Annual Report & Accounts 2024

People, Purpose & Performance

2024 at a glance

People

426

colleagues across our offices

Top 10

employer in Bermuda

50% male **50%** female

gender split of Group Executive Committee

100%

permanent employees eligible to be considered for RSS awards

Purpose

$511.3m

gross losses paid in 2024

$0.9m

donated through the Lancashire Foundation

30+ charities

supported through the Lancashire Foundation

100%

of calculated GHG emissions offset from our own operations

Performance

$354.2m

paid in dividends to our shareholders

$321.3m

profit after tax

23.4%

change in DBVS

5.0%

total investment return

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What we offer

We are delivering less volatile and more sustainable results.

- Strong underwriting and capital management are in our DNA.
- We have the ability to attract and retain quality people who share our vision and purpose.
- The breadth of our franchise is growing.
- We have a proven entrepreneurial mindset and are experts at cycle management.

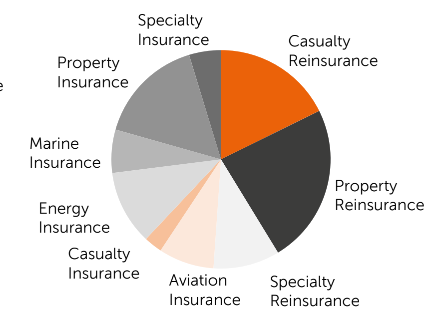
A diversified portfolio

"With the diversification of our portfolio we have been focused on adding the right opportunities at the right time in the cycle. We have grown in areas where we have the expertise, or have been able to attract the best talent, to capitalise on those opportunities for us."

Alex Maloney
Group Chief Executive Officer

2006 GPW business mix

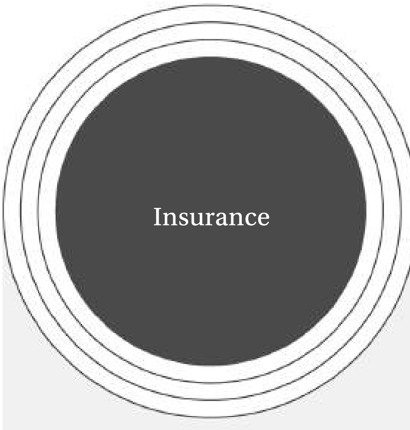
2024 GPW business mix



Who we are

Lancashire is a provider of global specialty insurance and reinsurance products, operating in Bermuda, London, the US, and Australia, across three delivery platforms: rated company, Lloyd's and collateralised security.

Our focus is on short-tail, specialty (re)insurance risks.



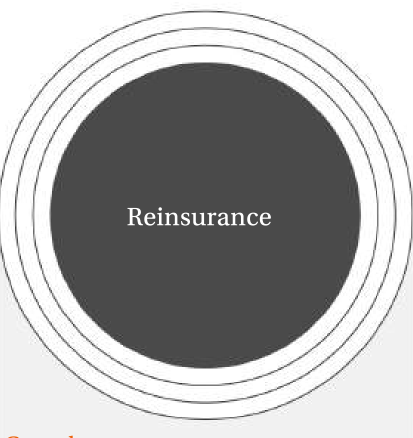
Aviation
- Space
- Aviation War and AV52
- Airline and Airline Deductible

Casualty
- Accident & Health / Casualty
- Professional Lines
- Financial Lines

Energy and Marine
- Energy Downstream / Energy Liability / Energy Upstream / Renewables
- Power / Marine Liability / Cargo and Specie
- Marine Hull and War

Property
- Construction
- Property D&F

Specialty
- Terror and Political Violence
- Political and Credit Risks



Casualty
- General Liability
- Professional Lines
- Mortgage and Financial Lines
- Accident & Health Treaty

Property
- Property Catastrophe
- Property Proportional
- Property Risk Excess of Loss

Specialty
- Aviation
- Energy, Marine and Terror
- Property Retrocession

Our claims focus:
- Pay valid claims quickly
- Transparent and expeditious determination of coverage
- Triage standard / complex claims

Key performance indicators

Change in DBVS

23.4%

The delivery of a strong and consistent profit after tax of $321.3 million has resulted in an excellent return on equity. This reflects the Group's impressive expertise in both underwriting and investment management during the year, notwithstanding multiple catastrophe and large loss events.

Combined ratio (undiscounted)

89.1%

The Group has delivered an excellent combined ratio for 2024, which supports our long-term strategy to manage the market cycle and deliver strong, profitable growth through our diversified insurance portfolio. The combined ratio (undiscounted) of 89.1% is a strong result in a year with over $145 billion of insured natural catastrophe events estimated for the industry, and $214.1 million (undiscounted, including reinstatement premiums) of natural catastrophe, weather and large losses for the Group.

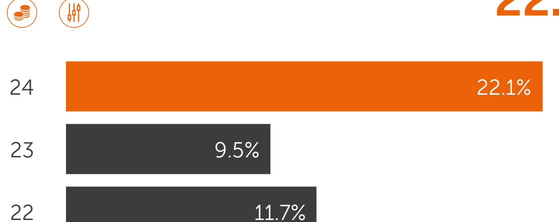
Total investment return

5.0%

The Group's investment portfolio, including realised and unrealised gains and losses, returned 5.0% during 2024. The impressive returns were primarily driven by $144.8 million of interest and dividend income, as the investment portfolio continued to benefit from higher yields.

Total shareholder return

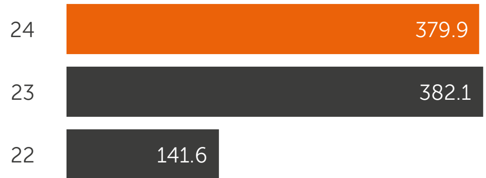
22.1%



The Group's shares continued to perform broadly in line with the FTSE 250 during 2024. The improved total shareholder return of 22.1% was supported by exceptional special dividends of $1.25 per share, and increased ordinary dividends of $0.225 per share, during the year. This continues to demonstrate Lancashire's proven track record of returning excess capital to shareholders over time.

Insurance service result

$379.9m



The Group's insurance service result of $379.9 million represents an excellent underwriting result for a year of heavy natural catastrophe and large loss activity. Insurance revenue grew 16.1% to $1,765.1 million, driven by premium growth within both the Group's reinsurance and insurance segments. The Group is particularly pleased with the increased profitability in the property and specialty reinsurance classes, and the development of the new Lancashire Insurance US operation.

GPW managed

$2,270.1m

During 2024, Lancashire Insurance US commenced underwriting, and further growth is expected from this operation during 2025. The Group will continue to expand and diversify its underwriting portfolio across all strategic areas, and also take advantage of rate increases and underwriting opportunities where applicable.

Key

KPI linked to Executive Directors' remuneration. For more information, see pages 92 to 108.

Alternative Performance Measures (APMs). Refer to page 184.

Continuity and growth

Q&A

"It is an exciting time for Lancashire and the results for 2024 demonstrate that the growth and diversification strategy of the past five years has been the right one."

Philip Broadley
Non-Executive Chair

What were your perceptions of Lancashire before taking up the role of Chair?

I was aware of Lancashire due to its FTSE listing, but my previous experience has not been directly in the P&C (re)insurance sector, so my knowledge of the business was somewhat limited.

However, as I began to meet the management team, and members of the Board, it quickly became clear what a great business Lancashire is.

I was immediately struck by the strength of the management team and their focus on diversification of income and tight capital controls.

The strong emphasis on quality and disciplined underwriting, and the efficient running of the business, really came across in my conversations with Alex, Natalie and Paul.

This all became very persuasive for me to accept the role, which is my first as a FTSE Chair.

Lancashire is a relatively easy business to understand, with a simple and effective structure and a clear strategy.

I bring a complementary skill set to the business through my broader financial industry experience beyond the P&C (re)insurance sector. That is not uncommon, and a Chair can bring value to the role through different insights.

What has excited you most about Lancashire in your first year and have your expectations of the role changed?

The more I have got to know people across the Lancashire Group, the more I have enjoyed it.

It is an exciting time for Lancashire and the results for 2024 demonstrate that the growth and diversification strategy of the past five years has been the right one.

This last year has demonstrated that the business can now absorb large losses, such as the MV Dali / Baltimore bridge collision, and the weather-related events, and still generate returns for investors. In that context, the positive change in DBVS of 23.4% is an excellent result for the business and for our shareholders.

