Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company recognises an allowance for expected credit losses ('ECL') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

The Company's debt instruments primarily comprise investment grade bonds and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### The calculation of ECLs

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective interest rate. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs, the Company considers three scenarios (an internal base case scenario, an internal base-negative scenario, and an internal base-positive scenario).

# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (v) Impairment (continued)

##### (i) Financial assets (continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ('PD') is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- The Exposure at Default ('EAD') is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- The Loss Given Default ('LGD') is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- The 12-month ECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate. This calculation is made for each of the four scenarios, as explained above.
- When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate effective interest rate.
- For debt instruments considered credit-impaired, the Company recognises the lifetime ECLs for these instruments. The method is similar to that for lifetime ECLs assets, with the PD set at 100%.

##### Debt instruments measured at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income with a corresponding charge to profit or loss. The accumulated gain recognised in other comprehensive income is recycled to the profit or loss upon derecognition of the assets.

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs.

# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (v) Impairment (continued)

##### (i) Non-financial assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (w) Financial liabilities

Financial liabilities include payables to related parties, lease liabilities, interest-bearing loans and borrowings and bank overdrafts and other payables. Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The directors have determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are typically either short term in nature or are repriced frequently.

The subordinated debt is held at amortised cost and the directors have determined that the carrying value of the subordinated debt approximates the fair value.

#### (x) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Ageas Insurance Limited

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## Notes to the financial statements

### 1 Accounting policies (continued)

#### (y) Derecognition and offset of financial assets and liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Company has transferred substantially all the risks and rewards of the asset; or
  - b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### (z) Share capital and dividends

Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of ordinary and deferred shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends payable on ordinary shares are recognised when they are approved by the Board.

# Ageas Insurance Limited

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## Notes to the financial statements

### 2 Changes in accounting policies and disclosures

In these financial statements, the Company has applied IFRS 17: Insurance Contracts ('IFRS 17') and IFRS 9: Financial instruments ('IFRS 9') for the first time, which has resulted in significant changes compared to the previously applied accounting policies. The Company has recognised the impact of the adoption of IFRS 9 and IFRS 17 in equity at the transition date of 1 January 2022.

IFRS 17 requires an entity to restate information in respect of the reporting period ending on 31 December 2022 in its financial statements for the reporting period ending on 31 December 2023. In view of this requirement, the Company has also restated comparative information for the year ended 31 December 2022 on financial instruments, applying the requirements in IFRS 9 on 'classification and measurement' and on 'impairment' to all its financial assets, using reasonable and supportable information available on 1 January 2022.

The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Except for the changes below, the Company has consistently applied the accounting policies as set out in note 1 to all periods presented in these financial statements. The table below presents the impact of the adoption of IFRS 9 and IFRS 17 on the consolidated statement of financial position of Ageas as at 1 January 2022:

		1 Jan 2022 £m	Impact of IFRS 9 £m	Impact of IFRS 17 £m	1 Jan 2022 £m
<b>As reported</b>	<b>Restated</b>	<b>As reported</b>			<b>Restated</b>
Investment property	Investment property	19.1	-	-	19.1
Property, plant and equipment	Property, plant and equipment	41.6	-	-	41.6
Intangible assets	Intangible assets	15.3	-	-	15.3
Employee benefits	Employee benefits	48.3	-	-	48.3
Deferred acquisition costs	-	139.2	-	(139.2)	-
Deferred tax assets	Deferred tax assets	36.1	-	22.6	58.7
Financial assets	Financial assets	1,255.5	-	-	1,255.5
Reinsurance assets	-	1,028.3	-	(1,028.3)	-
-	Reinsurance contract assets	-	-	1,106.6	1,106.6
Current tax asset	Current tax asset	2.0	-	-	2.0
Insurance and other receivables	Other receivables	384.9	-	17.7	402.6
Cash and cash equivalents	Cash and cash equivalents	101.0	-	-	101.0
<b>Total assets</b>	<b>Total assets</b>	<b>3,071.3</b>	<b>-</b>	<b>(20.6)</b>	<b>3,050.7</b>
Share capital	Share capital	277.8	-	-	277.8
Share premium	Share premium	3.9	-	-	3.9
Retained earnings	Retained earnings	229.3	-	(54.4)	174.9
Other reserves	Other reserves	11.1	-	(13.2)	(2.1)
<b>Total shareholders' equity</b>	<b>Total shareholders' equity</b>	<b>522.1</b>	<b>-</b>	<b>(67.6)</b>	<b>454.5</b>
Insurance contract provisions	-	2,189.0	-	(2,189.0)	-
Insurance contract liabilities	Insurance contract liabilities	-	-	2,333.1	2,333.1
Reinsurance contract liabilities	Reinsurance contract liabilities	-	-	0.2	0.2
Financial liabilities	Financial liabilities	124.5	-	-	124.5
Other provisions	Other provisions	19.8	-	-	19.8
Deferred tax liability	Deferred tax liability	16.9	-	-	16.9
Reinsurance payables	-	6.6	-	(6.6)	-
Insurance payables, other payables and deferred income	Other payables and deferred income	192.4	-	(90.7)	101.7
<b>Total liabilities</b>	<b>Total liabilities</b>	<b>2,549.2</b>	<b>-</b>	<b>47.0</b>	<b>2,596.2</b>
<b>Total equity and liabilities</b>	<b>Total equity and liabilities</b>	<b>3,071.3</b>	<b>-</b>	<b>(20.6)</b>	<b>3,050.7</b>

## Notes to the financial statements

### 2 Changes in accounting policies and disclosures (continued)

#### IFRS 17: Insurance contracts

IFRS 17: Insurance contracts ('IFRS 17') replaces IFRS 4: Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17.

Reclassifications and adjustments arising from the adoption of IFRS 17 have been recognised in the opening statement of financial position on 1 January 2022. The new accounting policies are disclosed in note 1.

The nature of the changes in accounting policies can be summarised, as follows:

#### Changes to classification and measurement

IFRS 17 replaces IFRS 4: Insurance Contracts ('IFRS 4') for annual periods commencing on or after 1 January 2023, which is also the date of initial application of IFRS 17 for the Company. The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

#### Scope

In relation to the Company, IFRS 17: Insurance contracts applies to insurance contracts issued; and reinsurance contracts held.

All references below to insurance contracts equally apply to reinsurance contracts held unless stated otherwise.

#### Level of aggregation

For measurement purposes, the Company identifies portfolios of contracts which are divided into underwriting year to ensure that contracts within each group are not issued more than one year apart. A portfolio of insurance contracts includes contracts that are subject to similar risk and that are managed together. The Company further divides portfolios of insurance contracts into groups of insurance contracts, based on the underlying profitability of the contract, as follows:

- a group of insurance contracts that are onerous at initial recognition, if any;
- a group of insurance contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining insurance contracts, if any.

#### Recognition – insurance contract liabilities/assets

The Company recognises groups of insurance contracts issued on its statement of financial position from the earliest of the beginning of their coverage period, the date when the first payment from a policyholder in the group becomes due, or, when there is no due date, when the first payment from the policyholder is received; and when facts and circumstances indicate that the group of insurance contracts becomes onerous.

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services.

The substantive obligation to provide insurance contract services to the policyholder ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects the risks of that policyholder; or
- the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the particular contract and, as a result, can set a price or level of benefits that fully reflects the risks of that portfolio. The pricing of premiums up to the date when the risks are reassessed does not reflect the risks that relate to periods after the reassessment date.

## Notes to the financial statements

### 2 Changes in accounting policies and disclosures (continued)

#### Recognition – reinsurance contract assets/liabilities

The Company recognises groups of reinsurance contracts held in its statement of financial position on following dates:

- quota-share or other reinsurance contracts held that provide proportionate coverage are recognised at the later of the date that any underlying insurance contract is initially recognised and the beginning of the coverage period of the group of reinsurance contracts purchased.
- other reinsurance contracts held, such as excess-of-loss and stop-loss reinsurance contracts, are recognised at the date that the coverage period of the group of reinsurance contracts purchased begins. However, if the Company recognises an onerous group of underlying insurance contracts before the date that the coverage period of the group of reinsurance contracts purchased begins, and the related reinsurance contract was purchased before that earlier date, then the group of reinsurance contracts purchased is recognised on that earlier date.

Cash flows are within the contract boundary of a group of reinsurance contracts held if they arise from substantive rights and obligations that exist during the reporting period in which the Company has the substantive obligation to pay amounts to the reinsurer and has a substantive right to receive services from the reinsurer.

The substantive right to receive services from the reinsurer ends when:

- the reinsurer has the practical ability to reassess the risks that are transferred to the reinsurer and the reinsurer can set a price or level of benefits for the contract that fully reflects those reassessed risks; or
- the reinsurer has a substantive right to terminate the coverage.

#### Changes to measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17 the measurement of the insurance liability, which comprises both the Liability for Incurred Claims ('LIC') and the Liability for Remaining Coverage ('LRC'), is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk.

A "top-down" approach (aligned to Pillar II Solvency II reporting) is used by the Company to derive the discount rate. The Company has elected to recognise the changes to the discount rate in other comprehensive income (rather than in the statement of profit or loss). The risk adjustment for non-financial risk reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of the group of insurance contracts that arise from non-financial risk. It covers insurance risk and other non-financial risks, such as lapse and expense risk.

When restating the opening balance sheet, the risk adjustment for non-financial risk was calculated using a confidence level approach, targeting the 75th percentile in line with the Company's risk appetite. Subject to appropriate management level approval, the risk adjustment should include an allowance to adequately reflect emerging risks and uncertainties. During 2023, the Company's discounting methodology within the risk adjustment calculation has been refined, allowing for the fact that the level of discounting varies across the percentiles of the distribution. This refined methodology allows for a higher proportion of longer-tailed claims (for example, large losses), resulting in proportionately higher discounting at these higher percentiles.

# Ageas Insurance Limited

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## Notes to the financial statements

### 2 Changes in accounting policies and disclosures (continued)

#### Premium Allocation Approach

The Company's insurance contracts issued and the majority of reinsurance contracts held are measured by applying the Premium Allocation Approach ('PAA') as the PAA can be applied to short term duration contracts and to longer duration contracts that meet the PAA eligibility. The PAA is a policy choice if the eligibility criteria are met, and it simplifies the measurement of the LRC and provides other policy choices that are not available under the General Measurement Model ('GMM'). The Loss Portfolio Transfer ('LPT') reinsurance contracts held are measured applying the GMM.

Under the PAA, the LRC reflects premiums received less amounts recognised in revenue for insurance services provided. If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the statement of profit or loss.

In applying the PAA, the Company has elected to make the following policy choices:

- the Company expenses its insurance acquisition cash flows immediately. No separate asset is recognised for deferred acquisition costs.
- the LRC is not discounted for the time value of money because the contracts coverage is less than a year.
- the election to not discount LIC cashflows expected to be settled within 12 months has been taken.
- the Company has elected to recognise the changes to the discount rate for the calculation of the Insurance Liabilities and Reinsurance Assets, specifically in relation to the liability for incurred claims, in other comprehensive income.

#### General Measurement Model

The Company's LPT reinsurance contracts cover events that have already occurred but the financial effect of which is still uncertain. In such contracts, the insured event is the determination of the ultimate cost of those claims.

Consequently, the coverage period for LPT contracts extends until the last claim that is reinsured has been settled, meaning the coverage period is greater than 12 months, therefore the contracts are not automatically eligible for the PAA. In applying the GMM to the LPT contracts:

- No contractual service margin ('CSM') arises in line with the standard, paragraph B5.
- The ARC is calculated using the same principles as under the PAA.
- The AIC including Risk Adjustment calculated using the same principles as under the under the PAA.

For the above reasons the LPT contracts have been disclosed with the contracts eligible for the PAA within these financial statements, including note 21.

#### Changes to presentation and disclosure in the statement of financial position

For presentation in the statement of financial position, the Company will aggregate insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- groups of insurance contracts issued that are assets;
- groups of insurance contracts issued that are liabilities;
- groups of reinsurance contracts held that are assets; and
- groups of reinsurance contracts held that are liabilities.

#### Recognition and presentation in the statement of profit or loss

The Company will present insurance service result (comprising insurance revenue less insurance service expense and less net result from reinsurance contracts) separately from insurance finance income and expenses. The presentation of insurance revenue and insurance service expense in the statement of comprehensive income is based on the concept of insurance contract services provided during the reporting period.

## Notes to the financial statements

### 2 Changes in accounting policies and disclosures (continued)

#### Transition

At the transition date of 1 January 2022, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, derecognised any existing balances that would not exist had IFRS 17 always applied and recognised any resulting net difference in opening equity.

At the transition date, the Company applied the full retrospective approach to measure the LRC of groups of insurance contracts in its non-life business. The LIC of those groups of insurance contracts has been measured applying the full retrospective approach for the most recent accident years and the modified retrospective approach for claims prior to 2016.

In some situations, the Company was not able to measure a group of insurance contracts at the transition date applying the full retrospective approach, for example when:

- the information in the existing reporting systems of the Company about historical cash flows is based on assumptions that were developed using hindsight; or
- some reasonable and supportable information about historical cash flows is not available in the existing reporting systems of the Company, or only available at a higher or at different levels of aggregation than the requirement on grouping of contracts under IFRS 17.

In these instances, those groups of insurance contracts were measured applying the 'modified retrospective approach'. The objective of those alternative transition measurement approaches is to achieve the closest outcome possible to the full retrospective approach, using reasonable and supportable information that is available without undue cost or effort at the transition date.

#### Modified retrospective approach

The Company applied the modified retrospective approach to measure:

- the liability for settlement of claims incurred before an insurance contract was acquired in a transfer of insurance contracts; and
- the liability for incurred claims for groups of contracts issued prior to 2008. The other comprehensive income balance at transition for these groups of contracts at was nil.

Different groupings were applied for contracts that were issued more than one year apart, depending on the availability of the relevant discount rates. If these discount rates were available for the different years, the relevant locked-in rates of those different years have been applied. Otherwise, all contracts were grouped into one group and the relevant locked-in rate at the transition date has been applied. This resulted in different discount rates used at the transition date, differences in future accretion rates and differences in the amounts recognised in other comprehensive income.

### **IFRS 9: Financial instruments**

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9 on the basis that the percentage of its liabilities connected with insurance relative to the total amount of liabilities is greater than 90%. The initial application date of IFRS 9 has therefore been aligned with the effective date of IFRS 17 for periods beginning on or after 1 January 2023. The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022. Reclassifications and adjustments arising from the adoption of IFRS 9 have been recognised in the opening statement of financial position on 1 January 2022. The new accounting policies are disclosed in note 1.

The nature of the changes in accounting policies under IFRS 9 can be summarised, as follows:

# Ageas Insurance Limited

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## Notes to the financial statements

### 2 Changes in accounting policies and disclosures (continued)

#### Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets of fair value through profit or loss, available for sale, held-to-maturity and loans and receivables at amortised cost will be replaced by:

- Financial assets at fair value through profit or loss ('FVPL'), including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income ('FVOCI'), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost ('AC').

#### Changes to the impairment calculation

Under IAS 39, the Company assessed at each reporting date whether there was any objective evidence that a financial asset was impaired. A financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset was calculated by reference to its fair value.

Individually significant financial assets were tested for impairment on a stand-alone basis. The remaining financial assets were assessed collectively in groups that share similar credit risk characteristics.