So, my expectations haven't changed – it's just better than I thought. I had a very thorough induction process, between November 2023 and March 2024, and I met more than 40 people from around the Group during that time.

What was clear was that there was cohesion across the business, with a focus on quality underwriting and maintaining a strong culture.

How have the strategic priorities for the business developed in your first year?

The priority for the Board and the management team has been continuing to deliver what we said we would do and making the most of the underwriting opportunities that we see in the market.

The launch of the US business has gone very well, and we have seen that develop during the first eight months of its operations.

Lancashire has quickly established a strong US team, and we are planning for more progress and growth in the US over the next few years.

The Board is fully supportive of what the business is doing, and our priority is to maintain underwriting and pricing discipline.

The growth and diversification in the Group's underwriting, in particular longer tail casualty lines, has enabled us to grow the size of our investment portfolio and enhance our income in a better investment return environment.

The Board is pleased that the Group's underwriting operations and investment returns have made significant contributions to profitability over the year.

How does the Board engage with company culture and how important is this to the business?

All members of the Board enjoy meeting people across the Group, and we take that engagement seriously.

I have been pleased to take part in town hall sessions and other events with employees to introduce myself, to discuss my career and background, and to hear feedback directly from people working in the business.

The Company events I have attended tend to feel less corporate than others I have been to, and that is because Lancashire has a uniquely open and meritocratic culture and one that is genuine, authentic and not forced.

The Directors place great value in listening to people informally and formally and enjoy those personal interactions. Lancashire is a relatively small organisation, and the Directors regularly have the opportunity to meet people across the business.

How does the Board think about the Company's dividend policy and capital management decisions?

The Board takes a proactive approach to capital management and it's a regular topic of discussion at our meetings.

The profitable performance and improved resilience of the business during 2023 and 2024 enabled the Board to commit to increasing the Company's usual ordinary interim and final dividend by 50% to $0.075 and $0.15, respectively.

The Board's dividend policy is focused on ensuring that the Company has the capital it requires to support its underwriting plans and to remain resilient.

We actively debate how best to deploy our capital, and we are always open to returning capital when there is excess for our business purposes.

The Board was pleased to pay two exceptional special dividends during 2024 in total amounting to $1.25 per common share. Full details of these dividends are set out on page 109.

For the full-year 2024, the Board declared a final ordinary dividend of $0.15 per common share, subject to shareholder approval, and a special dividend of $0.25 per common share.

In February 2025, the business reported on the impact of the devastating California wildfires.

As Natalie notes in her review on page 15, the business remains strongly capitalised and well-positioned to deliver attractive future returns.

What are the Board's priorities for 2025?

The priority is really more of the same – and that is not a weakness.

The (re)insurance sector is not one in which you see rapid pivots and the Board understands that this is a long-term cyclical business.

The Board will be focusing on continuity and growth, where it makes sense, and continuing to be supportive of management in what they do.

There are further opportunities for Lancashire in the US in terms of capacity and pricing, and to accelerate growth in that market.

Further strengthening our Board

During 2024, Lancashire appointed one Executive Director and three Non-Executive Directors. Please see page 68 for more information.

(Left to right): Non-Executive Directors Linda Ventresca, Bob Cox, and Nathalie Rachou, and Executive Director Paul Gregory with Chair Philip Broadley.

Group Chief Executive Officer's Review

Delivering on our priorities

Q&A

"We have utilised our capital more efficiently, diversified our underwriting portfolio to reduce volatility, and broadened our talent base by attracting good people who fit our culture."

Alex Maloney
Group Chief Executive Officer

How do you view Lancashire's performance in 2024?

2024 was another superb year for Lancashire across all our key strategic priorities as we continued to deliver on what we said we would do when we refocused the business in 2018.

We are in great shape, having grown materially at the right time in the underwriting cycle.

We have utilised our capital more efficiently, diversified our underwriting portfolio to reduce volatility, and broadened our talent base by attracting good people who fit our culture.

This achievement was possible due to the hard work of everyone across the Group and their commitment and support in helping to build a stronger and more robust business.

The result of this work is that in 2024, gross premiums written increased by 11.3%, and insurance revenue increased by 16.1%, compared to the prior year. Our insurance service result was $379.9 million.

Our strong underwriting performance is seen through a combined ratio (undiscounted) of 89.1%. This is despite 2024 being a very active year in terms of the loss environment.

We have demonstrated both a robust and disciplined underwriting performance and returns for our investors – with two special dividends totalling $1.25 per common share paid during the year.

Returning excess capital that we do not need to our shareholders has always been a core part of Lancashire's DNA, and we remain well-capitalised to fund the future growth opportunities that we see.

How has Lancashire's strategy contributed to this strong performance in 2024?

Our strategy has always been to actively manage the market cycle and grow when the conditions are right. After investing in the business over the past few years, we are now achieving results that support more sustainable outcomes across the cycle.

Our strong and disciplined underwriting, with expert teams across our product classes, and effective capital management, have always been part of who we are.

As our underwriting portfolio continues to benefit from a more balanced risk profile, our return profile has strengthened and allowed us to use our capital more efficiently.

We have always retained an entrepreneurial mindset, which means that we quickly evaluate opportunities and act on them if the conditions are right.

You've mentioned managing the market cycle. How does Lancashire approach this?

Right from inception, Lancashire has focused on cycle management. It is fundamental to how we run the business, our day-to-day focus, and how we manage our capital resources.

This has meant that we take advantage of positive market conditions and re-balance if the profitability outlook changes, reducing our exposures, and returning capital if we do not need it for underwriting.

With the diversification of our portfolio over the past few years, we have been focused on adding the right opportunities at the right point in the cycle.

We have grown in areas where we have the expertise, or have been able to attract the best talent, to capitalise on those opportunities for us.

How has Lancashire evolved in the past few years?

Looking back, Lancashire grew strongly as the market cycle turned more positive in 2018, and we have more than tripled gross premiums written and more than doubled the number of product classes that we now write.
We have also always focused on building deep relationships with brokers and clients, positioning ourselves as a solution-oriented business. Those relationships give us increased optionality at different points in the cycle.

Ultimately, managing the cycle means being alert to changes in the market and retaining our discipline. We are now in a stronger position than ever before, with the ability to use all the underwriting levers at our disposal to effectively manage volatility and deliver a better risk and return profile for investors.

What are your expectations for Lancashire's US business?

We believe there are excellent opportunities for Lancashire in the US. We are attracting great talent from across the industry to join us, and we are building a strong franchise on the ground.

We will continue to look at the broader opportunities to grow in product areas that fit our appetite.

We were clear from the start that we saw an opportunity in the US to write excess and surplus lines business that we could not access through our other platforms with new customers.

The team has done a fantastic job hitting the ground running, and we are pleased to be on the ground in the US at this time offering products where we have deep expertise. That gives us confidence in the long-term prospects of this venture.

How has Lancashire retained its strong purpose and culture following this period of growth?

Becoming an employer of choice in the market is one of our core strategic priorities.

To do this we need to continue to attract and retain the best talent in the sector. It is very important to me that all our people – wherever they work across the Group – understand both what we are trying to achieve and also how we want to achieve it.

Everyone has a role to play in our success and a responsibility to help drive the business forward.

We believe that the way we behave and approach our work day-to-day is what makes us unique and creates a positive experience for our people and those we do business with.

During 2024, we launched The Lancashire Way, a set of core behaviours and expectations that capture how we operate and areas we want our people to prioritise. These include an emphasis on the value of constructive challenge and being straight-talking, collaboration and sharing knowledge, owning our individual responsibility for the Company's success, and being positive ambassadors for Lancashire.

None of this is rocket science, as we have always been a business that values its people.

How does Lancashire support the development of its people and help them thrive?

We always look for employees who share our values and purpose, and who want to develop rewarding careers in a supportive environment.
Despite our recent growth, we remain a relatively small business in terms of employee numbers, and this means we can ensure our people's progress in a more bespoke manner.

Of course, there is always more we can do, and we will continue to prioritise training and development in 2025 and the coming years.

I am always keen to promote from within and provide the best career opportunities for our people.

Having a strong team with a range of talents means that we can more readily do that.

I am also very proud that people see Lancashire as a place they want to spend large portions of their careers. We don't take that for granted and always look at ways to make our work environment and culture the most supportive they can be.

In 2025, Lancashire celebrates its 20th anniversary, which will be an opportunity to take stock of what we have achieved and to thank our employees for their role in our success.

What opportunities do you see for Lancashire in 2025?

I am very excited for the future of our business and what we can do. What we have done over the past five years in terms of driving the business forward has been phenomenal.

We will always continue to be led by the market conditions, but we have built a much more robust business that is better able to withstand external shocks.

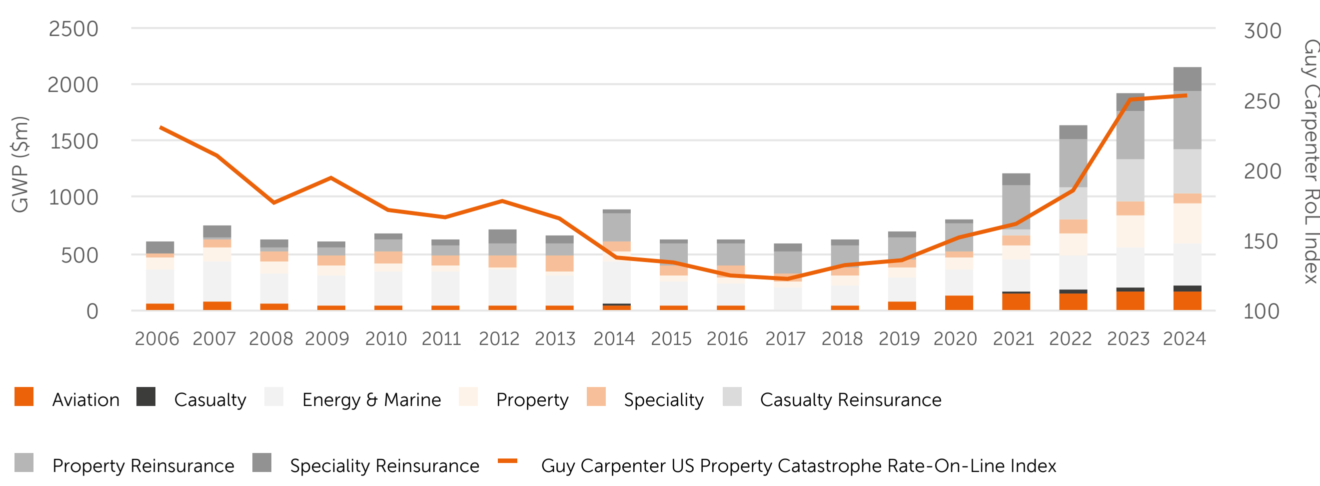
As I look to 2025, I would expect a large part of our organic growth to come from the continued development of our US business. Additionally, as our clients and business partners continue to face an uncertain world, demand for our products should remain resilient. Aligned with our purpose, we will continue to offer risk solutions that shield against the impact of uncertain loss events.

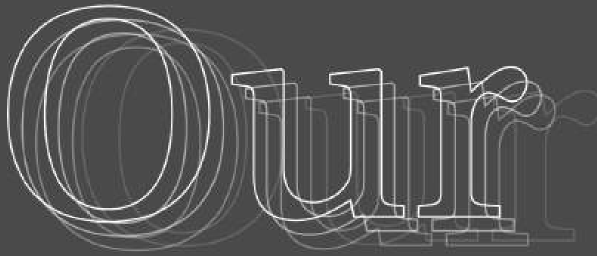
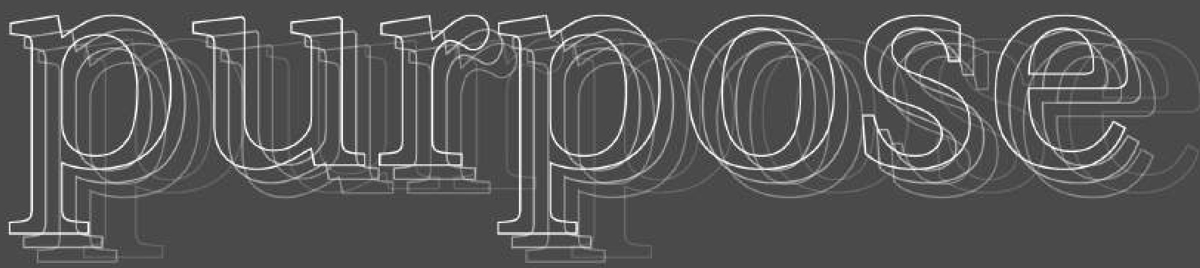
Away from our day-to-day work, there are also further opportunities for Lancashire and its employees to make a positive impact on society, particularly through the Lancashire Foundation.

Most importantly, across the Group, I am pleased to say that we are well-positioned to address the prevailing market conditions, and we have the talent and the passion to continue to make Lancashire an even better business.

Having the right vision and the right people to deliver it is always the goal, and I am excited that we have both of those going into 2025.

Group premium development 2006 to 2024



Our purpose

1

Deliver bespoke risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events.

See page 10

2

Manage our risk exposures and capital resources to generate returns for our investors.

See page 23

3

Support our people and work with our stakeholders, fostering a positive, sustainable and open business culture to the benefit of society.

See page 38

Our business model

Our business model supports our vision to be the leading underwriter of specialty insurance and reinsurance products.

By focusing on our core strengths, we deliver our strategic objectives to benefit all our stakeholders.

We are always led by our purpose to deliver risk solutions that offer protection, manage risk and have a positive impact.

We do this 'The Lancashire Way' through our strong culture and inclusive and supportive work environment.

To read more about The Lancashire Way, please see page 33.

How we operate

Customer focus

Aligned to our purpose, we aim to help our clients recover from the impacts of loss events as soon as practicable.

We work hard to maintain long and mutually beneficial relationships with our clients and brokers.

Our focus on customer solutions and service helps ensure we are responsive, open and honest at all times.

A diverse offering

We have the ability to write business across our differing platforms.

We have a disciplined underwriting approach across our portfolio.

We provide clients with bespoke risk solutions and maximise underwriting opportunities through access to multiple markets.

Disciplined risk and capital management

Our strong track record of capital management is central to our strategy.

We maintain rigorous systems for risk monitoring and management.

We manage our underwriting portfolio through market cycles and reduce volatility by balancing risk and optimising our capital.

Expert people delivering specialised products

We are led by an experienced management team with the expertise and skills to deliver our strategy.

Our teams are empowered to make decisions quickly and effectively.

The (re)insurance products we offer are highly specialised with market barriers to entry.

Delivering value for

Our people

Top 10

employer in Bermuda in 2024

Our shareholders

23.4%

change in DBVS per share

Our policyholders

$511.3m

gross losses paid in 2024

The environment

3,700

carbon credits purchased

Society

$23.9m

donated through the Lancashire Foundation since 2007

Deliver bespoke risk solutions

that protect our clients and support economies, businesses and communities in the face of uncertain loss events.

Purpose in action

A decisive and proactive team

Q&A

"We provide the support that people and communities need during those tough moments."

Steve Yeo
Group Head of Claims

How does Lancashire's purpose to protect and support people and communities feed into the claims process?

Our approach has always focused on a prompt resolution to valid claims. We recognise that this plays a huge role in providing certainty to policyholders looking to recover following a loss. We have market-leading claims expertise and our team has the authority and autonomy to be decisive and proactive in responding to all losses notified. A (re)insurance policy is essentially a 'promise to pay' and the post-loss environment can be stressful so, while difficult for all involved, it gives us an opportunity to demonstrate that we are true to our word in providing support during those tough moments.

What have been the key challenges and opportunities for the claims team during 2024?

We have responded proactively to a number of significant elemental and non-elemental events which have impacted our industry during the course of 2024. While all of these events present different challenges, our efforts are centred around ensuring a prompt response to claims, in both our insurance and reinsurance lines, and playing our part in ensuring that policyholders with valid claims are indemnified without delay.

2024 has also been a busy year for the team, with a number of exciting initiatives coming to fruition, including our expansion into the US, and implementing a new and more efficient claims system which gives us access to better data.

How do you ensure the Lancashire claims team is responsive?

Within all of our product lines, we have experts who know the sector and are sensitive to the issues that losses can present. Our aim is to make the claims process as smooth as possible, so whether we are dealing with sophisticated buyers of (re)insurance, or have homeowners impacted by natural catastrophes, we appreciate that a difficult claims experience is the last thing they need. We provide a claims service that must have empathy at its core.

How are Lancashire's culture and values reflected in your approach to claims handling?