Following the adoption of IFRS 9 from 1 January 2023, the Company will adopt a forward looking 'expected credit loss' ('ECL') model. The Company will measure loss allowances on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The table below presents the impact of the adoption of IFRS 9 on the statement of financial position of the Company on 1 January 2022. Certain assets classified as AC under IAS 39 are now classified as FVPL under IFRS 9 as they do not pass the SPPI test.

		1 Jan 2022 £m	Impact of IFRS 9 £m	1 Jan 2022 £m
<i>As reported</i>	<i>Restated</i>	<b>As reported</b>		<b>Restated</b>
<b>Cash and cash equivalents</b>	<b>Cash and cash equivalents</b>	101.0	-	101.0
<b>Financial instruments</b>	<b>Financial instruments</b>			
Available-for-sale	FVOCI			-
- Debt securities	- Debt securities	1,117.2	-	1,117.2
Other financial assets (AC)	Other financial assets (FVPL)	30.2	-	30.2
Other financial assets (FVPL)	Other financial assets (FVPL)	108.1	-	108.1
<b>Other receivables (AC)</b>	<b>Other receivables (AC)</b>	384.9	-	384.9
<b>Total</b>		<b>1,741.4</b>	<b>-</b>	<b>1,741.4</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 3 Accounting estimates and judgements

In preparing these financial statements, the Company has made certain judgements, estimates and assumptions, which are reflected in the reported amounts of assets and liabilities, revenues and expenses and in the amounts reported in the notes to these financial statements.

The judgements, estimates and assumptions used are based on experience and on supportable information that is reasonably available at the time these financial statements are prepared. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Each judgement, estimate and assumption carries by its nature some degree of uncertainty and a risk of material adjustment to the carrying amounts of assets and liabilities during future reporting periods. The most critical judgements and estimates made by the Company are as follows:

#### Insurance and reinsurance contract assets and liabilities

##### Premium allocation approach

The Standard allows for contracts with a coverage period of longer than one year to be measured using the Premium Allocation Approach if it is reasonably expected that the liability for remaining coverage for the group of contracts does not differ materially from that produced applying the General Measurement Model. Significant judgment is required to:

- decide what a material difference means in the context of the Standard.
- decide what scenarios the Company should reasonably expect for the group of contracts.
- What assumptions should be used to forecast those scenarios.

The Company has assessed all of its insurance contracts and determined that all contracts qualify for the PAA.

##### Best estimate of future cashflows to fulfil insurance contracts

The process for setting the best estimate claim reserves is as follows:

- the Company establishes reserves in respect of the anticipated losses incurred in respect of business it has written. These reserves reflect the expected ultimate cost of settling claims occurring prior to the statement of financial position date, but remaining unsettled at that time, and take into account any related reinsurance recoveries.
- reserves for reported claims are established on a case-by-case basis and are based largely on past experience of settlements on similar claims. Such reserves are established separately for each line of business written by the Company.
- reserves for claims incurred but not reported are calculated separately for each line of business written and take into account trends in settlement costs in arriving at the final estimates.
- the personal injury discount rate ('Ogden rate') is set by the Ministry of Justice. It is reviewed periodically with the current rate of -0.25% being in effect from August 2019. It is used by the courts to calculate lump sum personal injury payments and is based on a reference investment portfolio. Reserves have principally been assessed at the current Ogden discount rate of -0.25%.

##### Discount rates

A "top-down" approach has been applied in the determination of discount rates across all portfolios. Under this approach, the Company determines the discount rates based on a yield curve of a reference portfolio adjusted for credit risk. The reference portfolio consists primarily of investment grade bonds. The yield curves that were used to discount the estimates of future cash flows are as follows:

	2023					2022				
	1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
All groups of contracts	4.93 %	3.55 %	3.47 %	3.62 %	3.54 %	4.61 %	4.21 %	3.86 %	3.69 %	3.51 %

## Notes to the financial statements

### 3 Accounting estimates and judgements (continued)

#### Insurance and reinsurance contract assets and liabilities (continued)

##### Disaggregation of insurance finance income or expenses

The Company has elected to disaggregate insurance finance income or expenses into amounts presented in profit or loss and amounts presented in other comprehensive income. Amounts of insurance finance income or expenses recognised in profit or loss represent the impact of unwinding the discounting applied to the liability for incurred claims over the period until payment.

##### Methods used to measure the risk adjustment for non-financial risk

The risk adjustment is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. As the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates.

Applying a confidence level technique, the Company estimates the probability distribution of the present value of the future cash flows from insurance and reinsurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows.

The target confidence level for the risk adjustment is set at the 75th percentile. The total risk adjustment is allocated to groups of contracts based on their contribution to the undiversified 75th percentile.

For further details on insurance contract assets and reinsurance contract liabilities see note 21.

##### Transition

At the transition date of 1 January 2022, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, derecognised any existing balances that would not exist had IFRS 17 always applied and recognised any resulting net difference in opening equity.

At the transition date, the Company applied the full retrospective approach to measure the LRC of groups of insurance contracts in its non-life business. The LIC of those groups of insurance contracts has been measured applying the full retrospective approach for the most recent accident years and the modified retrospective approach for claims prior to 2016.

In some situations, the Company was not able to measure a group of insurance contracts at the transition date applying the full retrospective approach, for example when:

- the information in the existing reporting systems of the Company about historical cash flows is based on assumptions that were developed using hindsight; or
- some reasonable and supportable information about historical cash flows is not available in the existing reporting systems of the Company, or only available at a higher or at different levels of aggregation than the requirement on grouping of contracts under IFRS 17.

In these instances, those groups of insurance contracts were measured applying the 'modified retrospective approach'. The objective of those alternative transition measurement approaches is to achieve the closest outcome possible to the full retrospective approach, using reasonable and supportable information that is available without undue cost or effort at the transition date.

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## Notes to the financial statements

### **Defined benefit pension plan**

The Company's liability for defined benefit pension obligations is based on various estimates including discount rates, future salary increases, future pension increases, mortality rates and future staff turnover. Differences in future actual experience may result in the balance recorded in the Company's statement of financial position ultimately proving to be either too high or too low. Such differences will be accounted for as they arise.

For further details on defined benefit plan obligations see note 30.

### **Deferred tax asset**

The Company has unutilised tax losses which it acquired from Groupama Insurance Company Limited ('GICL') (renamed GICL 2013 Limited) (now dissolved) under the Part VII Scheme of the Financial Services and Markets Act 2000 on 1 October 2013. These can be carried forward to offset income tax liabilities arising on taxable profits of the Company. These losses were supplemented in 2016 by an additional loss due to the change in the Ogden rate. The Company must judge the extent that future taxable profits will arise such that any deferred tax asset is based on profits that are more likely to arise than not based on tax rates that have been substantively enacted at the statement of financial position date. The Company has calculated the deferred tax asset based on the Company's budgets and forecasts, adjusting for any material known tax differences that will arise in that period.

For further details on deferred tax asset see note 17.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management

#### **Objectives and policies for mitigating business risk**

The Company's primary activity, the acceptance of risk of loss from individuals or businesses, exposes it to a number of risks which may adversely affect the Company's ability to meet its business objectives. The Company has identified the following risk areas: insurance, regulation, market, credit, liquidity, operational, sustainability and climate change, pension and capital management.

The Company has various procedures in place to manage these exposures. These procedures have been embedded into decision making processes and the culture of the business. They include an overall risk management framework together with a set of clearly defined risk policies which articulate the Company's risk appetite. The Company also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The risk framework includes an event notification procedure which enables focus on preventing a similar incident occurring in addition to managing the impact of the event, thereby ensuring a proactive control environment.

The Ageas UK Board Risk Committee established by the Boards of the Company, Ageas (UK) Limited, Ageas Retail Limited and Ageas Services (UK) Limited meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflecting the risks currently facing the business and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The findings of the Board Risk Committee are reported to the Boards.

## Notes to the financial statements

### 4 Risk management (continued)

#### (a) Insurance risk

The Company assumes insurance risk by issuing contracts of insurance to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurred. The risk under any one insurance contract is the possibility that the insured event occurred and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is uncertain and therefore unpredictable. The classification of insurance risks are underwriting, claims reserving, claims management and reinsurance.

##### (i) Underwriting risk

Underwriting risk occurs when the underwriter binds a policy at a given price and obliges the Company to pay claims under certain specified conditions, thus exposing the Company to the risk that the policy was not priced correctly due to underestimating the frequency and/or severity of the claims. Underwriting risk is at the core of the Company's business and is a major source of exposure for the Company's capital. The systems and controls required to manage and control this area of risk are therefore of critical importance.

The Company's business lines are generally characterised by large numbers of policyholders with homogeneous exposures, such as motor, household and travel. The approach to pricing these products is based on the Company's knowledge and the price is given to the market not to individuals. Therefore underwriting is tightly controlled. The main technique to determine the price to be charged is to use past exposures, historical losses and external data sources as a basis for developing proposed premiums. Appropriate adjustments are made to reflect anticipated future conditions, expenses and the required profit margin. The performance of each business line is constantly monitored to identify new trends caused by distribution and cause or value of loss so that corrective pricing action can be implemented.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company's largest reinsurance arrangement is in respect of a 40% loss portfolio transfer agreement and quota share treaty with ageas SA/NV, the ultimate holding company, of both prior and future claim liabilities respectively. The Company also buys excess of loss (i.e. non-proportional) reinsurance treaties to reduce its net exposure to agreed levels for each line of business in accordance with the Company's risk appetite. In addition, the Company will buy facultative reinsurance on individual risks in certain specified circumstances. There are also occasions when other quota share reinsurance or stop loss treaties are put in place as part of a larger overall transaction.

##### *Concentrations of insurance risk*

A key aspect of the insurance risk faced by the Company is the degree of concentration of insurance risk, which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. Concentrations of risk can arise in both high severity, low frequency events, such as natural and other disasters and in situations where underwriting is biased towards a particular group, such as a particular geographical concentration or demographic trend.

##### *High severity, low frequency concentrations*

The timing and frequency of high severity events are, by their nature, uncertain. They represent a material risk as the occurrence of such an event would have a significant adverse impact on the Company's cash flows and profitability. The Company manages these risks by making appropriate allowance within the price calculated by underwriters and by purchasing a reinsurance programme that reduces the impact of these events. The Company uses non-proportional reinsurance treaties to manage retention levels and the limits of protection.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (a) Insurance risk (continued)

##### (i) Underwriting risk (continued)

###### *Geographic and demographic concentrations*

Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims. The Company models its exposure to this risk to estimate its probable maximum loss and purchases reinsurance to significantly reduce its exposure to such events. Material concentrations of risk may be created by specific distribution channels that target certain age ranges, affinity groups or underwriting strengths in certain geographic locations. These risks are managed through underwriting and use of reinsurance contracts. The Company provides general insurance in the United Kingdom, with a small proportion written in the Channel Islands.

###### *Economic downturn*

The Company's insurance portfolio exposes it to a potential accumulation of different risks in the event of an economic recession. The Company's strategy in a recession is to ensure that premiums reflect the additional risks and exposures to those areas that could be adversely impacted by an economic downturn. It also monitors economy related claims closely to identify any that may be exaggerated or fraudulent.

###### *Total aggregate exposure*

The Company identifies the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures on a regular basis by reviewing reports which show the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes, and to quantify the net exposure for the Company. Additional stress and scenario tests are run using these models during the year.

###### *Delegated underwriting authorities*

The Company has a number of delegated underwriting authorities with third parties. There is a risk that the third party might not have the controls, management information, quality of staff and technical skills to charge an appropriate price for the risk underwritten. Prior to contract the third party is subject to a due diligence process and is subsequently audited on a regular basis to ensure compliance with the contractual obligations and that the required levels of profitability are being achieved.

###### *Third party injury claims*

In recent years, the Company and the insurance market in general have experienced an increase in the frequency and value of third party injury claims, arising mainly in the private and commercial motor accounts. These increases have been driven by an increased propensity for the population to be litigious and the extensive activities of companies actively persuading potential victims to instigate claims. The Company has recognised this trend and monitors its development closely, adjusting the prices of its products accordingly.

##### (ii) Lapse risk

Lapse risk is related to future premium included in the premium provision where an expected profit is foreseen. Lapse risk is the risk that more lapses will occur than expected ones, generating less potential profit.

##### (iii) Premium risk

Premium risk is the risk that the premium will not be sufficient to cover all liabilities including claims and expenses resulting from fluctuations in frequency, severity of claims, timing of claim settlements or adverse changes in expenses.

## Notes to the financial statements

### 4 Risk management (continued)

#### (a) Insurance risk (continued)

##### (iv) Claims reserving risk

The aim of the reserving policy of the Company is to produce estimates of outstanding claims that are accurate and reliable across each line of business and are consistent over the time period required to settle all the claims. Reserving and the ultimate cost of claims risk occurs where the Company's estimates of its outstanding claims prove to be insufficient through inaccurate forecasting, additional expenses or reinsurance bad debts. The methods used to estimate the insurance liabilities in respect of outstanding claims and provisions are detailed in note 1 to the financial statements. In addition an external independent actuary undertakes an annual review of large elements of the Company's claims reserves.

##### (v) Claims management risk

Claims management risk could arise in the event of inaccurate or incomplete case reserving or settlement, poor customer service or excessive costs of handling claims. The Company's approach to claims management focuses upon creating a successful balance between satisfying the needs of the customer against control of the overall cost of providing the service that meets those needs. Customer includes both insured as well as others that believe our insured has breached a duty of care. The Company's philosophy is based upon the following principles:

- manufacturing claims – production commences at first notification of a loss where the components to satisfy a customer's claim are taken;
- predicament management – tailoring our service to meet the individual customer's needs; and
- reducing failure demand – failure demand is caused by a failure to do something right for the customer.

These principles support the Company's objectives to:

- create empathy with the customer and to offer processes that successfully deal with the resolution of their individual predicament not just their damaged assets;
- provide claims settlement that treats customers fairly, reflects policy and legal liability and complies fully with all other regulatory requirements;
- exercise control over claims reserves, indemnity claims costs, subrogated recoveries and payments to other parties; and
- exercise control over the expense costs associated with handling and settling claims.

##### (vi) Reinsurance risk

Reinsurance is placed to reduce the Company's exposure to specific risks, events and accumulations. The risk is that the reinsurance contracts fail to perform as planned and do not reduce the gross cost of claims in terms of the limits purchased, either by risks not being appropriately covered or because there are gaps in the programme. The reinsurance programme is subject to considerable scenario planning, including by the Company's various reinsurance brokers, and is approved by the Company's Reinsurance Committee and in accordance with the wider reinsurance strategy set by the Company's Board. The failure of a reinsurer to pay a claim is categorised as a credit risk.

#### (b) Regulatory risk

The Motor and Home insurance markets have undergone substantive change, with new rules for General Insurance pricing following the Financial Conduct Authority's Pricing Review coming into effect on 1 January 2022. This has reshaped the market and whilst it should lead to a more stable market in the medium-term, it has made the acquisition of new customers increasingly challenging.

Additionally, the Ogden rate which was last reviewed and revised in 2019 from -0.75% to -0.25% is due for review before August 2024 and, although there is no current indication of imminent revision, it is not currently clear as to what the future direction of change in this rate might be.