Primarily, it is around our communication; we want to collaborate in response to a loss situation, but we appreciate that insurance is often a secondary consideration. This is particularly true for our commercial clients, who are focused on reparation to their businesses, and that is exactly as it should be. We have the experience and autonomy to be transparent and honest about what support we can offer to positively manage the claim forward to an amicable resolution.

What is your focus in engaging with clients and brokers following a loss?

We don't impose ourselves; we appreciate that the client will have other issues that need to be addressed in a post-loss environment. We let those stakeholders know that we are ready to engage when they are ready to do so, at a time that is suitable to them.

The hunger for information needs to be tempered by the needs of the client responding to an impairment to their homes or businesses. So, again, we ensure that all parties know that we are willing to provide support when it is called upon, in whatever form that takes.

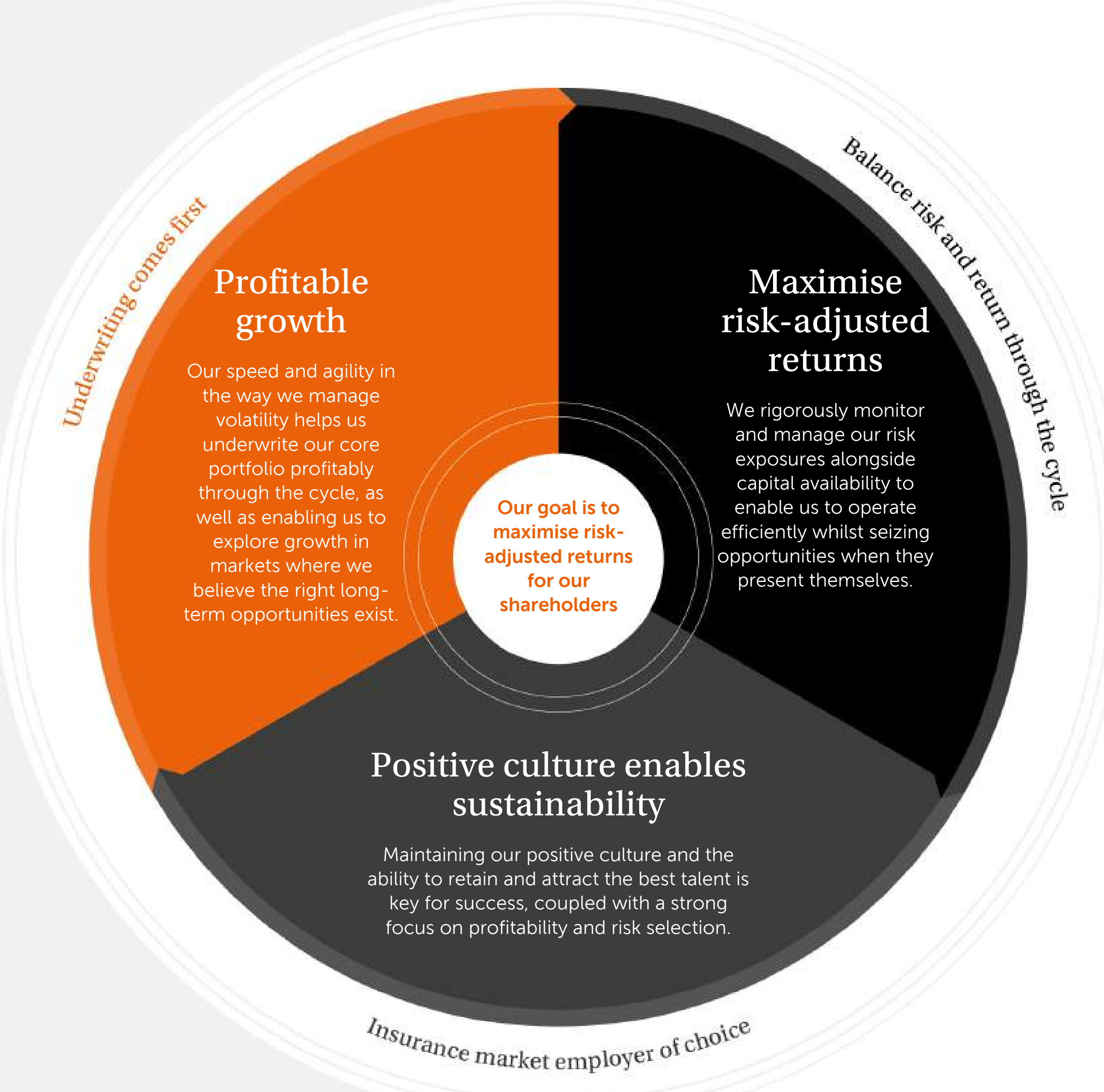
How does Lancashire differentiate itself in a crowded market?

Claims service is absolutely a differentiator and reputations have to be earned and can easily be lost. The majority of the claims we respond to can be resolved in a relatively straightforward way, but the more complex losses can distinguish you from your peers. It comes back to the people within the team and ensuring that they all apply a consistent approach to the claims handling process. We meet with our clients during new business and renewal meetings, ahead of any loss activity. We understand what their expectations and requirements are in the event of a loss and we tailor our response, should it be required, with those expectations and requirements in mind. Technical expertise is, and should be, assumed but what sets us apart is our prompt and transparent communication. We strive to be a positive voice for progressing claims to a resolution.

What makes a good claims professional?

We are fortunate to have folk who are smart, driven and keen to develop and grow. We encourage that development and for them to cultivate lasting relationships, with clients, brokers and service providers externally. Equally important are the internal relationships with colleagues in underwriting, actuarial, finance, exposure management and operations. Understanding the requirements of all our stakeholders is fundamental to delivering a quality claims service. When a loss has occurred, we see ourselves as the conduit for bringing internal disciplines together to ensure a robust and joined-up response. Communication is key and we are fortunate to have people who are personable, adaptable, empathetic, and, quite frankly, understand and espouse the values that we have as a business.

Focusing on our strategy



	Underwriting comes first	Balance risk and return through the cycle	Insurance market employer of choice
Strategic pillar	Underwriting comes first	Balance risk and return through the cycle	Insurance market employer of choice
Objective	Profitable growth	Maximise risk-adjusted returns	Positive culture enables sustainability
Drivers	• Continue to grow in classes where favourable and improving market conditions exist, and explore new distribution opportunities • Reduce earnings volatility from natural catastrophe risk • Focus on maintaining a diversified portfolio structure and our core clients	• Actively manage capital to support underwriting opportunities • Deploy capital quickly when it is needed and have the discipline to return it when it is not • Encourage a culture of risk challenge, questioning and understanding	• Foster entrepreneurial, collaborative culture via The Lancashire Way • Further develop the Group's ESG principles to ensure we operate responsibly as a business • Continuously strive for operational efficiency alongside development of data capabilities
Delivery	Gross premiums written of **$2,149.6m** in 2024 Insurance revenue of **$1,765.1m** in 2024 New operation in the **US** opened in March 2024 focusing on excess and surplus lines market	Total capital available of **$1,940.3m** in 2024 Total dividends to shareholders in 2024 of **$354.2m** including special dividends of **$300.2m**	Values and behaviours Launch of The **Lancashire Way** Manager Training programme rolled out Completed phase one of programme to bring our core underwriting platforms together onto an upgraded policy administration system

Financial review

Disciplined underwriting and maximising returns

Q&A

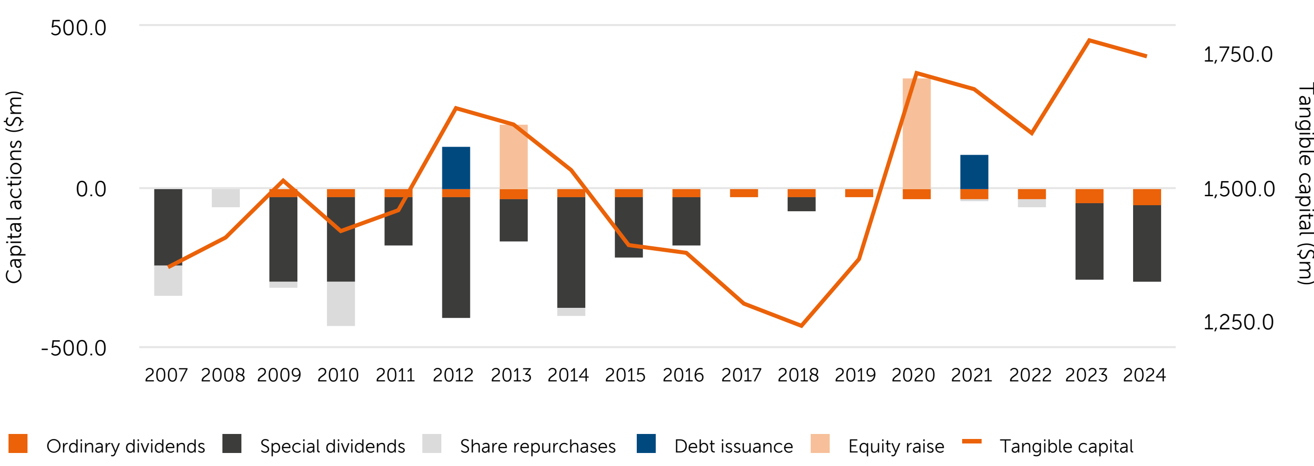
"Lancashire's strong financial performance in 2024 clearly demonstrated the benefits of our growth and diversification strategy."

Natalie Kershaw
Group Chief Financial Officer

For the year ended 31 December	2024 $m	2023 $m	2022 $m
Highlights			
Gross premiums written	**2,149.6**	1,931.7	1,652.3
Insurance revenue	**1,765.1**	1,519.9	1,226.5
Insurance service result	**379.9**	382.1	141.6
Net investment return	**162.2**	160.5	(76.7)
Profit (loss) after tax	**321.3**	321.5	(15.5)
Dividends[1]	**354.2**	155.3	36.2
Net insurance ratio	**71.3%**	65.1%	83.4%
Combined ratio (discounted)	**80.0%**	74.9%	90.2%
Combined ratio (undiscounted)	**89.1%**	82.6%	98.7%
Total investment return	**5.0%**	5.7%	(3.5)%
Diluted book value per share	**$6.03**	$6.17	$5.48
Change in diluted book value per share	**23.4%**	24.7%	(1.2)%

1. Dividends are included in the financial statement year in which they were recorded.

Capital actions chart[1]



1. Dividends are included in the capital actions chart in the year to which they relate.

How would you sum up Lancashire's performance in 2024?

2024 has been another extremely strong year for Lancashire and we have delivered an excellent overall result. Our profit after tax of $321.3 million represents another exceptional year. We have maintained our emphasis on underwriting discipline and maximising risk adjusted returns through product diversification. The benefits of the strategic changes we have made to the business in the last few years are now evident. In particular, we continue to focus on return on capital, as measured by the change in diluted book value per share in 2024 of 23.4%.

How has Lancashire balanced its risk exposures and capital to generate returns for investors?

Managing our capital resources and our risk exposures is a core part of our purpose. We have a long track record of successfully doing this and that continued in 2024. As a specialist underwriting business, our goal is always to be good stewards of capital and to use our resources where we believe the best returns can be found. We always aim to generate sustainable returns for our investors by continuing to manage our risk exposures and capital resources as we look to the next phase of development for Lancashire.

Ultimately, flexible use of capital is in our DNA and our considered approach to balancing our capital requirements – always reflective of the underwriting environment – means we can grow the business when conditions are right and also reward our shareholders. Since inception Lancashire has returned more than $3.4 billion to shareholders and raised around $550 million of equity capital to grow at the optimal points in the cycle.

How has Lancashire considered capital returns for shareholders during 2024?

Our philosophy is not to hoard capital and to return it to shareholders when it is not required to support our underwriting. Those decisions are always made collaboratively across the business with ongoing cross-departmental discussions. The relatively small size of the Company, efficient structure and incentivisation plans make those conversations straightforward.

In March 2024, we announced a change to our regular final and interim ordinary dividend policy to increase regular returns to our shareholders by 50%.

In November, due to the strong operational performance, we also announced a special dividend of $0.75 per common share. For the full year, we paid out $354.2 million in dividends.

In an active industry loss environment, what has been Lancashire's focus?

2024 saw a number of significant loss events, both elemental and non-elemental. Aon estimates that insured market-wide losses for the year are likely to be in the region of $145 billion, exceeding the 2023 level of $125 billion.

The growth and diversification efforts we have successfully implemented mean that larger losses are much less impactful to our earnings. Over the past five years, we have worked hard to balance our underwriting portfolio and increase diversification across products. While we remain committed to underwriting catastrophe risk, these steps have been successful in making Lancashire more able to absorb volatility.

We are now better able to absorb large losses and return an underwriting profit, robust combined ratio and a strong RoE. Total catastrophe, weather and large losses, (undiscounted and net of reinstatement premiums), for the year were $214.1 million. Even with this quantum of losses our undiscounted combined ratio was a healthy 89.1%.

Lancashire has always had a conservative reserving philosophy. What drives this and do you see that changing?

Our prudence in reserving is also part of our DNA and won't change. This conservative approach has helped support the business over the long term and Lancashire has never had a year of reserve strengthening. Our robust reserve setting process is validated through external actuarial reviews twice a year and we will maintain this disciplined approach.

For 2024, the confidence level of our net insurance reserves was 86%, with a net risk adjustment of $256.8 million, or 14.7% of net insurance contract liabilities. Importantly, our confidence level remains within our preferred range of 80%-90%.

Additionally, favourable prior year loss development totalled $121.1 million, resulting from general IBNR releases due to a lack of reported claims and releases on natural catastrophe loss events across the 2022 and 2021 accident year. We also benefited from the release of expense provisions and reductions in outwards reinstatement provisions.

How has the investment portfolio performed during 2024 and how important is it to the business?

Our investment portfolio has grown substantially in recent years, resulting in a more meaningful contribution to Group RoE. During the year, the investment portfolio performed very well, generating a return of 5.0% or $162.2 million. These returns were driven primarily from investment income given the higher yields during the year on the growing portfolio.

Our portfolio remains relatively conservative with an overall credit rating of AA-. We will continue to maintain a short duration, high credit quality focus with some diversification to balance the overall risk-adjusted return.

What is Lancashire's capital position going into 2025?

Our diversification strategy over recent years has improved our capital efficiency. We hold a conservative capital position, such that we can withstand a significant catastrophe event and still retain our ratings and regulatory solvency position. We monitor capital and headroom against internal, rating agency and regulatory requirements.

As an underwriting business it is important that we hold sufficient capital so we can continue to write business immediately after a market-turning event. This ability to be flexible and deploy capital aligned to the market opportunity – and return it dependent on the cycle – has been very successful. At our heart we are an entrepreneurial company, and we are confident that we have the capital required to make the most of the opportunities we see in the market, including supporting our planned growth in the US.

In January 2025, we saw the devastating impact of the California wildfires, which have caused major catastrophe losses for the (re)insurance industry.

Given our strong earnings performance and capital generation in 2024, Lancashire remains extremely well capitalised to fund future opportunities.

In addition, the aggregate reinsurance cover the Company has in place to protect against the frequency of large catastrophe events should allow Lancashire to deliver an attractive return for shareholders in 2025.

A resilient business

Q&A

"The core of Lancashire's strategy is that underwriting comes first. Every decision we make starts with this in mind. In this context, 2024 saw us reap the benefits of our labours and demonstrate the effectiveness of our underwriting strategy."

Paul Gregory
Group Chief Underwriting Officer

How has the Lancashire underwriting team performed in 2024?

Facilitated by market conditions, our aim in recent years has been to build a more resilient business.

We have done this by investing in people, developing our underwriting talent and broadening our underwriting bench. This has allowed us to grow our business when market conditions have been favourable and create an underwriting portfolio that is more likely to provide appropriate returns, and still respond to significant loss events that our industry is there to respond to.

In the context of a year with notable loss activity we have delivered an outstanding underwriting result. Insured loss activity is estimated at around $145 billion, which is significantly higher than 2023, and one of the most expensive years on record.

Despite this we have produced an insurance services result of $379.9 million with an undiscounted combined ratio of 89.1% (80.0% discounted). This underwriting profitability helped the Group produce an overall change in DBVS of 23.4%.

The profitability of our underwriting is stable year-on-year, despite far more substantial insured losses in 2024 than the year prior. This demonstrates how much more resilient our underwriting portfolio has become.

What has the loss environment been like during the year?

2024 was an active year for natural catastrophes around the world. There continued to be events from all types of natural peril that had tragic consequences for those people and communities affected, and created significant insured and economic loss.