## Notes to the financial statements

### 4 Risk management (continued)

#### (c) Market risk

Market risk can be described as the risk of change in the fair value of financial assets due to changes in interest rates, foreign exchange rates and market prices, whether specific to the individual asset or its issuer, or to factors affecting all assets traded in the market.

##### *Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument could have fluctuated because of a change in interest rates. The Company's exposure to changes in interest rates is primarily concentrated in its investment portfolio. To mitigate changes in interest rates the Company holds a material proportion of its investments in fixed rate debt securities. It will normally hold these securities until their maturity. This reduces the variation in future cash flows and provides security over future income and redemption values. The market value of fixed interest securities is inversely correlated to movements in interest rates, that is the market value of fixed interest securities rises if interest rates fall and vice versa. The Company regularly monitors its investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Company is able to underwrite or its ability to settle claims as they fall due. The Company's risk is limited to interest rate risk on the £119.6m (2022: £119.5m) subordinated debt it has issued, as the interest rate is based on SONIA.

Most insurance contract liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing. Payment protection orders take account of likely increases in payments due to, for example, inflation, and are discounted using a rate of interest based on the same indexing factors.

##### *Foreign exchange risk*

The Company is not exposed to material foreign currency risks on assets and liabilities as a result of changes in exchange rates. The majority of the Company's premiums are currently received in Pounds Sterling.

The Company invests in United States dollar ('USD'), Euro and Australian dollar ('AUD') denominated infrastructure equity funds and so has foreign currency risk exposure on those assets. The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its foreign currency denominated infrastructure equity funds.

The Company is exposed to current travel policy claims that require settlement in USD and Euros. These are normally settled within a short period from notification of the loss. Purchases of currency are made to cover the estimated requirement for current liabilities.

##### *Debt security price risk*

The Company is exposed to changes in the market values of debt securities for reasons other than changes in interest rates. This may be due to the credit rating changes, anticipated future interest rate changes, trading performance or market sentiment relating to the issuer. The Company mitigates this risk by investing in high quality issuers in line with its investment strategy and normally holding debt securities until their maturity.

##### *Property price risk*

The Company is exposed to changes in market value due to its investment in property. To mitigate this risk the Company has invested in property funds as well as holding direct investments. Property funds allow investors to achieve greater diversification across multiple types of property and location, and to gain access to the expertise of specialist managers.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (d) Credit risk

Credit risk is the risk that a counterparty will not be able to pay amounts in full when due in accordance with the items of the contract, causing the Company to incur a financial loss. The main sources of credit risk are:

- Investments
- Receivables from intermediaries
- Reinsurance contract assets
- Other financial assets

The Company has a Credit Risk Forum that monitors the exposure, rating and accumulation risks. It will make recommendations on actions to reduce risk. The maximum exposure is equal to the carrying amount of those assets.

#### *Investments*

The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investments are held in a high quality, fixed income portfolio and are normally held until maturity.

The analysis based on the second highest credit ratings of debt securities is as follows:

	Note	2023 £m	2023 %	2022 £m	2022 %
AAA		214.1	21.4	204.5	22.4
AA		149.4	14.9	168.7	18.4
A		454.3	45.3	366.2	39.9
BBB		<u>185.0</u>	<u>18.4</u>	<u>177.3</u>	<u>19.3</u>
Total	18	<u>1,002.8</u>	<u>100.0</u>	<u>916.7</u>	<u>100.0</u>

The second highest credit rating is used because it gives a better overall assessment of credit risk by avoiding any rating agency anomalies.

The financial assets designated as fair value through profit or loss do not have a credit rating. The investments are in five property funds and two infrastructure equity funds, both of which are managed by specialist investment managers. Hence, risk is mitigated through this selection.

An analysis of debt securities, derivative financial assets and other financial assets is shown in note 18.

Under IFRS 9, where there has been no significant increase in credit risk in a reporting period, the impairment provision for investments will represent the 12-month expected credit loss. The Company only holds investment grade investments.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (d) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2023 was determined as follows for investments:

	Stage 1 £m
As at 31 December 2022	0.2
Increase/(decrease) in loss allowance	0.5
Allowance utilised in the year	-
Allowance released in the year	(0.1)
As at 31 December 2023	<u>0.6</u>

#### *Receivables from intermediaries*

The Company trades only through intermediaries who have been subject to a rigorous credit risk assessment and appointment procedure. All intermediaries are authorised and regulated by the Financial Conduct Authority ('FCA') (with the exception of those located on the Isle of Man and the Channel Islands). Credit insurance is purchased as part of the credit risk strategy. The levels of debt are regularly monitored and appropriate action is taken in respect of slow and non-payment within the terms of credit. The level of bad debts in the current and prior year was negligible.

Balances due:	Note	2023	2023	2022	2022
		£m	%	£m	%
				<b>Restated</b>	
Within terms		310.8	98.1	238.6	97.4
Up to 1 month overdue		4.4	1.4	3.4	1.4
Between 1 and 3 months overdue		1.3	0.4	1.7	0.7
More than 3 months overdue		0.3	0.1	1.2	0.5
Total	19	<u>316.8</u>	<u>100.0</u>	<u>244.9</u>	<u>100.0</u>

#### *Reinsurance contract assets*

The Company is exposed to credit risk through its reinsurance arrangements, where amounts due under a reinsurance contract may not be paid. The Company manages this risk by only placing reinsurance with reinsurers who are rated A- or above (AM Best or Standard & Poor's), although ratings may subsequently fluctuate after original placement. The only exception to this relates to a small number of proportional treaties where captive reinsurers are used in specific circumstances. Any alternative reinsurance arrangements are required to be agreed by the Company's Board. The ratings of reinsurers are monitored by the Credit Risk Forum.

#### *Other financial assets*

The credit risk arising from the other financial assets of the Company - comprising cash and cash equivalents, instalments and other receivables, but excluding related party balances - is from the default of the counterparty. Cash and cash equivalents are predominantly held in money market funds which have a rating of AAA, with the balance held with a counterparty rated A. Default on instalment payments results in the Company cancelling the underlying policy in order to reduce its exposure. An analysis of other receivables is shown in note 19.

Under IFRS 9, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables from intermediaries, reinsurance contract assets and other financial assets.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (d) Credit risk (continued)

On that basis, the loss allowances as at 31 December 2023 were determined as follows:

	Intermediaries £m	Intermediaries instalments £m	Claims floats £m	Loans to customers £m	Total £m
As at 31 December 2022	0.8	0.1	0.9	0.4	2.2
Increase in loss allowance	-	-	0.2	-	0.2
Allowance released in the year	(0.1)	(0.1)	-	-	(0.2)
As at 31 December 2023	<u>0.7</u>	<u>-</u>	<u>1.1</u>	<u>0.4</u>	<u>2.2</u>

#### (e) Liquidity risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company is exposed to liquidity risks arising from daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due.

The liquidity risk needs to be balanced against the aim to match the maturity of financial assets with the estimate of the settlement of insurance liabilities and also optimise the yield on the investment portfolio.

The Company manages its liquidity risk by having investment guidelines and maintains sufficient liquidity to be able to realise its financial assets at short notice if required. The Company may also make use of borrowing facilities if required. There are no significant amounts of insurance payables or reinsurance payables that fall due for payment by the Company other than within one year.

#### *Financial assets and insurance and reinsurance contracts*

The following tables provide a maturity analysis of the Company's financial assets (including other financial assets, other receivables, and cash and cash equivalents) and insurance and reinsurance contracts which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis. See notes 18 to 21. The tables below represent the contractual undiscounted cash flows for the disclosed financial assets:

	2023 Assets Financial assets £m	2023 Assets Other receivables £m	2023 Assets Cash and cash equivalents £m	2023 Assets Reinsurance contracts £m	2023 Liabilities Reinsurance contracts £m	2023 Liabilities Insurance contracts £m
Within 1 year	211.6	358.9	129.8	250.9	-	478.6
Between 1 and 2 years	262.0	70.0	-	123.6	-	235.7
Between 2 and 3 years	290.8	-	-	76.9	-	146.6
Between 3 and 4 years	136.9	-	-	45.2	-	86.2
Between 4 and 5 years	31.4	-	-	24.9	-	47.4
Later than 5 years	214.9	-	-	232.1	-	442.7
Total	<u>1,147.6</u>	<u>428.9</u>	<u>129.8</u>	<u>753.6</u>	<u>-</u>	<u>1,437.2</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (e) Liquidity risk (continued)

	2022 Assets	2022 Assets	2022 Assets	2022 Assets	2022 Liabilities	2022 Liabilities
	Financial assets	Other receivables	Cash and cash equivalents	Reinsurance contracts	Reinsurance contracts	Insurance contracts
	£m	£m	£m	£m	£m	£m
		<b>Restated</b>		<b>Restated</b>	<b>Restated</b>	<b>Restated</b>
Within 1 year	215.0	258.5	100.6	299.6	0.7	595.5
Between 1 and 2 years	191.3	95.8	-	130.3	0.3	259.0
Between 2 and 3 years	221.4	-	-	73.1	0.2	145.3
Between 3 and 4 years	166.5	-	-	38.9	0.1	77.4
Between 4 and 5 years	47.5	-	-	20.7	-	41.1
Later than 5 years	236.6	-	-	232.1	0.6	461.2
<b>Total</b>	<b>1,078.3</b>	<b>354.3</b>	<b>100.6</b>	<b>794.7</b>	<b>1.9</b>	<b>1,579.5</b>

#### *Subordinated debt*

Liquidity risk can also have an impact on the Company's ability to pay interest on and ultimately repay the subordinated debt of £119.6m. Below is a table which discloses the contractual cash flows for both interest and repayment of capital. The following table outlines the contractual cashflow maturities represented in the undiscounted cashflows of subordinated debt.

The subordinated debt incurs interest at 3.94% above SONIA per annum, with the SONIA being reviewed quarterly

From 2026 the interest rate will increase to 4.94% above SONIA per annum and will remain at this rate until maturity. Accrued interest is payable quarterly. The subordinated debt has a maturity date of 5 November 2046. This has been reflected in this calculation. The following table outlines the contractual cash flow for the subordinated debt:

Payment period	2023 £m	2022 £m
Within 1 year	10.4	8.1
Between 1 and 5 years	41.6	32.3
Later than 5 years	<u>327.9</u>	<u>281.3</u>
<b>Total</b>	<b><u>379.9</u></b>	<b><u>321.7</u></b>

#### *Infrastructure equity funds*

The Company has investments in illiquid securities in line with the Company's liquidity risk appetite. The Company is committed to investing a total of £6.1m (2022: £5.5m) in EUR denominated funds and £3.1m (2022: £2.2m) in USD denominated funds.

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (e) Liquidity risk (continued)

##### *Lease liabilities*

The amounts disclosed in the following table are the contractual undiscounted cash flows for lease liabilities. Liquidity risk can have an impact on the Company's ability to pay the contractual cashflows as and when they fall due.

Payment period	Note	2023 £m	2022 £m
Within 1 year		0.5	0.9
Between 1 and 5 years		1.1	2.7
Later than 5 years		0.3	1.0
Total undiscounted cashflows		<u>1.9</u>	<u>4.6</u>
Total discounted cashflows	23, 29	<u>1.8</u>	<u>4.3</u>

##### *Other payables and deferred income*

All other payables and deferred income are payable within one year, see note 26.

#### (f) Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk.

The identification, assessment and evaluation, management, monitoring and reporting of risks rests with business managers. Risks are identified, and regularly assessed; the Board Risk Committee reviews the risks on a regular basis and for those falling outside the Company's risk appetite monitors the remedial action to ensure compliance with the Company's risk appetite.

#### (g) Sustainability and Climate Change risk

Sustainability risks relate to uncertain environmental, social or governance ('ESG') events which, if they occur, could have a significant impact on Ageas. These risks include the opportunities that may be available to Ageas because of changing environmental or social factors. Environmental risk relates to the quality and functioning of the natural environment and natural systems and our positive contribution towards it, including, for example, biodiversity loss, greenhouse gas emissions, climate change and renewable energy. Social risk relates to the rights, well-being and interests of people and communities, including human rights, labour standards, workplace health and safety, diversity and other elements. Governance relates to the Company's Board structure, size, diversity, skills & independence, as well as executive pay, shareholder rights, disclosure of information, business ethics, bribery and corruption, an internal controls and risk management.

Climate change is a cross-cutting risk with the potential to impact on all areas of the business. There are two widely recognised channels through which climate change risk can manifest:

##### *Physical risks*

The risks that arise from the physical effects of climate change. Physical risks can be broken down into two categories:

- Acute physical risks: those which arise from certain events, especially weather-related events (e.g. floods and storms);
- Chronic physical risks: those which arise from longer-term shifts in climate patterns (e.g. temperature changes, rising sea levels and changing soil moisture).

# Ageas Insurance Limited

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## Notes to the financial statements

### 4 Risk management (continued)

#### (g) Sustainability and Climate Change risk (continued)

##### *Transition risks*

Financial risks which could arise from the transition to a low-carbon economy (net-zero emissions), including changes in policy risk, legal risk, technology risk, market sentiment risks and reputational risks. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails potential credit losses for lenders and market losses for investors.

There are also liability (litigation) risks that can arise from people or businesses seeking compensation for losses they may have suffered from the physical or transition risks from climate change outlined above or legal challenges taken to require a course of action. Whilst liability risks were previously identified as a separate channel, they are increasingly considered as a sub-category of physical and transition risks.

The Company has in place a climate change strategy that aims to appropriately integrate climate risk considerations into the business and decision-making. The strategy serves to meet regulatory obligations, including embedding the Company's approach to managing climate-related financial risks, whilst remaining sufficiently flexible to adapt to evolving regulatory guidance and scientific understanding. Execution of this strategy has continued during the year to fully embed the Company's approach to managing climate-related financial risks with a number of actions taken to date.

#### (h) Pension risk

The Company is exposed to a number of risks through the Ageas Insurance Staff Pension Scheme, a defined benefit pension plan. The scheme is closed to new members and existing members ceased to accrue further benefits from 31 December 2020.

##### *Volatility in market conditions*

The year end result under IAS 19 accounting can vary considerably depending on market conditions. The liabilities are measured by reference to bond yields whilst the assets of the scheme are invested in debt securities, equities and property. Changing investment markets together with the variable discount rate will lead to volatility in the net pension liability/asset in the balance sheet and in other comprehensive income.

##### *Selection of accounting assumptions*

The calculation of the defined benefit pension obligation is based on projecting future cash flows for many years into the future until all obligations have been settled. This means that the assumptions used can have a material impact on the liability and amount reported in the statement of financial position and in the statement of profit or loss and other comprehensive income. In practice the future experience may not be in line with the assumptions adopted in the valuation.

##### *Inflation rate risk*

Pensions accrued are linked to various inflation measures. Higher inflation will lead to higher liabilities.

## Notes to the financial statements

### 4 Risk management (continued)

#### (i) Capital management

##### *Aims of capital management policy*

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the risk appetite identified in the Company's Risk Policies including an additional risk margin, in full compliance with the requirements of the Prudential Regulation Authority ('PRA').

##### *Definitions of capital management (and supporting terms)*

Capital Management is the collection of processes and activities undertaken to ensure that sufficient capital is maintained to ensure the organisation's ability to meet its liabilities and ultimately ensure its survival, particularly in the case of significant losses arising from adverse events.