The year started with an earthquake in Japan on New Year's Day and over the following 12 months we saw flooding in Brazil, wildfires, hailstorms and flooding in Canada, extreme flooding across Europe and the Middle East, typhoons and cyclones in Asia and major hurricane and severe convective storm activity in the US.

These events test our industry, but at the same time, demonstrate the value of our product, which helps communities, and their economies rebuild after devastating events.

It was not just natural catastrophes that produced loss events. We also continued to see man-made loss activity with significant incidents in the marine, energy, and aviation industries.

The geopolitical and economic climate also remains unstable with the situations in Israel and Gaza as well as Russia and Ukraine continuing.

All these events and tensions impact the product lines we underwrite. Some create direct losses to our portfolio, and others impact the risk associated with the products we underwrite, which brings additional underwriting considerations.

It is the backdrop of these loss events and constantly evolving risk environment that has helped maintain market discipline at the point where supply and demand started to rebalance.

Have you seen changes in rate during the year?

2024 was the seventh year in a row of rate momentum. As expected, the rate environment plateaued, however, we finished the year in positive territory with an RPI of 101%.

Given that for the vast majority of products the rating environment has moved to a healthy place over the past few years, it is of no surprise that carriers are willing to deploy more capacity.

Helpfully factors such as inflation and increased demand due to changing risk perceptions continue to increase the demand for most products, which has offset the increased supply.

We are believers in the market cycle and therefore understood and accepted that at some point rates would plateau. The encouraging dynamic of 2024 was that underwriting discipline continued, the rating environment remained robust, and terms and conditions were stable.

Given the healthy rating levels, we continued our strategy of growing at the right point of the cycle.

We increased our gross premiums written by 11.3% to $2,149.6 million, and insurance revenues by 16.1% to $1,765.1 million. This is the seventh consecutive year we have grown ahead of rate as we maximise the market opportunity.

We are more than 3.5 times the size of where we were at the bottom of the underwriting cycle in 2017, taking advantage of an improved rate environment and more than doubling our product offering.

We are far more capital efficient, far less reliant on producing a very low combined ratio to deliver an appropriate return on equity, and have many more options to manage the future underwriting cycle.

	Gross premiums written $m			Insurance revenue $m			RPI	
Segment	2024	2023	Variance	2024	2023	Variance	2024	2023
Reinsurance	**1,097.8**	967.5	130.3	**855.1**	714.9	140.2	**101%**	122%
Insurance	**1,051.8**	964.2	87.6	**910.0**	805.0	105.0	**101%**	110%
Total	**2,149.6**	1,931.7	217.9	**1,765.1**	1,519.9	245.2	**101%**	115%

How has the US business performed?

During 2024, we successfully started underwriting from our newly minted US office.

We have successfully transferred in-house underwriting talent to lead this business whilst, at the same time, recruiting new local talent to the underwriting team as we build out our product offering.

This adds to our long and established track record of developing and promoting our people, and being able to attract new underwriting talent to the business.

We are extremely pleased with our first nine months of underwriting in the US and are even more excited about future profitable growth opportunities in the years to come.

Has the portfolio changed during 2024?

Our portfolio remains very equally split between insurance (48.9% of gross premiums written) and reinsurance (51.1% of gross premiums written).

We will always be agnostic to the split, and our decisions are driven purely by market conditions and expected returns. For each segment of the portfolio there were varying dynamics.

How did the reinsurance segment perform in 2024?

Our reinsurance segment contains casualty reinsurance, property reinsurance and specialty reinsurance.

Given supportive market conditions, we have continued to grow our footprint and increased premiums in each sector. The reinsurance segment RPI was 101% and we have increased our premiums by 13.5% year-on-year.

Casualty reinsurance comprises casualty, professional and financial lines, and accident and health reinsurance. The rating environment for all these sub-classes has been broadly stable over the year.

As anticipated, growth in the class was more measured during 2024 given that we had got our portfolio to a size we were happy with, and changes were more focused on portfolio refinement. Within the pure casualty class, there continues to be deterioration on older casualty years in the industry, coupled with increased commentary on newer years being less profitable than some expected.

We have no exposure to older years given our entry into the class in 2021. Given our prudent approach to reserving since we entered the class, we remain confident that there is profitable margin in the years we have underwritten, which will be realised over time.

The benefit of this continued focus on the adequacy of industry reserving for casualty is that it keeps pricing momentum in the market. We continue to see primary casualty insurance rate increases implemented by our cedants and, as a reinsurer, we get the benefit of this.

Property reinsurance comprises our catastrophe-exposed reinsurance classes as well as our excess of loss risk and other property treaty portfolios.

After the dislocation we saw in 2023, as expected, 2024 was far more stable. Rating across the portfolio was marginally positive, albeit as the year progressed the market continued to stabilise as increased demand was offset by increased supply. Importantly there was no softening of terms and conditions, and recently improved risk attachment points remained in place, adjusted for inflation.

Increased risk attachment points means that cedants must retain more risk before their reinsurance coverage is triggered. For reinsurers, this insulates the portfolio from the frequency of small-to mid-size losses.

The value of this can be seen in 2024, which saw many small-to mid-size loss events. Whilst these loss events did impact the reinsurance market, they were less impactful to profitability than would have been the case a few years ago. The product is still there to provide clients with balance sheet protection for the large loss events that they may face.

The Group's overall appetite for catastrophe risk was broadly stable year-on-year as we are satisfied with the overall balance of the group underwriting portfolio.

Specialty reinsurance comprises our reinsurance offering for classes such as aviation, marine and energy, as well as our property retrocession portfolio.

The rating environment across all the sub-classes remained positive during 2024. This was an area of targeted growth for us due to the positive market conditions and our underweight position in this area. We were successful in building a footprint and will continue to do so for as long as market conditions allow.

Much like our property reinsurance class, our risk appetite for the property retrocession sub-class was broadly stable as we look to maintain the Group's natural catastrophe footprint.

After seeing significant hardening in the aviation reinsurance market over the past few years 2024 was more stable albeit still positive.

How did the insurance segment perform in 2024?

Our insurance segment includes aviation, casualty, energy and marine, property and specialty insurance. Given favourable market conditions we have continued to grow our footprint and increased premiums in each sector. The insurance segment RPI was 101% and we have increased our premiums by 9.1% year-on-year.

Underwriting review *continued*

Aviation insurance market classes that we underwrite remained rate positive during the year, despite increasing competition in some of the product lines as the year progressed. Large loss events of recent years and increased reinsurance costs have helped keep rating levels broadly stable.

The aviation market continues to see frequent loss activity, sometimes with tragic human consequences.

We continue to be selective in the sub-classes of the aviation market that we underwrite, where we believe rating levels are more than adequate. In those sub-classes where we do not underwrite in a meaningful way, we will remain patient until market conditions improve to the level required.

At this point, we would happily broaden our appetite and we have the team with the expertise to do this.

Casualty insurance is a small segment of the business and comprises our accident and health insurance sub-class and a small amount of professional lines insurance that we support via consortium relationships with market leaders within Lloyd's. Market conditions remain broadly stable.

Energy and marine insurance provide products across the spectrum of the marine and energy sectors. We underwrite marine hull, marine war, marine liabilities, upstream, renewable, and downstream energy, power and utilities, and energy liability.

The rating environment has remained positive during the year and whilst each product is at a different point in the rating cycle, all saw modest rate increases.

The marine and energy classes are exposed to numerous risk factors and are inherently volatile classes of business in what are complex industries.

The risk in these sectors is constantly evolving. The challenges of inflation, volatile commodity prices and political unrest are just some of the underwriting considerations in these product lines. Whilst these classes can be extremely profitable, they require careful and considered underwriting and can have significant loss events.

Early in the year, we saw the Baltimore bridge disaster that led to the regrettable loss of life of six maintenance crew who were working on the bridge.

This is an example of the type of complex loss these classes can encounter, which often takes many years to resolve but, at the same time, demonstrates the purpose and value of insurance.

Property insurance comprises property direct and facultative insurance and construction insurance. Trading conditions have remained stable during the year, following many years of strong cumulative rate increases.

Given the robust rating adequacy within the property market, we have continued to grow our market share with growth coming across all platforms. Property insurance is one of our two product lines underwritten from our new US operation.

This office can access business that does not make its way to London giving us an additional distribution source in the world's largest property insurance market.

The new US operation has contributed to our growth in property and will continue to do so as it builds out.

Specialty insurance comprises our terrorism, political violence, and political and sovereign risks sub-classes. Given the continued global unrest, the terrorism and political violence classes have remained in positive rate territory during the year.