Capital Management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholders' funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements. The Company is authorised by the PRA and regulated by the FCA and PRA.

The Company is required to report to the PRA two measures of capital adequacy, a minimum capital requirement ('MCR') and a solvency capital requirement ('SCR').

The MCR seeks to ensure that the Company has at least the minimum amount of capital to meet future expected claims obligations. The SCR reflects a level of eligible own funds that enables the Company to absorb a 1 in 200 event and provides reasonable assurance to policyholders that payments will be made as they fall due.

The Company uses a Partial Internal Model to calculate its SCR, approval for which was given by the PRA in December 2015. The solvency ratio at 31 December 2023 was 159% of the solvency capital requirement ('SCR') (2022: 157%).

All regulatory capital requirements have been complied with during the year.

##### *Approach to capital management*

The Company provides input into the Ageas UK Business Plan which is reviewed and revised each year and then formally approved by the Company's Board. A factor in the formulation of the Business Plan is the assessment of the capital required to support the business objectives (i.e. growth and profit targets) and the appropriateness of the supporting capital structure.

Overall capital requirements and structure are assessed taking account of the following:

- capital required to support the planned growth in new business and renewal premiums and profit targets;
- the required rate of return on capital employed;
- the required dividend;
- Solvency II capital requirements; and
- capital required to support the desired credit rating.

In the event of failure to meet the capital requirements, the Company would expect to revert to its shareholders for an injection of funds or look to alternative methods for ensuring compliance.

For pricing/underwriting purposes, capital is allocated to different classes of business using a risk-based methodology. Where product lines do not have the potential to achieve the required return on capital within the plan period the Company will consider discontinuing the products.

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## Notes to the financial statements

### 4 Risk management (continued)

#### (j) Sensitivity to key business drivers

The impact of the changes in key business drivers is each assumed to be a discrete change. All other factors will be unchanged. Some of these changes cannot be guaranteed to have a linear effect and as a range of other factors will impact the results they cannot be guaranteed to predict the detailed result. In addition, the risk management process that the Company operates will ensure that corrective action is implemented to mitigate or reverse the changes.

The sensitivities below have been selected based on the significant effect they have on the profitability of the Company.

##### *Interest yields change by 1.0%*

The Company will be exposed to the impact of interest yield changes on its assets and liabilities. Forecasting the impact on the market values of fixed interest debt securities will not be linear due to other factors including credit rating movement, anticipation of future interest rate changes, trading performance or market sentiment of the issuers. The impacts shown below are based on the premise that there will be a parallel shift of all interest rates for short and long term.

For a decrease in yields there would be an increase in the market value of fixed interest debt securities. As the Company will normally hold its fixed interest debt securities to maturity, it will not suffer any reduction in its future cash flows. It will suffer a reduction in the yield on any future fixed interest debt securities that it purchases from surplus funds and the maturity of current investments. The financial assets designated as fair value through profit or loss have no maturity date and will not be directly impacted by changes in the interest rate. Further, the Company intends to hold the subordinated debt to maturity and the rate is a floating rate of interest. Hence, the impact of interest rate changes is minimal over the term of the debt.

	2023	2022
	£m	£m
		<b>Restated</b>
Decrease of 1% would cause an increase in net assets before tax	<u>6.2</u>	<u>5.7</u>
Increase of 1% would cause a decrease in net assets before tax	<u>(7.4)</u>	<u>(7.2)</u>

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## Notes to the financial statements

### 4 Risk management (continued)

#### (k) Sensitivity to key business drivers (continued)

##### *Expenses increase by 5.0%*

If all three expense areas (acquisition, administration and claims handling) were to increase by 5.0%, in addition to the impact on profit of the additional costs it would also increase the claims handling provision and result in the deferral of additional acquisition costs to the extent that these will be recovered by insurance revenues.

	2023 £m	2022 £m <b>Restated</b>
Total impact on profit before tax	<u>(16.7)</u>	<u>(19.9)</u>
Total impact on net assets before tax	<u>(16.7)</u>	<u>(19.9)</u>

##### *Gross loss ratio increases by 1.0%*

If the cost of claims were to increase the gross loss ratio (gross incurred claims as a proportion of insurance revenue) by 1.0% there would be a reduction in profits. It is assumed that a similar portion of claims costs would be recoverable from reinsurers. There would also be an increase in claims handling reserve as a proportion of the claims would be unpaid at the statement of financial position date.

	2023 £m	2022 £m <b>Restated</b>
Total impact on profit before tax	<u>(7.3)</u>	<u>(7.1)</u>
Total impact on net assets before tax	<u>(7.3)</u>	<u>(7.1)</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 5 Insurance service expense

	Note	2023 £m	2022 £m
<b>Contracts measured under the PAA</b>			
- Change in estimates related to current service	21	927.7	1,021.6
- Change in estimates related to past service	21	(184.3)	(151.6)
Insurance acquisition cash flows immediately expensed	10	183.1	244.7
<b>Total insurance service expense</b>		<b>926.5</b>	<b>1,114.7</b>

### 6 Net result from reinsurance contracts

	Note	2023 £m	2022 £m
<b>Contracts measured under the PAA and GMM</b>			
Allocation of reinsurance premiums		282.1	298.7
- Recoveries of incurred claims and other insurance service expenses		(170.5)	(289.6)
Net result from reinsurance contracts	21	111.6	9.1

Excluded from reinsurance revenue and amounts recoverable from reinsurers for incurred claims are non-distinct investment components relating to profit commission on reinsurance contracts of £124.0m (2022: £130.2m) generated from contractual terms that do not meet the definition of insurance but are nevertheless within the scope of IFRS 17. See note 21.

### 7 Net investment Income

	2023 £m	2022 £m <b>Restated</b>
Interest income:		
- Debt securities interest income	25.1	16.7
- Fair value through profit or loss interest income	5.1	4.8
- Interest income on loans receivable from fellow group subsidiary	4.8	2.5
- Bank and other interest receivable	4.2	1.0
Investment property income	1.3	1.3
Foreign exchange movement on derivatives	(0.5)	1.0
Dividend income	0.2	0.5
Net realised gains on debt securities	0.1	-
Net unrealised loss on financial assets designated as fair value through profit or loss	(0.8)	(7.9)
Other investment (expense)/income	(0.6)	(0.1)
<b>Total investment income</b>	<b>38.9</b>	<b>19.8</b>

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## Notes to the financial statements

### 8 Net insurance finance result

	Note	2023 £m	2022 £m
<b>Insurance finance income/(expense) from insurance contracts issued</b>			
Interest accreted and changes in financial assumptions recognised in profit or loss		(38.0)	(19.8)
Effect of changes in interest rates and other financial assumptions recognised in OCI		<u>(37.4)</u>	<u>241.6</u>
<b>Total insurance finance (expense)/income from insurance contracts issued</b>	21	<b><u>(75.4)</u></b>	<b><u>221.8</u></b>
<b>Reinsurance finance income/(expense) from reinsurance contracts held</b>			
Interest accreted and changes in financial assumptions recognised in profit or loss		20.2	11.2
Effect of changes in interest rates and other financial assumptions recognised in OCI		<u>19.6</u>	<u>(192.0)</u>
<b>Total reinsurance finance income/(expense) from reinsurance contracts</b>	21	<b><u>39.8</u></b>	<b><u>(180.8)</u></b>
<b>Net insurance finance result</b>		<b><u>(35.6)</u></b>	<b><u>41.0</u></b>
Analysed as:			
Amounts recognised in profit or loss		<u>(17.8)</u>	<u>(8.6)</u>
Amounts recognised in other comprehensive income		<u>(17.8)</u>	<u>49.6</u>

### 9 Profit on sale of line of business

On 15 February 2022, the Company announced the sale of its Commercial Lines business to AXA Insurance UK PLC ('AXA'), recognising initial consideration of £47.5m and contingent deferred consideration of £5m, realising a profit of £52.5m. The Company's Commercial lines business transferred to AXA throughout 2022, while existing back book policies will remain with the Company in run-off.

During 2023, the net consideration receivable in respect of this transaction was reduced by £4.3m to £0.7m, which was received during the year.

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## Notes to the financial statements

### 10 Total operating expenses

	Note	2023 £m	2022 £m <b>Restated</b>
Depreciation and amortisation:			
- Investment property	14	0.3	0.3
- Right of use land and buildings	15	0.6	0.7
- Right of use cars	15	0.2	0.4
- Buildings	15	0.6	0.7
- Equipment and motor vehicles	15	0.6	0.4
- IT equipment	15	1.0	1.1
- Intangible assets	16	2.6	1.9
Impairment of intangible assets	16	3.6	-
Personnel expenses:			
- Wages and salaries	28	90.0	85.9
- Social security costs	28	9.5	9.2
- Other pension costs	28	5.6	5.3
- Personnel expenses recharged to a fellow group subsidiary	28	(25.6)	(22.6)
Commission expenses		141.8	199.8
Other costs		77.8	87.5
Total operating expenses		<u>308.6</u>	<u>370.6</u>

#### *Analysed as:*

Allocated to incurred claims and other expenses		95.9	92.6
Allocated to insurance acquisition expenses	5	<u>183.1</u>	<u>244.7</u>
Allocated to insurance service expense		279.0	337.3
Allocated to other operating expenses		<u>29.6</u>	<u>33.3</u>
Total operating expenses		<u>308.6</u>	<u>370.6</u>

#### **Auditors' remuneration**

Auditors' remuneration is included within other costs above.		2023 £m	2022 £m
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Fees payable to the Company's auditor for the audit of the Company's Annual report:

- in respect of the current year		0.5	0.3
- in respect of the prior year		0.1	0.2
Fees payable to the Company's auditors for other services:			
- Audit-related assurance services		0.1	0.1
- Other services pursuant to regulation		<u>0.1</u>	<u>0.1</u>
		<u>0.8</u>	<u>0.7</u>

### 11 Other finance costs

	Note	2023 £m	2022 £m <b>Restated</b>
Interest expense on financial liabilities measured at amortised cost	22	10.3	6.4
Interest expense relating to lease liabilities	23, 29	0.1	0.1
Investment management fees		<u>0.9</u>	<u>0.8</u>
Total other finance costs		<u>11.3</u>	<u>7.3</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 12 Income taxes

#### (a) Amounts recognised in profit or loss

	2023 £m	2022 £m
		<b>Restated</b>
<b>Current tax</b>		
UK corporation tax on profits of the year	1.5	1.5
Prior year over provision in respect of current tax	-	(0.4)
	<u>1.5</u>	<u>1.1</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	10.0	10.4
Effect of change in rate on deferred tax	0.4	2.3
Prior year over provision in respect of deferred tax	0.1	0.2
	<u>10.5</u>	<u>12.9</u>
	<u>12.0</u>	<u>14.0</u>
Total income tax charge	<u>12.0</u>	<u>14.0</u>

#### (b) Reconciliation of effective tax rate

The tax assessed on the year is higher (2022: higher) than the standard rate of corporation tax in the United Kingdom of 23.5% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
		<b>Restated</b>
Profit before tax	<u>48.1</u>	<u>61.0</u>
Standard rate of corporation tax in year	23.5%	19.0%
Expected tax charge based on the standard rate of corporation tax in the UK	11.3	11.6
Expenses not deductible for tax purposes	0.3	0.4
Effect of variable tax rates	0.4	2.3
Income receivable not taxable	(0.1)	(0.1)
	<u>11.9</u>	<u>14.2</u>
Prior year (under)/over provision in respect of current tax	-	(0.4)
Prior year (under)/over provision in respect of deferred tax	0.1	0.2
Total income tax charge	<u>12.0</u>	<u>14.0</u>

#### (c) Amounts recognised in other comprehensive income

	2023 £m	2022 £m
		<b>Restated</b>
Deferred tax on change in fair value of debt securities	(7.1)	18.8
Deferred tax on change in fair value of insurance and reinsurance contracts held	3.9	(12.0)
Deferred tax on remeasurement of defined benefit pension obligation	0.9	6.9
	<u>(2.3)</u>	<u>13.7</u>

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## Notes to the financial statements

### 13 Investment in group undertakings

	2023 £m	2022 £m
Investments in group undertakings are stated at cost		
At 1 January and 31 December	<u>-</u>	<u>-</u>

The Company has the following investment in group undertakings:

<b>Company</b>	<b>Activity</b>	<b>% Owned</b>	<b>Ownership</b>
HCP (Estate Management) Limited	Estate management	51	Control

The registered address of HCP (Estate Management) Limited ("HCP") is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

The Company has a 51% share (2022: 51%) in HCP, a company limited by guarantee with no share capital and is incorporated in the United Kingdom. HCP is structured as a separate vehicle for the maintenance and upkeep of shared real estate and the Company has only a residual interest in the net assets of HCP.

### 14 Investment property

	Land £m	Buildings £m	Total £m
<b>Cost</b>			
Balance at 1 January 2022	5.3	15.9	21.2
Balance at 31 December 2022	<u>5.3</u>	<u>15.9</u>	<u>21.2</u>
Balance at 31 December 2023	<u>5.3</u>	<u>15.9</u>	<u>21.2</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2022	-	2.1	2.1
Depreciation charge for the year	<u>-</u>	<u>0.3</u>	<u>0.3</u>
Balance at 31 December 2022	<u>-</u>	<u>2.4</u>	<u>2.4</u>
Depreciation charge for the year	<u>-</u>	<u>0.3</u>	<u>0.3</u>
Balance at 31 December 2023	<u>-</u>	<u>2.7</u>	<u>2.7</u>
<b>Carrying amounts</b>			
Balance at 31 December 2022	<u>5.3</u>	<u>13.5</u>	<u>18.8</u>
Balance at 31 December 2023	<u>5.3</u>	<u>13.2</u>	<u>18.5</u>

The property relates to Deansleigh House, Bournemouth, and is let to a fellow group undertaking under an operating lease (details are included in note 32, Related party transactions). See also note 29, Operating leases, for the terms of the operating lease.

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## Notes to the financial statements

### 15 Property, plant and equipment

	Right of use assets		Own use assets			Total
	Land and buildings	Motor vehicles	Land and buildings	Equipment and motor vehicles	IT equipment	
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
Balance at 1 January 2022	6.2	1.3	36.5	1.9	12.4	58.3
Acquisitions	-	0.3	-	0.7	0.6	1.6
Disposals	-	(0.5)	-	-	-	(0.5)
<b>Balance at 31 December 2022</b>	<b>6.2</b>	<b>1.1</b>	<b>36.5</b>	<b>2.6</b>	<b>13.0</b>	<b>59.4</b>
Acquisitions	0.1	0.1	-	0.9	1.1	2.2
Disposals	(3.9)	(0.1)	-	-	-	(4.0)
<b>Balance at 31 December 2023</b>	<b>2.4</b>	<b>1.1</b>	<b>36.5</b>	<b>3.5</b>	<b>14.1</b>	<b>57.6</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2022	1.4	0.7	4.9	0.8	8.9	16.7
Depreciation charge for the year	0.7	0.4	0.7	0.4	1.1	3.3
Disposals	-	(0.5)	-	-	-	(0.5)
<b>Balance at 31 December 2022</b>	<b>2.1</b>	<b>0.6</b>	<b>5.6</b>	<b>1.2</b>	<b>10.0</b>	<b>19.5</b>
Depreciation charge for the year	0.6	0.2	0.6	0.6	1.0	3.0
Disposals	(1.7)	(0.1)	-	-	-	(1.8)
<b>Balance at 31 December 2023</b>	<b>1.0</b>	<b>0.7</b>	<b>6.2</b>	<b>1.8</b>	<b>11.0</b>	<b>20.7</b>
<b>Carrying amounts</b>						
Balance at 31 December 2022	4.1	0.5	30.9	1.4	3.0	39.9
Balance at 31 December 2023	1.4	0.4	30.3	1.7	3.1	36.9

# Ageas Insurance Limited

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## Notes to the financial statements

### 16 Intangible assets

	Software £m	Licences £m	Total £m
<b>Cost</b>			
Balance at 1 January 2022	17.3	0.9	18.2
Acquisitions	19.6	-	19.6
Balance at 31 December 2022	36.9	0.9	37.8
Acquisitions	43.5	-	43.5
Balance at 31 December 2023	80.4	0.9	81.3
<b>Accumulated amortisation</b>			
Balance at 1 January 2022	2.3	0.6	2.9
Amortisation charge for the year	1.8	0.1	1.9
Balance at 31 December 2022	4.1	0.7	4.8
Amortisation charge for the year	2.6	-	2.6
Impairment	3.6	-	3.6
Balance at 31 December 2023	10.3	0.7	11.0
<b>Carrying amounts</b>			
Balance at 31 December 2022	32.8	0.2	33.0
Balance at 31 December 2023	70.1	0.2	70.3

The carrying amount of software at 31 December 2023 includes externally purchased software of £0.2m (2022: £0.5m) comprising the cost of £1.9m (2022: £1.9m) less accumulated depreciation of £1.7m (2022: £1.4m).

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## Notes to the financial statements

### 17 Deferred tax

A change to the main UK corporation tax rate, announced in the Budget on 3 March 2021, was substantively enacted on 24 May 2021. This resulted in the rate increasing from 19% to 25% from 1 April 2023. The deferred tax asset recognised as at 31 December 2023 has been calculated using all substantively enacted rates. Deferred tax recognised in relation to trading losses is supported by future expected profits.

#### Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2023 £m	2022 £m
		<b>Restated</b>
Property, plant and equipment	0.3	0.5
Provisions and other timing differences	0.5	0.8
Recognised losses	33.4	43.0
Debt securities	9.1	16.2
Insurance liabilities	(3.6)	(7.5)
Deferred tax asset	<u>39.7</u>	<u>53.0</u>
Defined benefit pension plan	9.7	10.3
Deferred tax liability	<u>9.7</u>	<u>10.3</u>

The 2022 figures have been restated to reflect the upfront expensing of its insurance acquisition cash flows and the movement in insurance liabilities.

The balance is all non-current (2022: all non-current). There is no unrecognised deferred tax in respect of any unrecognised losses (2022: none).

#### Movement in temporary differences during the year

	1 Jan 2023 £m	Recognised in profit £m	Recognised in OCI £m	31 Dec 2023 £m
				<b>Restated</b>
Property, plant and equipment	0.5	(0.2)	-	0.3
Provisions and other timing differences	0.8	(0.3)	-	0.5
Recognised losses	43.0	(9.6)	-	33.4
Debt securities	16.2	-	(7.1)	9.1
Insurance liabilities	(7.5)	-	3.9	(3.6)
Defined benefit pension scheme	(10.3)	(0.3)	0.9	(9.7)
Deferred tax assets/(liabilities)	<u>42.7</u>	<u>(10.4)</u>	<u>(2.3)</u>	<u>30.0</u>
				<b>Restated</b>
Property, plant and equipment	1.1	(0.6)	-	0.5
Provisions and other timing differences	0.9	(0.1)	-	0.8
Recognised losses	59.3	(16.3)	-	43.0
Debt securities	(2.6)	-	18.8	16.2
Insurance liabilities	-	4.5	(12.0)	(7.5)
Defined benefit pension scheme	(16.9)	(0.3)	6.9	(10.3)
Deferred tax assets/(liabilities)	<u>41.8</u>	<u>(12.8)</u>	<u>13.7</u>	<u>42.7</u>

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## Notes to the financial statements

### 18 Financial assets

	2023 Fair value through profit or loss  £m	2023 Fair value through OCI  £m	2023 Total  £m
Debt securities	-	1,002.8	1,002.8
Derivative financial assets	0.2	-	0.2
Other financial assets	144.6	-	144.6
Total financial assets	<u>144.8</u>	<u>1,002.8</u>	<u>1,147.6</u>
	2022 Fair value through profit or loss  £m	2022 Fair value through OCI  £m	2022 Total  £m
Debt securities	-	916.7	916.7
Derivative financial assets	-	-	-
Other financial assets	161.6	-	161.6
Total financial assets	<u>161.6</u>	<u>916.7</u>	<u>1,078.3</u>

#### (a) Debt securities

	Note	2023 £m	2022 £m
<i>Debt securities - fixed rate</i>			
UK Government bonds		72.6	96.2
Quasi Government bonds		196.0	194.8
Corporate bonds		<u>734.2</u>	<u>625.7</u>
	4	<u>1,002.8</u>	<u>916.7</u>

The movements in fair value through OCI financial assets are as follows:

	2023 £m	2022 £m
Balance at 1 January	916.7	1,117.2
Foreign exchange/translation differences	-	0.3
Additions	280.8	220.0
Sales and redemptions	(230.7)	(335.9)
Fair value unrealised gains and losses	32.5	(82.6)
Amortisation of premiums and discounts	3.5	(2.3)
Balance at 31 December	<u>1,002.8</u>	<u>916.7</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 18 Financial assets (continued)

#### (a) Debt securities (continued)

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaties. The arrangement includes collateral from Ageas SA/NV in the form of investments that the Company retains legal ownership of the financial assets supporting the claims liabilities but transfers the risks and rewards of ownership to ageas SA/NV. Consequently, these financial assets are not recognised in the Company's statement of financial position. The carrying amounts of the collateral are £635.5m (2022: £608.3m).

As at 31 December 2023 the current portion of debt securities is £211.6m (2022: £215.0m) and the non-current portion is £791.2m (2022: £701.7m).

The effective interest rate at the statement of financial position date on sterling debt securities is 3.11% (2022: 1.98%).

The Company does not have direct exposure to sovereign debt other than to the UK government, and indirect exposure is carefully managed through conservative investment guidelines.

#### (b) Derivative financial assets

	2023 £m	2022 £m
Gross inflow	49.5	-
Gross outflow	(49.3)	-
Currency forward contracts	<u>0.2</u>	<u>-</u>
Notional amount	<u>49.5</u>	<u>-</u>
	£m	£m
Current derivative assets	<u>0.2</u>	<u>-</u>

The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its USD, AUD and Euro denominated infrastructure equity investments. Currency forward contracts are contractual agreements to sell currency and buy sterling at a specific price and date in the future. The contracts are rebased monthly. See note 23(b) for details of derivative financial liabilities for prior year.

# Ageas Insurance Limited

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## Notes to the financial statements

### 18 Financial assets (continued)

#### (c) Other financial assets

	2023 £m	2022 £m
Infrastructure equity	55.6	53.6
Property funds	62.6	80.4
Real estate debt	26.4	27.6
Other financial assets	<u>144.6</u>	<u>161.6</u>

Other financial assets are designated as fair value through profit or loss as it is the Company's intention to manage the investments and evaluate performance on a fair value basis. The returns on these financial assets are the key performance measures against which they will be measured.

The real estate debt consists of 18 underlying loans (2022: 18 underlying loans) with an average unexpired term of 3.3 years (2022: 4.3 years) and average internal rate of return of 3.9% (2022: 3.9%).

Other financial assets are non-current.

#### (d) Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The fair value for level 2 financial instruments is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All financial assets designated as level 3 use unobservable inputs to measure fair value as relevant observable inputs are unavailable. The valuation is performed by the fund, either using its own internal valuation process, or is outsourced to an independent expert. The Company has adequate controls and processes in place to be satisfied that the valuations of these financial assets are materially correct at the reporting date as fund valuation policies are reviewed for reasonableness. Significant increases/(decreases) in any of the unobservable inputs used in the fair value measurement of the entity's property funds would result in a significantly lower/(higher) fair value measurement.

# Ageas Insurance Limited

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## Notes to the financial statements

### 18 Financial assets (continued)

#### (d) Valuation of financial instruments (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Debt securities	72.5	930.3	-	1,002.8
Derivative financial instruments	-	0.2	-	0.2
Other financial assets	-	68.3	76.3	144.6
	<u>72.5</u>	<u>998.8</u>	<u>76.3</u>	<u>1,147.6</u>
2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Debt securities	96.2	820.5	-	916.7
Derivative financial instruments	-	-	-	-
Other financial assets	-	76.9	84.7	161.6
	<u>96.2</u>	<u>897.4</u>	<u>84.7</u>	<u>1,078.3</u>

The classification and measurement of all assets and liabilities is detailed in note 31.

The presentation of the 2022 figures includes real estate debt in accordance with IFRS 9 Financial Instruments.

# Ageas Insurance Limited

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## Notes to the financial statements

### 18 Financial assets (continued)

#### (e) Solely payments of principle and interest credit risk exposure

The following table highlights the credit risk exposure, including significant credit risk concentrations, inherent in financial assets which meet the SPPI test as at 31 December 2023:

	Loss allowance is measured					Purchased or originated credit-impaired financial assets
	At an amount equal to 12-month expected credit losses ('ECL')	At an amount equal to lifetime ECL			Trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with IFRS 9 (paragraph 5.5.15)	
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired)			
£m	£m	£m	£m	£m	£m	
AAA	214.1	214.1	-	-	-	-
AA	149.4	149.4	-	-	-	-
A	454.3	454.3	-	-	-	-
BBB	185.0	185.0	-	-	-	-
Total investment grade	1,002.8	1,002.8	-	-	-	-
Below investment grade	-	-	-	-	-	-
Unrated	428.9	428.9	-	-	-	-
<b>Total</b>	<b>1,431.7</b>	<b>1,431.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 18 Financial assets (continued)

#### (f) Unrealised gains and losses in fair value on debt securities through other comprehensive income

	2023		2022	
	Fair value £m	Unrealised (loss) or gain £m	Fair value £m	Unrealised gain £m
<b>Debt securities</b>				
Assets fair valued at below amortised cost	735.9	(43.1)	869.9	(69.0)
Assets fair valued at or above amortised cost	266.9	6.6	46.8	-
Total	<u>1,002.8</u>	<u>(36.5)</u>	<u>916.7</u>	<u>(69.0)</u>
<b>Gross unrealised loss position for various percentages of amortised cost</b>				
Between 90% and 100%	940.7	(17.5)	714.0	(29.3)
Below 80% and 90%	14.8	(2.1)	202.7	(39.7)
Below 80%	47.3	(16.9)	-	-
Total	<u>1,002.8</u>	<u>(36.5)</u>	<u>916.7</u>	<u>(69.0)</u>

#### (g) Unrealised gains and losses in fair value on assets designated as fair value through profit or loss

	2023		2022	
	Fair value £m	Unrealised (loss) £m	Fair value £m	Unrealised (loss) £m
Assets designated as fair value through profit or loss	144.8	(0.8)	161.6	(7.9)
Total	<u>144.8</u>	<u>(0.8)</u>	<u>161.6</u>	<u>(7.9)</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 19 Other receivables

		2023 £m	2022 £m
	Note		<b>Restated</b>
Receivables from intermediaries	4	316.8	244.9
Amounts due from group undertakings		89.7	81.2
Accrued interest income		14.1	12.5
Deferred other charges		7.5	12.7
Other receivables		0.8	3.0
Total other receivables		<u>428.9</u>	<u>354.3</u>

Other receivables include amounts owed from intermediaries in line with the accounting policy choice outlined in note 1 (s). Insurance receivables (such as broker debt and salvage) are now reported within the relevant insurance contract line within note 21.

Amounts due from group undertakings include an outstanding loan due from Ageas Retail Limited of £70.0m (2022: £70.0m). There are currently no amounts outstanding on the loan facility to Ageas (UK) Limited (2022: £nil).

The Company has issued loans to Ageas (UK) Limited and Ageas Retail Limited, with maximum capacities of £15.0m and £100.0m respectively. On 20 March 2023 the Company restated both loans to extend the maturity dates to 7 September 2025. Both loans bear interest at 1.75% above the Bank of England base rate. There is also a non-utilisation charge at 0.56% of the undrawn portion of each loan facility.

Except for the loans issued to Ageas (UK) Limited and Ageas Retail Limited mentioned above, amounts due from group undertakings are unsecured, interest free and repayable on demand in cash.

All remaining balances are receivable within one year (2022 restated: £258.5m current, £25.8m non-current).

### 20 Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank	<u>129.8</u>	<u>100.6</u>

The effective interest rate for the year 2023 on short term bank deposits was 3.25% per annum (2022: 1.0% per annum), with an average maturity of one day.

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets

The amounts disclosed within this note include LPT reinsurance contracts held measured under the GMM, which is further explained in Note 2 and does not result in different results under GMM and PAA.

	Note	2023			2022		
		Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
- Liability for incurred claims	4	-	1,437.2	1,437.2	-	1,579.5	1,579.5
- Liability for remaining coverage		-	690.1	690.1	-	497.8	497.8
Insurance contracts issued		<u>-</u>	<u>2,127.3</u>	<u>2,127.3</u>	<u>-</u>	<u>2,077.3</u>	<u>2,077.3</u>
- Asset for incurred claims	4	753.6	-	753.6	794.7	1.9	792.8
- Asset for remaining coverage		135.1	0.1	135.0	180.9	0.1	180.8
Reinsurance contracts held		<u>888.7</u>	<u>0.1</u>	<u>888.6</u>	<u>975.6</u>	<u>2.0</u>	<u>973.6</u>

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaty. See note 32 for more information.

Excluded from reinsurance revenue and amounts recoverable from reinsurers for incurred claims are non-distinct investment components relating to profit commission on reinsurance contracts of £124.0m (2022: £130.2m) generated from contractual terms that do not meet the definition of insurance but are nevertheless within the scope of IFRS 17. See note 21 iii) and iv).

Total insurance contracts issued is split £478.6m current and £958.6m non-current (2022: £595.5m current, £984.0m non-current). Reinsurance contracts held is split £250.9m current and £502.7m non-current (2022: £299.6m current, £495.1m non-current).