Despite the heightened risk environment that class remains very profitable, and little capacity has left the sector which tempers the upward rate trajectory somewhat.

As the conflicts around the world show little sign of resolution, we would anticipate underwriting discipline to remain in focus across the market.

The political and sovereign risk portfolio is non-renewable business and therefore premium levels are difficult to forecast, however, we have been successful in delivering stable year-on-year volumes. Market discipline has remained in this class, with adequate rating and underlying terms and conditions remaining.

How would you sum up the underwriting performance in 2024?

2024 has been a highly successful year for the Lancashire Underwriting team.

We have continued to grow in a strong market. We have successfully launched our US office, which will aid growth of the business in future years.

Most importantly we have delivered a very profitable result in a highly active loss environment, helping us demonstrate the durability we have been building over the past seven years.

Underwriting results

For the year ended 31 December	2024			2023		
	Reinsurance $m	Insurance $m	Total $m	Reinsurance $m	Insurance $m	Total $m
Gross premiums written	**1,097.8**	**1,051.8**	**2,149.6**	967.5	964.2	1,931.7
RPI	**101%**	**101%**	**101%**	122%	110%	115%
Insurance revenue	**855.1**	**910.0**	**1,765.1**	714.9	805.0	1,519.9
Insurance service expenses	**(420.0)**	**(766.1)**	**(1,186.1)**	(254.2)	(442.0)	(696.2)
Insurance service result before reinsurance contracts held	**435.1**	**143.9**	**579.0**	460.7	363.0	823.7
Allocation of reinsurance premium	**(168.2)**	**(271.2)**	**(439.4)**	(174.6)	(250.2)	(424.8)
Amounts recoverable from reinsurers	**(2.8)**	**243.1**	**240.3**	(78.2)	61.4	(16.8)
Net expense from reinsurance contracts held	**(171.0)**	**(28.1)**	**(199.1)**	(252.8)	(188.8)	(441.6)
Insurance service result	**264.1**	**115.8**	**379.9**	207.9	174.2	382.1
Net insurance ratio	**61.6%**	**81.9%**	**71.3%**	61.5%	68.6%	65.1%
Other operating expenses			**8.7%**			9.8%
Combined ratio (discounted)[1]			**80.0%**			74.9%
Combined ratio (undiscounted)[1]			**89.1%**			82.6%

1. The combined ratio (discounted and undiscounted) is the ratio, in per cent, of the sum of net insurance expense plus all other operating expenses to net insurance revenue.

Gross premiums written

Gross premiums written increased by $217.9 million, or 11.3% during 2024 compared to 2023. Excluding the impact of reinstatement premiums and multi-year contracts, underlying growth in gross premiums written was 11.6%. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance segment

Gross premiums written for 2024 increased by $130.3 million, or 13.5%, compared to 2023. New business within the property reinsurance and specialty reinsurance lines was the most significant driver of growth. The RPI for the reinsurance segment was largely flat for the year at 101%.

Insurance segment

Gross premiums written for 2024 increased by $87.6 million, or 9.1% compared to 2023. This increase was primarily driven by new business within the property class, including business written through both our Lancashire US and Lancashire Australia distribution channels for the property direct and facultative line of business.

Insurance revenue

Insurance revenue increased by $245.2 million, or 16.1%, for 2024 compared to 2023. Gross premiums earned, which is the key driver of insurance revenue, as a percentage of gross premiums written was 95.1% for 2024 compared to 89.2% in 2023. Insurance revenue has increased at a faster rate than gross premiums written, which reflects the benefit of gross premiums earned from the significant increase in business in recent years.

Allocation of reinsurance premiums

Allocation of reinsurance premiums increased by $14.6 million, or 3.4%, during 2024 compared to 2023. The allocation of reinsurance premiums as a percentage of insurance revenue for the Group was 24.9%, a decrease from 27.9% in the prior year, reflecting the Group's increased risk retention given the positive market environment.

Net claims

During 2024, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $214.1 million. Catastrophe and weather losses were $122.7 million with hurricane Milton the most significant, together with the combined impact of hurricane Helene, hurricane Debby, storm Boris and the Calgary hailstorms. During 2024, the Group also experienced net losses (undiscounted, including reinstatement premiums) from large risk events totalling $91.4 million. The MV Dali Baltimore bridge collision loss, which occurred in the first quarter, was the most significant. None of these large risk losses were individually material for the Group.

In comparison, during 2023 the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million.

Favourable prior accident year loss development, including the undiscounted net movement in loss reserves, reinstatement premiums and expense provisions, was $121.1 million during 2024. This was primarily due to attritional loss experience in respect of the 2023 accident year, together with catastrophe event reserve releases on the 2022 and 2021 accident years.

In comparison, favourable prior accident year development during 2023 of $78.8 million was primarily the result of favourable attritional loss experience and reserve releases on the 2022 accident year.

The prior accident year loss development for both 2024 and 2023 also benefited from the net release of expense provisions and reductions in outwards reinstatement premiums. This reduction was slightly more pronounced in 2024.

Net discounting benefit

The table below shows the total net impact of discounting by financial statement line item.

For the year ended 31 December	**2024 $m**	2023 $m
Initial discount included in insurance service result	**120.3**	84.7
Unwind of discount	**(68.6)**	(55.8)
Impact of change in assumptions	**14.7**	(10.8)
Finance (expense) income	**(53.9)**	(66.6)
Total net discounting income	**66.4**	18.1

The total impact of discounting for 2024 was a net benefit of $66.4 million, compared to a net benefit of $18.1 million in 2023. The higher net initial discount in 2024 compared to 2023 is primarily due to the underlying growth of the Group's insurance portfolio and an active loss environment in 2024, which in turn has resulted in an increased quantum of initial loss reserves being established. The sustained high discount rate environment over the last few years has contributed to an increased net expense from the unwind of discount relative to the prior year.

The majority of the Group's net insurance contract liabilities are denominated in US dollars, and this has driven a positive impact from the change in discount assumptions, primarily due to the increase in the US dollar three-year and five-year discount rates during the year.

In 2023, discount rates across all the Group's major currencies were at a relatively high level throughout the year, with a small decrease in the fourth quarter. This drove the relatively high initial discount and low change in assumption impact.

Investment results

"The primary objective for our investment portfolio is capital preservation and liquidity. We position our portfolio to limit downside risk in the event of market shocks and this is more important than ever in today's volatile markets."

Denise O'Donoghue
Group Chief Investment Officer

Investments and liquidity

Since inception, the primary objectives for our investment portfolio have been capital preservation and liquidity, and we position our portfolio to limit downside risk in the event of market shocks. Those objectives remain unchanged and are more important than ever in today's volatile markets. The year started with elevated yields and an inverted yield curve. By the end of 2024, the shape of the yield curve became ever so slightly upward-sloping again, with the Federal Reserve lowering rates at the front end by 100 basis points and the long end of the curve increasing in rates. With strong fundamentals continuing in the US and the expectation of a normalised yield curve, we did increase duration slightly to 2.0 years.

As we head into 2025, we will re-assess this, given the expected uncertainly around the Trump administration and potential inflationary pressures from potential tax cuts and US tariffs, in addition to geopolitical risk which was heightened in 2024. Given the expected volatility we will continue to maintain a short, high credit quality portfolio with increased portfolio diversification to balance the overall risk-adjusted return.

Investment performance

Net investment income, excluding realised and unrealised gains and losses, was $144.8 million in 2024, an increase of 33.5% compared to 2023. Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was $162.2 million in 2024 compared to $160.5 million in 2023.

The investment portfolio generated a total investment return of 5.0% during 2024. The returns were driven primarily from investment income given the higher yields throughout most of the year. In addition to positive returns from the fixed income portfolio, the risk assets, notably the bank loans and the private credit funds, contributed positively to the overall investment return.

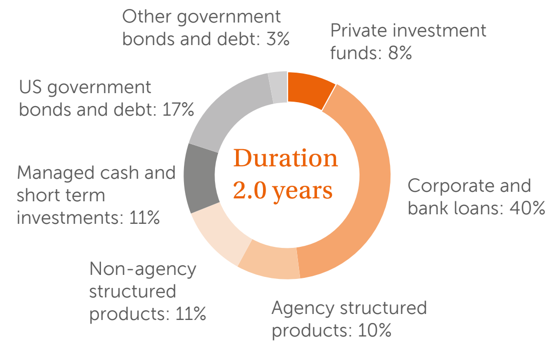
In 2023, the investment portfolio generated a positive return of 5.7%. The returns were driven primarily from elevated interest rates and the tighter credit spreads, in addition to positive return contributions from risk assets, resulting in positive returns in all asset classes.