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (i) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims as at 31 December 2023

	Note	Liabilities for remaining coverage		2023 Liabilities for incurred claims		Total £m
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of insurance contracts which are liabilities		497.8	-	1,484.6	94.9	2,077.3
<b>Net insurance contract liabilities as at 1 January 2023</b>		<b>497.8</b>	<b>-</b>	<b>1,484.6</b>	<b>94.9</b>	<b>2,077.3</b>
<b>Insurance revenue</b>		<b>(1,109.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,109.3)</b>
Incurred claims and other insurance service expense	5	-	-	905.3	22.4	927.7
Changes to liabilities for incurred claims	5	-	-	(139.8)	(44.5)	(184.3)
<b>Insurance service expenses</b>		<b>-</b>	<b>-</b>	<b>765.5</b>	<b>(22.1)</b>	<b>743.4</b>
<b>Insurance service result</b>		<b>(1,109.3)</b>	<b>-</b>	<b>765.5</b>	<b>(22.1)</b>	<b>(365.9)</b>
Insurance finance income	8	-	-	69.8	5.6	75.4
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(1,109.3)</b>	<b>-</b>	<b>835.3</b>	<b>(16.5)</b>	<b>(290.5)</b>
Premiums received		1,301.6	-	-	-	1,301.6
Claims and other insurance service expense paid		-	-	(961.1)	-	(961.1)
<b>Total cash flows</b>		<b>1,301.6</b>	<b>-</b>	<b>(961.1)</b>	<b>-</b>	<b>340.5</b>
<b>Net insurance contract liabilities as at 31 December 2023</b>		<b>690.1</b>	<b>-</b>	<b>1,358.8</b>	<b>78.4</b>	<b>2,127.3</b>
Portfolios of insurance contracts which are liabilities		690.1	-	1,358.8	78.4	2,127.3
<b>Net insurance contract liabilities as at 31 December 2023</b>		<b>690.1</b>	<b>-</b>	<b>1,358.8</b>	<b>78.4</b>	<b>2,127.3</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (ii) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims as at 31 December 2022

	Note	Liabilities for remaining coverage		2022 Liabilities for incurred claims		Total £m
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of insurance contracts which are liabilities		572.9	-	1,644.7	115.5	2,333.1
<b>Net insurance contract liabilities as at 1 January 2022</b>		<b>572.9</b>	<b>-</b>	<b>1,644.7</b>	<b>115.5</b>	<b>2,333.1</b>
<b>Insurance revenue</b>		<b>(1,159.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,159.6)</b>
Incurred claims and other insurance service expense	5	-	-	991.1	30.5	1,021.6
Changes to liabilities for incurred claims	5	-	-	(116.0)	(35.6)	(151.6)
Insurance service expenses		-	-	875.1	(5.1)	870.0
<b>Insurance service result</b>		<b>(1,159.6)</b>	<b>-</b>	<b>875.1</b>	<b>(5.1)</b>	<b>(289.6)</b>
Insurance finance income	8	-	-	(206.3)	(15.5)	(221.8)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(1,159.6)</b>	<b>-</b>	<b>668.8</b>	<b>(20.6)</b>	<b>(511.4)</b>
Premiums received		1,084.5	-	-	-	1,084.5
Claims and other insurance service expense paid		-	-	(828.9)	-	(828.9)
<b>Total cash flows</b>		<b>1,084.5</b>	<b>-</b>	<b>(828.9)</b>	<b>-</b>	<b>255.6</b>
<b>Net insurance contract liabilities as at 31 December 2022</b>		<b>497.8</b>	<b>-</b>	<b>1,484.6</b>	<b>94.9</b>	<b>2,077.3</b>
Portfolios of insurance contracts which are liabilities		497.8	-	1,484.6	94.9	2,077.3
<b>Net insurance contract liabilities as at 31 December 2022</b>		<b>497.8</b>	<b>-</b>	<b>1,484.6</b>	<b>94.9</b>	<b>2,077.3</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (iii) Roll-forward of net asset or liability for reinsurance contracts held showing the asset for remaining coverage and the asset for incurred claims as at 31 December 2023

	Note	2023				Total £m
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of reinsurance contracts which are assets		180.9	-	746.4	48.3	975.6
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	(1.8)	(0.1)	(2.0)
<b>Net reinsurance contract assets as at 1 January 2023</b>		<b>180.8</b>	<b>-</b>	<b>744.6</b>	<b>48.2</b>	<b>973.6</b>
<b>Reinsurance revenue</b>	6	<b>(282.1)</b>	-	-	-	<b>(282.1)</b>
Amounts recoverable for incurred claims and other expenses		-	-	220.6	9.9	230.5
Changes to amounts recoverable for incurred claims		-	-	(40.8)	(19.1)	(59.9)
<b>Amounts recoverable from reinsurers for incurred claims</b>	6	<b>-</b>	<b>-</b>	<b>179.8</b>	<b>(9.2)</b>	<b>170.6</b>
Effect of changes in non-performance risk of reinsurers		-	-	(0.1)	-	(0.1)
<b>Net result from reinsurance contracts held</b>	6	<b>(282.1)</b>	<b>-</b>	<b>179.7</b>	<b>(9.2)</b>	<b>(111.6)</b>
Reinsurance finance income	8	4.1	-	31.9	3.8	39.8
Investment components	8	(124.0)	-	124.0	-	-
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(402.0)</b>	<b>-</b>	<b>335.6</b>	<b>(5.4)</b>	<b>(71.8)</b>
Premiums paid		356.2	-	-	-	356.2
Amounts received from reinsurance		-	-	(369.4)	-	(369.4)
<b>Total cash flows</b>		<b>356.2</b>	<b>-</b>	<b>(369.4)</b>	<b>-</b>	<b>(13.2)</b>
<b>Net reinsurance contract assets as at 31 December 2023</b>		<b>135.0</b>	<b>-</b>	<b>710.8</b>	<b>42.8</b>	<b>888.6</b>
Portfolios of reinsurance contracts which are assets		135.1	-	710.8	42.8	888.7
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	-	-	(0.1)
<b>Net reinsurance contract assets as at 31 December 2023</b>		<b>135.0</b>	<b>-</b>	<b>710.8</b>	<b>42.8</b>	<b>888.6</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (iv) Roll-forward of net asset or liability for reinsurance contracts held showing the asset for remaining coverage and the asset for incurred claims as at 31 December 2022

	Note	Assets for remaining coverage		2022		Total
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of reinsurance contracts which are assets		256.9	-	787.7	61.9	1,106.5
Portfolios of reinsurance contracts which are liabilities		(0.2)	-	-	-	(0.2)
<b>Net reinsurance contract assets as at 1 January 2022</b>		<b>256.7</b>	<b>-</b>	<b>787.7</b>	<b>61.9</b>	<b>1,106.3</b>
<b>Reinsurance revenue</b>	6	<b>(298.7)</b>	-	-	-	<b>(298.7)</b>
Amounts recoverable for incurred claims and other expenses		-	-	262.4	11.2	273.6
Changes to amounts recoverable for incurred claims		-	-	25.4	(9.5)	15.9
<b>Amounts recoverable from reinsurers for incurred claims</b>	6	-	-	287.8	1.7	289.5
Effect of changes in non-performance risk of reinsurers		-	-	0.1	-	0.1
<b>Net result from reinsurance contracts held</b>	6	<b>(298.7)</b>	<b>-</b>	<b>287.9</b>	<b>1.7</b>	<b>(9.1)</b>
Reinsurance finance income	8	(18.4)	-	(147.0)	(15.4)	(180.8)
Investment components	8	(130.2)	-	130.2	-	-
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(447.3)</b>	<b>-</b>	<b>271.1</b>	<b>(13.7)</b>	<b>(189.9)</b>
Premiums paid		371.4	-	-	-	371.4
Amounts received from reinsurance		-	-	(314.2)	-	(314.2)
<b>Total cash flows</b>		<b>371.4</b>	<b>-</b>	<b>(314.2)</b>	<b>-</b>	<b>57.2</b>
<b>Net reinsurance contract assets as at 31 December 2022</b>		<b>180.8</b>	<b>-</b>	<b>744.6</b>	<b>48.2</b>	<b>973.6</b>
Portfolios of reinsurance contracts which are assets		180.9	-	746.4	48.3	975.6
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	(1.8)	(0.1)	(2.0)
<b>Net reinsurance contract assets as at 31 December 2022</b>		<b>180.8</b>	<b>-</b>	<b>744.6</b>	<b>48.2</b>	<b>973.6</b>

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (v) Analysis of claims development – gross of reinsurance - as at 31 December 2023

	Accident Year										Total £m
	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	
<b>Estimates of undiscounted gross cumulative claims</b>											
At end of accident year	780.1	913.8	1,095.0	980.5	855.6	877.0	793.2	801.5	958.2	883.9	883.9
- one year later	793.3	1,172.0	1,179.0	945.7	946.5	864.3	751.7	795.3	937.2		937.2
- two years later	817.5	968.4	1,101.8	952.5	876.3	891.7	734.3	762.5			762.5
- three years later	840.0	928.8	1,024.0	922.3	848.3	846.1	690.3				690.3
- four years later	812.1	891.0	1,016.2	911.1	809.2	760.6					760.6
- five years later	780.0	899.6	1,002.8	875.4	815.0						815.0
- six years later	777.2	892.4	995.9	877.5							877.5
- seven years later	773.2	890.1	998.2								998.2
- eight years later	769.5	889.7									889.7
- nine years later	766.8										766.8
<b>Total undiscounted incurred claims</b>	<b>766.8</b>	<b>889.7</b>	<b>998.2</b>	<b>877.5</b>	<b>815.0</b>	<b>760.6</b>	<b>690.3</b>	<b>762.5</b>	<b>937.2</b>	<b>883.9</b>	<b>8,381.7</b>
<b>Cumulative payments to date</b>	<b>(768.0)</b>	<b>(854.8)</b>	<b>(939.8)</b>	<b>(857.6)</b>	<b>(781.2)</b>	<b>(709.4)</b>	<b>(601.5)</b>	<b>(585.8)</b>	<b>(622.1)</b>	<b>(387.9)</b>	<b>(7,108.1)</b>
<b>Gross undiscounted best estimate liabilities</b>	<b>(1.2)</b>	<b>34.9</b>	<b>58.4</b>	<b>19.9</b>	<b>33.8</b>	<b>51.2</b>	<b>88.8</b>	<b>176.7</b>	<b>315.1</b>	<b>496.0</b>	<b>1,273.6</b>
Effect of the risk adjustment for non-financial risk											78.4
Gross undiscounted liabilities for incurred claims for prior accident years											443.5
Effect of discounting											(358.3)
<b>Gross liabilities for incurred claims in the statement of financial position</b>											<b>1,437.2</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 21 Insurance contract liabilities and reinsurance contract assets (continued)

#### (vi) Analysis of claims development – net of reinsurance - as at 31 December 2023

	Accident Year										Total £m
	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	
<b>Estimates of undiscounted net cumulative claims</b>											
At end of accident year	746.3	878.2	1,002.1	921.2	818.3	588.6	453.3	466.5	579.1	524.1	524.1
- one year later	754.8	1,006.1	1,062.8	920.8	829.4	568.4	434.2	459.1	543.5		543.5
- two years later	778.3	899.6	998.7	883.9	769.6	563.8	420.9	441.2			441.2
- three years later	777.0	880.3	931.1	826.5	715.2	521.8	395.1				395.1
- four years later	758.4	835.2	887.3	791.6	647.0	481.0					481.0
- five years later	737.4	834.2	867.9	751.8	636.4						636.4
- six years later	729.0	825.8	859.5	750.0							750.0
- seven years later	725.1	823.3	849.5								849.5
- eight years later	721.0	822.5									822.5
- nine years later	716.9										716.9
<b>Total undiscounted incurred claims</b>	<b>716.9</b>	<b>822.5</b>	<b>849.5</b>	<b>750.0</b>	<b>636.4</b>	<b>481.0</b>	<b>395.1</b>	<b>441.2</b>	<b>543.5</b>	<b>524.1</b>	<b>6,160.2</b>
<b>Cumulative payments to date</b>	<b>(718.6)</b>	<b>(792.2)</b>	<b>(857.7)</b>	<b>(760.7)</b>	<b>(626.9)</b>	<b>(452.5)</b>	<b>(349.2)</b>	<b>(348.0)</b>	<b>(372.4)</b>	<b>(229.6)</b>	<b>(5,507.8)</b>
<b>Net undiscounted best estimate liabilities</b>	<b>(1.7)</b>	<b>30.3</b>	<b>(8.2)</b>	<b>(10.7)</b>	<b>9.5</b>	<b>28.5</b>	<b>45.9</b>	<b>93.2</b>	<b>171.1</b>	<b>294.5</b>	<b>652.4</b>
Effect of the risk adjustment for non-financial risk											35.6
Net undiscounted liabilities for incurred claims for prior accident years											96.6
Effect of discounting											(101.0)
<b>Net liabilities for incurred claims in the statement of financial position</b>											<b>683.6</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 22 Loans and borrowings from group companies

	2023 £m	2022 £m
<b>Non-current liabilities</b>		
Subordinated debt	<u>119.6</u>	<u>119.5</u>

The subordinated debt incurs interest at 3.94% above SONIA per annum, with the SONIA rate being reviewed quarterly. From 2026 the interest rate will increase to 4.94% above SONIA per annum and will remain at this rate until maturity. Accrued interest is payable quarterly. During the year, the Company paid £9.9m (2022: £5.8m) in accrued interest. The subordinated debt has a maturity date of 5 November 2046.

Interest charged to the statement of profit or loss during the year was £10.3m (2022: £6.4m). See note 11.

Related party transactions are disclosed in note 32.

### 23 Other financial liabilities

	Note	2023 £m	2022 £m
Lease liabilities	29	1.8	4.3
Derivative financial liabilities		-	1.1
Total other financial liabilities		<u>1.8</u>	<u>5.4</u>

#### (a) Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments 2023 £m	Interest 2023 £m	Present value 2023 £m	Present value 2022 £m
<b>Current liabilities</b>				
No later than one year	0.5	-	0.5	0.8
<b>Non-current liabilities</b>				
Between one and five years	1.1	(0.1)	1.0	2.5
Later than five years	0.3	-	0.3	1.0
	<u>1.9</u>	<u>(0.1)</u>	<u>1.8</u>	<u>4.3</u>

During the year, the Company made £1.0m (2022: £1.0m) of minimum lease payments and £0.1m (2022: £0.1m) was recognised as interest expense in the statement of profit or loss and other comprehensive income in respect of leases.

# Ageas Insurance Limited

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## Notes to the financial statements

### 23 Other financial liabilities (continued)

#### (b) Derivative financial liabilities

	2023 £m	2022 £m
Gross inflow	-	46.6
Gross outflow	-	(47.7)
Currency forward contracts	-	(1.1)
Notional amount	-	46.6
	£m	£m
Current derivative liabilities	-	1.1

The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its USD, AUD and Euro denominated infrastructure equity investments. Currency forward contracts are contractual agreements to sell currency and buy sterling at a specific price and date in the future. The contracts are rebased monthly. See note 18 for details of derivative financial assets.

### 24 Other provisions

	2023 £m	2022 £m
Balance at 1 January	19.9	19.8
Released during the year	(0.8)	(1.5)
Provisions used during the year	(1.0)	(0.4)
Increase in provisions during the year	0.9	2.0
Balance at 31 December	19.0	19.9

Included in the amounts above are provisions for expected future levy expenses in respect of the Motor Insurers' Bureau of £17.2m (2022: £17.2m) and a liability in respect of expected dilapidation costs of £0.6m (2022: £0.6m).

The balance is split £17.5m current and £1.5m non-current (2022: £18.2m current and £1.7m non-current).

There is some uncertainty around the timing of outflows in relation to the future levy expenses provision as it is dependent on future events. The dilapidation cost provision will be utilised upon expiry of the specific lease to which it relates.

### 25 Current tax

	2023 £m	2022 £m
Current tax asset	1.6	2.9

The current tax balance represents the amount of income taxes receivable in respect of the current year as well as a residual balance in respect of prior years.

# Ageas Insurance Limited

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## Notes to the financial statements

### 26 Other payables and deferred income

	2023 £m	2022 £m <b>Restated</b>
Other payables and accrued expenses	35.7	32.9
Amounts due to group undertakings	2.5	2.0
IPT, VAT and other taxes payable	<u>41.6</u>	<u>30.3</u>
Total Other payables and deferred income	<u>79.8</u>	<u>65.2</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand in cash. All amounts are payable within one year (2022: within one year).

Restatement is due to directly attributable costs being recognised in the liability for incurred claims.

### 27 Shareholders' equity

#### (a) Share capital

	Ordinary shares		Deferred shares		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
In issue at 1 January and 31 December	<u>274.8</u>	<u>274.8</u>	<u>3.0</u>	<u>3.0</u>	<u>277.8</u>	<u>277.8</u>

At 31 December 2023, the issued and authorised share capital comprised 274,823,432 ordinary shares (2022: 274,823,432) and 3,000,000 deferred shares (2022: 3,000,000). The ordinary and deferred shares have a par value of £1 each and are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Deferred shares do not carry the right to vote and holders are not entitled to participate in profits of the Company. All shares rank equally with regard to the Company's residual assets, except that deferred shareholders participate only to the extent of the face value of the shares. On winding up, the deferred shares would rank second, repaying the holders the amount of capital paid up.

#### (b) Dividends

The Company did not declare or pay dividends during the year (2022: two dividends totalling £76.3m, representing 27.80 pence per ordinary share).

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## Notes to the financial statements

### 28 Staff numbers and costs

The following disclosure represents the total number of persons employed by the Company, excluding any employees seconded to any fellow group companies.

The total number of employees at the year end, analysed by category, was as follows:

	2023 No.	2022 No.
Business acquisition	663	544
Claims handling	692	660
Administration	503	597
	<u>1,858</u>	<u>1,801</u>

The full time equivalent number of employees was as follows:

	2023 No.	2022 No.
Business acquisition	634	516
Claims handling	633	603
Administration	480	572
	<u>1,747</u>	<u>1,691</u>

The average number of employees during the year was as follows:

	2023 No.	2022 No.
Total number of employees	<u>1,830</u>	<u>1,898</u>
Full time equivalent number of employees	<u>1,719</u>	<u>1,784</u>

The aggregate payroll costs in respect of these persons were as follows:

	Note	2023 £m	2022 £m
Wages and salaries	10	90.0	85.9
Social security costs	10	9.5	9.2
Other pension costs	10	5.6	5.3
Personnel expenses recharged to a fellow group subsidiary	10	(25.6)	(22.6)
		<u>79.5</u>	<u>77.8</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 29 Operating leases

#### Leases as lessor

The Company leases office premises to a fellow group undertaking under the terms of a lease which expires in 2029. At 31 December, the future minimum lease payments receivable under non-cancellable leases are as follows:

	2023 £m	2022 £m
Less than one year	1.3	1.3
Between one and five years	5.2	5.2
More than five years	0.6	1.9
Total	<u>7.1</u>	<u>8.4</u>

#### Leases as lessee

The Company leases motor vehicles and land and buildings with the lease term depending on the underlying lease term. The amounts disclosed within the statement of profit or loss and statement of financial position is as follows:

	Note	2023 £m	2022 £m
Right-of-use assets	15	<u>1.8</u>	<u>4.6</u>
Lease liabilities	23	<u>1.8</u>	<u>4.3</u>
Amounts recognised in profit or loss	11, 23	<u>0.1</u>	<u>0.1</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 30 Employee benefits

#### *Defined contribution pension plans*

The Company operates two defined contribution schemes. The Ageas Group Personal Pension scheme is for the majority of its employees and the Groupama Personal Pension Plan is in respect of a small number of employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension costs in respect of members of these funds represents contribution payable by the Company to the funds and amounted to £5.6m (2022: £5.3m). The Company has no further payment obligations once the contributions have been paid.

#### *Defined benefit pension plan*

The Company operates a funded defined benefit pension scheme, the Ageas Insurance Staff Pension Scheme, in respect of staff who were members of the scheme on 31 December 1997 and staff of group companies who had contractual rights to join the scheme after this date. In 2001 active members of the Northern Star Insurance Company Limited Superannuation Fund, whose employment transferred to the Company, joined the scheme for future service on a benefit structure mirroring that in their previous scheme and were granted past service benefits in respect of a bulk transfer payment received from that scheme. The scheme closed for future accrual with effective from 1 January 2021.

The assets of the scheme are held in a separate trust fund. Assets are invested under trustee guidelines. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out at 31 December 2020. At that date, the market value of the assets of the scheme amounted to £232.8m and was sufficient to cover 105.0% of the benefits that had accrued to members, after allowing for the expected future increases in earnings. As at 31 December 2021 the market value of the assets of the scheme amounted to £230.4m and was sufficient to cover 126.5% of the present value of the defined benefit obligation. As at 31 December 2022 the market value of the assets of the scheme amounted to £144.7m and was sufficient to cover 125.5% of the present value of the defined benefit obligation. As at 31 December 2023 the market value of the assets of the scheme amounted to £143.2m and was sufficient to cover 124.0% of the present value of the defined benefit obligation.

The expense recognised in the statement of profit or loss in respect of the defined benefit pension scheme in 2023 was £0.9m (2022 expense: £0.4m).

# Ageas Insurance Limited

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## Notes to the financial statements

### 30 Employee benefits (continued)

#### Defined benefit pension asset recognised in the statement of financial position

	2023	2022
	£m	£m
Opening net asset	29.4	48.3
Income recognised in the statement of profit or loss	0.9	0.4
Contributions paid	-	0.3
Remeasurements recognised through other comprehensive income	(2.7)	(19.6)
Net defined benefit pension asset recognised in the statement of financial position	<u>27.7</u>	<u>29.4</u>

#### Assumptions

The formal valuation of the Ageas Insurance Staff Pension Scheme was updated by a qualified independent actuary on an IAS 19 (Revised) basis as at 31 December 2023. The major assumptions used by the actuary were:

	2023	2022
	Projected	Projected
	unit	unit
	%	%
Pensions accrued before 1 October 2012 rate of increase:		
- Post 1988 Non GMP (ex Bishopsgate members)	5.00	5.00
- Post 1988 Non GMP (ex Northern Star members)	5.00	3.55
Pensions accrued from 1 October 2012 rate of increase	2.50	2.50
Discount rate	4.45	4.75
RPI inflation assumption	3.30	3.40

The future life expectancy assumption for a current male pensioner aged 65 is 22.1 years (2022: 22.3 years), for a current female pensioner aged 65 it is 24.5 years (2022: 24.8 years), for a future male pensioner aged 65 in 20 years from the accounting date it is 23.4 years (2022 restated: 23.7 years), and for a future female pensioner aged 65 in 20 years from the accounting date it is 25.9 years (2022: 26.2 years).

The assumptions used by the actuary are considered to be the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The defined benefit scheme is closed to new members. Under the projected unit method of valuing the liabilities of the scheme, the current service cost will increase as the members of the scheme approach retirement.

At 31 December 2023 the estimated duration of the defined benefit obligation was 13 years (2022: 14 years).

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## Notes to the financial statements

### 30 Employee benefits (continued)

#### Changes in the present value of the obligations

	2023 £m	2022 £m
Present value of defined benefit obligation at 1 January	115.3	182.2
Interest expense	5.4	3.2
Current service cost	0.5	0.5
Benefits and other payments	(5.5)	(5.3)
Remeasurement on obligation	(0.1)	(65.3)
Present value of defined benefit obligation at 31 December	<u>115.5</u>	<u>115.3</u>

#### Changes in the fair value of scheme assets

	2023 £m	2022 £m
Fair value of scheme assets at 1 January	144.7	230.5
Interest on assets	6.8	4.1
Employer contributions	-	0.4
Benefits and other payments	(5.5)	(5.3)
Remeasurement on scheme assets	(2.7)	(85.0)
Fair value of scheme assets at 31 December	<u>143.2</u>	<u>144.7</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 30 Employee benefits (continued)

#### Amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income

	2023 £m	2022 £m
Fair value of scheme assets at 31 December	143.2	144.7
Present value of the defined benefit obligation at 31 December	(115.5)	(115.3)
Net defined benefit asset recognised in statement of financial position	<u>27.7</u>	<u>29.4</u>
Current service cost	(0.5)	(0.5)
Interest expense	(5.4)	(3.2)
Interest on assets	6.8	4.1
(Income)/expense recognised in statement of profit or loss and other comprehensive income	<u>0.9</u>	<u>0.4</u>
Remeasurement on scheme assets during the year	(2.7)	(85.0)
Remeasurement on defined benefit obligations during the year	0.1	65.3
Total remeasurement during the year	<u>(2.6)</u>	<u>(19.7)</u>
Opening remeasurements through OCI	34.7	54.5
Total remeasurement during the year	(2.6)	(19.8)
Closing remeasurements through OCI	<u>32.1</u>	<u>34.7</u>
Interest on scheme assets	(6.8)	(4.1)
Remeasurement on scheme assets	2.7	(85.0)
Actual return on scheme assets	<u>(4.1)</u>	<u>(89.1)</u>
Remeasurement on defined benefit obligations due to change in assumptions		
- Remeasurement on defined benefit obligations due to change in demographic assumptions	(3.5)	(1.8)
- Remeasurement on defined benefit obligations due to change in financial assumptions	4.2	(68.9)
Experience remeasurement on defined benefit obligation	(0.8)	5.4
Total remeasurement on defined benefit obligation	<u>(0.1)</u>	<u>(65.3)</u>
<b>Asset mix of scheme assets</b>		
Equity securities	-	20.9
Debt securities	109.1	101.1
Real estate	18.4	20.7
Other	15.7	2.0
Fair value of scheme assets at 31 December	<u>143.2</u>	<u>144.7</u>

All assets are designated as level 2 financial instruments and are valued using inputs which are observable (i.e. developed using market data) for the asset, either directly or indirectly.

# Ageas Insurance Limited

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## Notes to the financial statements

### 30 Employee benefits (continued)

#### Sensitivity analysis

The following potential changes to two of the key actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the defined benefit pension scheme obligation by the amounts shown below:

	2023		2022	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (1% movement)	14.1	(17.6)	14.4	(17.5)
Future pension growth (1% movement)	<u>(5.8)</u>	<u>5.7</u>	<u>(5.6)</u>	<u>5.9</u>

# Ageas Insurance Limited

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## Notes to the financial statements

### 31 Assets and liabilities – classification and measurement

Assets and liabilities have been classified and valued in accordance with the requirements of international accounting standards. For financial assets the basis of valuation is set out in note 1 and classification into Levels is detailed in note 18.

Other assets and liabilities valued at fair value are in accordance with the principles set out in IFRS 13: Fair Value Measurement. Where the carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of fair value, then the fair value information is not disclosed. The basis applied is summarised below:

	2023 £m	2023 £m	2023 £m
	Fair value through profit or loss/OCI	Cost/ amortised cost	Total carrying value
<b>Assets</b>			
Investment in group undertakings	-	-	-
Investment property	-	18.5	18.5
Property, plant and equipment	-	36.9	36.9
Intangible assets	-	70.3	70.3
Employee benefits	27.7	-	27.7
Deferred tax assets	-	39.7	39.7
Financial assets	1,147.6	-	1,147.6
Reinsurance contract assets	(239.2)	1,127.9	888.7
Current tax asset	-	1.6	1.6
Other receivables	-	428.9	428.9
Cash and cash equivalents	-	129.8	129.8
<b>Total assets</b>	<b>936.1</b>	<b>1,853.6</b>	<b>2,789.7</b>
<b>Liabilities</b>			
Insurance contract liabilities	(280.0)	2,407.3	2,127.3
Reinsurance contract liabilities	-	0.1	0.1
Financial liabilities:			
- Loans and borrowings from group companies	-	119.6	119.6
- Other	-	1.8	1.8
Other provisions	-	19.0	19.0
Deferred tax liability	-	9.7	9.7
Other payables and deferred income	-	79.8	79.8
<b>Total liabilities</b>	<b>(280.0)</b>	<b>2,637.3</b>	<b>2,357.3</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 31 Assets and liabilities – classification and measurement (continued)

	2022 £m	2022 £m	2022 £m
	Fair value through profit or loss/OCI	Cost/ amortised cost	Total carrying value
	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>
<b>Assets</b>			
Investment in group undertakings	-	-	-
Investment property	-	18.8	18.8
Property, plant and equipment	-	39.9	39.9
Intangible assets	-	33.0	33.0
Employee benefits	29.4	-	29.4
Deferred tax assets	-	53.0	53.0
Financial assets	1,078.3	-	1,078.3
Reinsurance contract assets	(230.0)	1,205.6	975.6
Current tax asset	-	2.9	2.9
Other receivables	-	354.3	354.3
Cash and cash equivalents	-	100.6	100.6
<b>Total assets</b>	<b>877.7</b>	<b>1,808.1</b>	<b>2,685.8</b>
<b>Liabilities</b>			
Insurance contract liabilities	(270.7)	2,348.0	2,077.3
Reinsurance contract liabilities	-	2.0	2.0
Financial liabilities:			
- Loans and borrowings from group companies	-	119.5	119.5
- Other	-	5.4	5.4
Other provisions	-	19.9	19.9
Deferred tax liability	-	10.3	10.3
Other payables and deferred income	-	65.2	65.2
<b>Total liabilities</b>	<b>(270.7)</b>	<b>2,570.3</b>	<b>2,299.6</b>

# Ageas Insurance Limited

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## Notes to the financial statements

### 32 Related party transactions

The Company has a related party relationship with the directors and other key management personnel of the Company.

#### Transactions with directors and other key management personnel

In addition to their salaries, the Company also provides non-cash benefits to directors and other key management personnel, and contributes to a post-employment defined benefit plan or a defined contribution scheme on their behalf.

The remuneration of the directors in respect of services to the Company consists of:	2023 £m	2022 £m
Short-term employee benefits	<u>0.6</u>	<u>0.6</u>
	<u>0.6</u>	<u>0.6</u>
The remuneration of the key management personnel in respect of services to the Company consists of:	2023 £m	2022 £m
Short-term employee benefits	<u>1.1</u>	<u>0.9</u>
	<u>1.1</u>	<u>0.9</u>
In respect of the highest paid director:	2023 £m	2022 £m
Short-term employee benefits	<u>0.3</u>	<u>0.3</u>
	<u>0.3</u>	<u>0.3</u>

One of the Company's directors is not included in the disclosure above as no recharge is received for their services.

Under the defined benefit scheme, the highest paid director's accrued pension at the year end was £nil (2022: £nil).

Benefits accrued for one key management person under the defined benefit pension scheme (2022: one).

# Ageas Insurance Limited

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## Notes to the financial statements

### 32 Related party transactions (continued)

#### Group reinsurance

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaty.

The transactions have been undertaken on a funds withheld basis and the premiums, claims and expenses which have been reinsured out of the Company under the arrangements during the year are:

	2023 £m	2022 £m <b>Restated</b>
Net result from reinsurance contracts	<u>(1.4)</u>	<u>50.6</u>
Net investment income	<u>(16.2)</u>	<u>(9.2)</u>
Reinsurance finance income/(expense) from reinsurance contracts held	<u>12.6</u>	<u>5.6</u>
Other finance income/(expense)	<u>0.4</u>	<u>0.4</u>

The balances in the statement of financial position relating to this arrangement are:

Reinsurance contract assets	<u>626.2</u>	<u>649.1</u>
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# Ageas Insurance Limited

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## Notes to the financial statements

### 32 Related party transactions (continued)

#### Other related party transactions

In the ordinary course of business, the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures. Material transactions are set out below.

The Company's immediate parent undertaking is Ageas (UK) Limited. The Company has subordinated debt with Ageas Insurance International N.V., the Company's intermediate parent undertaking, Ageas Insurance International N.V. also provides the Company with services in relation to Solvency II.

The Company has issued loans to Ageas (UK) Limited and Ageas Retail Limited, with maximum capacities of £15.0m and £100.0m respectively. On 20 March 2023 the Company restated both loans to extend the maturity dates to 7 September 2025. Both loans bear interest at 1.75% above the Bank of England base rate. There is also a non-utilisation charge at 0.56% of the undrawn portion of each loan facility. As at 31 December 2023 the outstanding loan due from Ageas Retail Limited was £70.0m (2022: £70.0m). There are currently no amounts outstanding on the loan issued to Ageas (UK) Limited (2022: £nil). See note 22.

The majority of fellow subsidiary company transactions and balances are with Ageas Retail Limited, an insurance broker which is wholly owned by Ageas (UK) Limited. The Company pays Ageas Retail Limited commission in relation to premiums brokered by Ageas Retail Limited. The Company also receives rental income from Ageas Retail Limited as it is the sitting tenant within Deansleigh House, Bournemouth. In addition, the Company secondes employees to Ageas Retail Limited with the aggregate payroll costs in respect of these persons being £25.6m for 2023 (2022: £22.6m).

The Company provides administration and claims settlement services to its fellow subsidiary, Ageas Services (UK) Limited.

The Company holds a 51% controlling interest in HCP (Estate Management) Limited, which is limited by guarantee (the amount of the guarantee is £1) and has been formed without share capital.

	2023 Comp. income £m	2023 Financial Position £m	2022 Comp. income £m	2022 Financial Position £m
	(Expense)/ income	(Liability) / asset	(Expense)/ income <b>Restated</b>	(Liability) / asset <b>Restated</b>
Immediate parent and intermediate holding company	45.7	(117.2)	34.9	(139.2)
Fellow subsidiary company transactions and balances	24.7	89.5	13.8	81.4
Defined benefit pension scheme transactions and balances	1.4	27.7	0.9	29.4
Total	<u>71.8</u>	<u>-</u>	<u>49.6</u>	<u>(28.4)</u>

Prior year comparatives have been restated due to valuation differences resulting from the implementation of IFRS 17. See note 2.

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## Notes to the financial statements

### 33 Capital commitments

	2023	2022
	£m	£m
Authorised and contracted for	<u>9.2</u>	<u>7.7</u>
	<u>9.2</u>	<u>7.7</u>

Authorised and contracted items relate to committed investments in infrastructure equity funds.

### 34 Parent company

The Company's immediate parent company is Ageas (UK) Limited, a company incorporated in England and Wales whose registered address is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

The Company's results are consolidated into the financial statements of the ultimate holding company ageas SA/NV, a company incorporated in Belgium whose registered address is Avenue du Boulevard 21, 1210 Brussels.

Copies of the above financial statements can be obtained from the Company Secretary, Ageas Insurance Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

# Ageas Insurance Limited

Company registration number 354568

## Independent Auditor's Report to the Members of Ageas Insurance Limited

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ageas Insurance Limited (the 'Company') for the year ended 31 December 2023 which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

### *Independence*

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 21 June 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ended 31 December 2021 to 31 December 2023. We remain independent of Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company. The non-audit statutory services provided to the company that are not disclosed in the financial statements are:

- Limited assurance services in respect of Data Provision under the Civil Liability Act 2018.
- Solvency II UK audit.

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### Conclusions relating to going concern

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

- An evaluation of management's going concern assessment. As a part of this we reviewed the Company's capital position to the solvency capital ratio.
- An inspection of the Own Risk and Solvency Assessment ('ORSA') to support our understanding of the key risks faced by the Company, its ability to continue as a going concern,
- A review and challenge of the Company's current plans and budgets included in its forecasts, assessing growth assertions against published market assumptions as well as other assumptions relating to overheads, commissions, investment income and claims.
- An assessment of the impact of climate change on the Company's activities and its financial position based on our knowledge of the Company.
- A consideration the accuracy of the Directors forecasting ability by comparing previous reporting periods budgets to current year actuals.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Overview

		2023	2022	2021
<b>Key audit matters</b>	1. Valuation of net insurance contract provisions	✓	✓	✓
	2. Adoption of IFRS 17 and restatement of comparatives	✓	X	X
<b>Materiality</b>	<i>Company financial statements as a whole</i>			
	£16.6m (2022: £16m) based on 1.5% Insurance Revenue (2022: 1.5% of Gross Written Premium)			

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b>1. Valuation of Net Insurance contract provisions excluding the liability and assets for remaining coverage which are accounted for under IFRS 17 from 1 January 2023.</b></p> <p><b>Gross Insurance contract provisions excluding liability for remaining coverage. On 31 December 2023 amounted to £1,427m (31 December 2022: £1,558m).</b></p> <p><b>Reinsurance contracts held asset excluding asset for remaining coverage. On 31 December 2023 amounted to £753.6m (31 December 2022: £794.7m).</b></p>	<p>Net insurance contract provisions are made up of the liability and asset for incurred coverage ('LIC'/'AIC') and liability/asset of remaining coverage ('LRC'/'ARC'). The key audit matter excludes the LRC and ARC elements.</p> <p>The valuation of LIC and AIC are key areas of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements were made when determining the liability and asset amounts.</p> <p>The valuation of LIC and AIC is reliant on:</p> <ul style="list-style-type: none"> <li>• The accuracy and completeness of relevant claims data being input into actuarial models.</li> <li>• The application of appropriate actuarial techniques, judgements, and assumptions, including the consistency in development of paid to incurred ratios by peril and accident year.</li> <li>• Deriving a discount rate that is in line with the requirements of IFRS 17.</li> <li>• A risk adjustment amount consistent with the principles of IFRS 17.</li> </ul> <p>We have therefore determined the valuation of net insurance contract provisions excluding the liability and asset for remaining coverage to be a key audit matter.</p>	<p>In assessing the valuation of the insurance contract provisions, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• <b>Independent reprojections:</b> We performed independent reprojections on the LIC using our own models for certain classes of business. The determination of which classes to reproject was based on a risk assessment as well as a consideration of the evidence available from other alternative data analysis procedures.</li> <li>• <b>Methodology and assumptions:</b> We performed a review of the methodology, significant judgements and assumptions applied by the Company's in-house actuarial team in the booked amounts for perils not reprojected, including periodic payment and risk adjustment.</li> <li>• <b>Challenge of key assumptions:</b> Our audit approach responded to the increased uncertainty in the current economic environment, making explicit allowance for inflation in our independent re-projections. We applied our industry experience to support our consideration and challenge of the Company's reserving methodology, key judgements, and assumptions for the most significant and subjective classes of business.</li> <li>• <b>Tests of details:</b> We tested the accuracy of the policy data elements relied upon within actuarial models in our independent actuarial reprojections of the LIC and AIC. We compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters to test the</li> </ul>

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

		<p>valuation of individual claims reserves focused on portfolios deemed higher risk, whether that be due to size, complexity or uncertainty. From a completeness perspective, we reconciled the policy level claims listing subject to sampling, to the actuarial triangles used for our independent rejections, with the output then reconciled to the financial statements.</p> <ul style="list-style-type: none"><li>• <b>Disclosure:</b> We considered the adequacy of the Company's disclosures in respect of the sensitivity of the valuation of LIC, and key assumptions applied to key areas of judgement and estimation uncertainty.</li><li>• <b>Asset for incurred claims:</b> We tested the Company's reinsurers' share of the LIC by performing a re-calculation in line with the reinsurance agreements. We performed a methodology, and assumptions review on the risk adjustment included in the AIC.</li></ul> <p><b>Key observations:</b> We consider that the data used in the net insurance contract provisions, as well as assumptions and judgements made by management in valuing the net insurance contract provisions are appropriate.</p>
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## Independent Auditor's Report to the Members of Ageas Insurance Limited

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b>2. Adoption of IFRS 17 and restatement of comparatives.</b></p>	<p>On 1 January 2023, the Company transitioned to IFRS 17 'Insurance Contracts' which replaced, IFRS 4 'Insurance Contracts'.</p> <p>The impact of transition is disclosed in Note 2 to the financial statements in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.</p> <p>These are the first financial statements released under the new standard and we have deemed the transition including the adjustments, and the restated primary statements for 1 January 2022 and 31 December 2022 to be a significant risk and therefore a key audit matter. The significant risk relates to:</p> <ul style="list-style-type: none"> <li>• The determination of the transition approach adopted.</li> <li>• The risk that management's methodology and assumptions being out of line with the standard's measurement models, in particular, managements' use of the Premium Allocation Approach ('PAA') for groups that are not automatically eligible and the General measurement model ('GMM') for the loss transfer portfolio agreement.</li> </ul> <p>The Company adopted the fully retrospective approach with some areas using the modified retrospective approach on transition to IFRS 17.</p> <p>The Company applied the PAA to the measurement of groups of insurance contracts issued and groups of reinsurance contracts held at the transition date with the exception of a loss transfer portfolio agreement that was measured under the general measurement model.</p> <p>The Company determined the discount rates to apply to future cash flows using the "top-down" approach. The risk adjustment calculations are complex and based on actuarial techniques.</p>	<p>In assessing the transition and adjustments to the balances as at 1 January 2022 and 31 December 2022, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• <b>Process understanding:</b> Obtained an understanding of management's processes in generating IFRS 17 financial information, including for the comparative financial information disclosed in the financial statements.</li> <li>• <b>Accounting Policies:</b> Reviewed position papers prepared by management, including the key policy choices in the implementation of IFRS 17. We assessed whether the position papers were in line with the requirements of IFRS 17.</li> <li>• <b>Transition:</b> Reviewed the transition approach and the adjustments from IFRS 4 to IFRS 17 on 1 January 2022 and 31 December 2022 against the requirements of IFRS 17.</li> </ul> <p>With the assistance of our actuarial specialists, we reviewed the adjustments relating to discounting and risk adjustment and checked if these were in line with the requirements of the standard.</p> <p>We reviewed management's assessment for PAA eligibility criteria for contracts with terms of over 12 months. We reviewed the application the standard for a loss transfer portfolio agreement under the general measurement model.</p> <ul style="list-style-type: none"> <li>• <b>Data:</b> We performed testing over key data flows within the IFRS 17 reporting processes.</li> <li>• <b>Presentation and Disclosure:</b> We tested the new disclosures including the disclosures related to the transition impact and reconciled the disclosures to underlying accounting records and supporting data. We also checked whether the disclosures were in line with IFRS 17.</li> </ul> <p><b>Key observations:</b> As a result of the procedures performed, we have no matters to report related to the adoption of IFRS 17 and restatement of comparatives.</p>

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

	Furthermore, the new standard introduced a number of significant changes, including new requirements regarding the presentation and disclosure of insurance contracts and related account balances and classes of transactions.	
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# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023 £m	2022 £m
<b>Materiality</b>	£16.6m	£16m
<b>Basis for determining materiality</b>	1.5% of Insurance Revenue	1.5% of Gross Written Premiums
<b>Rationale for the benchmark applied</b>	A benchmark of Insurance Revenue was used as the Company's principal activity is the provision of general insurance and thus the collection of premiums (insurance revenue) with an obligation to pay claims. We have determined insurance revenue as an appropriate benchmark as it is stable and a key performance indicator for the users of the financial statements..	A benchmark of Gross written premiums was used as the Company's principal activity is the provision of general insurance and thus the collection of premiums with an obligation to pay claims. We have determined gross written premiums as an appropriate benchmark as it is stable and a key performance indicator for the users of the financial statements.
<b>Performance materiality</b>	£12.45m	£12m
<b>Basis for determining performance materiality</b>	75% of Materiality	75% of Materiality
<b>Rationale for the percentage applied for performance materiality</b>	This was reflective of our perceived risk of the financial statements containing misstatements.	This was reflective of our perceived risk of the financial statements containing misstatements.

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### *Specific materiality*

The Company had in place a significant amount of quota share reinsurance in the year ended 31 December 2023, similar to the prior year, including a 40% overarching quota share agreement. These arrangements have the effect of transferring insurance revenue and claims to reinsurers. Due to the extent of these arrangements, we felt it was appropriate to set a level of materiality for the financial statements as a whole to determine the extent of audit procedures to be applied over insurance revenue and claims before these reinsurance arrangements. A lower, specific, level of materiality has been set for transactions and balances not affected by quota share reinsurance. We determined materiality for those items not affected by quota share reinsurance to be items £8.6m (2022: £7.7m) based on 2% of net assets. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

### *Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £830,000 (2022: £800,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	In our opinion, based on the work undertaken in the course of the audit: <ul style="list-style-type: none"><li>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li><li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li></ul>
<b>Matters on which we are required to report by exception</b>	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: <ul style="list-style-type: none"><li>• adequate accounting records have not been kept by the Company, or</li><li>• the Company financial statements are not in agreement with the accounting records and returns; or</li><li>• certain disclosures of Directors' remuneration specified by law are not made; or</li><li>• we have not received all the information and explanations we require for our audit.</li></ul>

### Responsibilities of Directors

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

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

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### **Auditor's responsibilities for the audit of the financial statements**

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

#### *Extent to which the audit was capable of detecting irregularities, including fraud.*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *Non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Legal and regulatory frameworks determined most significant are:

- Companies Act of 2006.
- Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).
- UK adopted international accounting standards.

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We performed procedures including:

- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations.
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- Inspecting correspondence with the PRA and FCA.
- Enquiring of the Directors and other management of instances of non-compliance.
- Testing year end compliance with solvency requirements.
- Assessing the adequacy of disclosures within the financial statements.

# Ageas Insurance Limited

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiring of those charged with governance, internal audit, and management as to whether they have knowledge of any actual, suspected, or alleged fraud.
- Review of Board, and Audit Committee meeting minutes, as well as correspondence with regulatory authorities throughout the year.
- Identifying any unusual journal entries based on criteria that are indicative of a high risk of fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.
- Considered the Company's processes to consider external policyholder fraud.
- Obtain an understanding of the control environment in monitoring compliance with laws and regulations.

Based on our risk assessment, we considered the area's most susceptible to fraud to be valuation of insurance contract liabilities, valuation of reinsurance contract assets, transition to IFRS 17 including adjustments to 1 January 2022 and 31 December 2022, management override of controls and manual journal entries related to revenue recognition.

Our procedures in respect of the above included:

- Engaged actuarial specialists to review the assumptions and methodology applied by the Company in the valuation of insurance contract liabilities and reinsurance contract assets and performed rejections and methodology and assumptions reviewed for some lines of business on the balance of insurance contract liabilities and reinsurance contracts held to verify the methods utilised are appropriate and are not indicative of management bias.
- Evaluating a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation.
- Evaluating a sample of manual revenue journal entries to third party information to ensure that they are not indicative of management bias.
- Engaged tax experts over the valuation, existence, and accuracy of deferred tax assets.

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## Independent Auditor's Report to the Members of Ageas Insurance Limited

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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

DocuSigned by:

*Alexander Barnes*

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Alexander Barnes (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date: 08 April 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).