Our portfolio mix illustrates our conservative philosophy, as shown in the chart below.

Conservative portfolio structure – quality

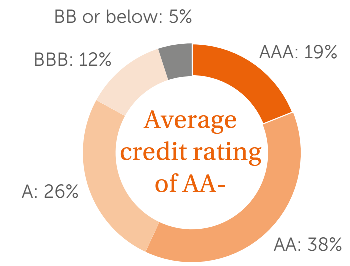
Asset allocation

Total investment portfolio and managed cash



Credit quality

Fixed maturities and managed cash



Other financial information

Other operating expenses

For the year ended 31 December	2024 $m	2023 $m
Operating expenses – fixed	**184.8**	147.9
Operating expenses – variable	**36.4**	41.7
Total operating expenses	**221.2**	189.6
Directly attributable expenses allocated to insurance service expenses	**(105.3)**	(82.2)
Other operating expenses	**115.9**	107.4

The most significant driver of the increase in operating expenses for 2024, compared to 2023, was an increase in fixed costs of $36.9 million or 24.9%. This increase is primarily in relation to employment expenses given the continued growth in headcount for the Group. The growth of the business also drove an increase in IT, building and operational processing costs.

In 2024, $105.3 million of operating expenses were considered directly attributable to the fulfilment of insurance contracts issued and have therefore been re-allocated to insurance service expenses and form part of the insurance service result. This compares to $82.2 million for 2023, and is reflective of the increase within the Group's overall fixed operating expense base.

California wildfires

The Group estimates its aggregate net ultimate losses relating to the wildfires in California, which occurred in January 2025, to be in the range of $145 million to $165 million. The estimate falls within the Group's modelled loss ranges for this type of catastrophe event. This estimate is undiscounted, after anticipated recoveries from Lancashire's outwards reinsurance programme and the impact of outwards and inwards reinstatement premiums.

Given our strong earnings performance and capital generation in 2024 Lancashire remains extremely well capitalised to achieve its strategic ambitions. In addition, the aggregate reinsurance cover the Group has in place to protect against the frequency of large catastrophe events should allow the Group to deliver an attractive return for shareholders in 2025.

The preliminary estimate has been derived from a combination of market data and assumptions, a limited number of provisional loss advices, limited client loss data and modelled loss projections. As additional information emerges, the Group's actual ultimate loss may vary from the preliminary estimate.

Capital

As at 31 December 2024, total capital available to Lancashire was approximately $1.9 billion, comprising shareholders' equity of $1.5 billion and $0.4 billion of long-term debt. Tangible capital was approximately $1.7 billion. Leverage was 23.0% on total capital and 25.6% on tangible capital. Total capital and total tangible capital as at 31 December 2023 were $2.0 billion and $1.8 billion respectively.

Dividends

On 5 March 2025, Lancashire's Board of Directors declared a final ordinary dividend of $0.15 (approximately £0.12) per common share, subject to a shareholder vote of approval at the AGM to be held on 30 April 2025, which will result in an aggregate payment of approximately $36.0 million. The dividend will be paid in Pounds Sterling on 13 June 2025 (the "Dividend Payment Date") to shareholders of record on 16 May 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Lancashire's Board of Directors has declared a special dividend of $0.25 per common share (approximately £0.20 per common share at the current exchange rate), which will result in an aggregate payment of approximately $60.0 million. The dividend will be paid in Pounds Sterling on 11 April 2025 (the "Dividend Payment Date") to shareholders of record on 14 March 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

2

Manage our risk exposures

and capital resources to generate returns for our investors.

Risk management is central to our purpose and performance

Q&A

> "As a risk function we aim to partner seamlessly with the business, bringing clearer insights and enabling us to take measured risks aligned with our strategy."

Louise Wells
Group Chief Risk Officer

How has Lancashire managed the changing risk landscape?

We have managed our operations through the changing risk landscape by partnering with the business to embed risk awareness and ownership. We have developed a culture of risk challenge, questioning and understanding, which enables us to manage risk effectively.

This has been a vital component in the successful delivery of our growth strategy over the last five years, and in the rollout of our transformative change portfolio.

What have been the key areas of development / focus in 2024?

During 2024, we have focused on the appropriateness of the RMF following our period of growth and the increasing volatility and interconnectedness of the top risks in today's world.

Our purpose as a function is to work with the business to balance the need to take risk with the need to manage it. Having an appropriate RMF in place is crucial to our success.

Climate change, geopolitical risk and cybersecurity have all remained a priority in 2024, with AI now also an increasing focus. AI is a good example of the need to balance risk: the risks associated with using AI versus the risks of failing to embrace it.

As part of our efforts to further understand the challenges and opportunities of climate-related issues, we continue to be a ClimateWise member and have published our 2024 report on our website. Our TCFD report, which complements our ClimateWise report, starts on page 46 of this report.

With 2024 being the 'year of elections', it is unsurprising that geopolitical risk has continued to be a focus during the past 12 months.

The full impact of the elections internationally, locally, on our industry and, ultimately, on the Group continues to unfold. Our focus on this risk will therefore continue into 2025.

Cyber security risk was also a priority in 2024, with the risk function working collaboratively with our strengthened information security function to ensure our cyber risk framework evolved as required with new and changing regulatory requirements.

Cyber security risk is included within the principal risk of operational risk, which is discussed on page 32.

Can you outline the Group's risk management strategy?

Our risk management strategy remains closely aligned with the Group strategy, and is focused on adding value to the business and providing assurance over the management of the principal risks, those risks subject to change as a result of our strategic growth over the past few years and any emerging risks to the Group.

The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management and retains responsibility for the oversight of risk management activities.

How does Lancashire approach balancing capital and risk?

The Group takes an enterprise-wide approach to managing risk. The primary objective being to ensure that the capital resources held are matched to the risk profile of the Group and that the balance between risk and return is considered as part of all key business decisions.

The RMF sets out our approach to identifying, assessing, mitigating, and monitoring the principal risks the Group faces. The diagram on page 26 illustrates how the various parts of the RMF come together to form Lancashire's overall ORSA process.

Our ORSA process is an ongoing analysis of the Group's risk profile and its capital adequacy to support the business strategy over the business plan horizon.

The key activities within this process consider how the financial and principal risks to which we are exposed may change over the planning cycle, what drives these changes, and how resilient the Group's resources are to a range of extreme but possible events.

As such, it is an important business management tool which is used to inform key business decisions.

The ERM and ORSA activities are underpinned by our risk culture and governance.

Our collaborative risk culture is driven from the 'top down' via the Board and the executive management team to the business, with the management RRC central to these processes.

The RRC is the key management tool for monitoring and challenging the assessment of risk on a regular basis. It seeks to optimise risk-adjusted returns and facilitate the appropriate use of the Group's internal models, including considering their effectiveness. Risk culture is also driven from the 'bottom up' through the risk and control affirmation process.

The primary role of the Group CRO is to facilitate the effective operation of ERM and the ORSA processes throughout the Group and to provide day-to-day oversight and challenge on risk-related issues.

The risk management function, led by the Group CRO, has three key strategic objectives:

- Relevant risk management framework – continual development and enhancement of the RMF alongside the growth of the business to ensure relevance and the ability to scale as required
- Balance the need to take risk with the need to manage it – partner with the business to embed risk awareness and ownership; encourage a culture of risk challenge, questioning and understanding; and ensure risk is managed effectively
- Risk management employer of choice – attract and develop outstanding people with the skills, knowledge and mindset to anticipate and respond to business growth with the ability to identify and manage the associated risk efficiently.

ERM & ORSA

Key activities

Strategy review & challenge

- Review of business strategy with challenge from the Board
- Annual approval of a business strategy paper by the Board
- Development of ESG strategy and framework

Key elements of ORSA

- ◆ Board sign-off and embedding
- ● Business strategy
- ● Risks
- ● Capital and solvency
- ● Stress and scenario testing

Risk solvency & assessment

- Group CRO reports to Board and is a member of the Group Executive Committee
- Production of quarterly ORSA report for review and approval by the Board

Capital management

- Capital and liquidity management frameworks
- Review of internal model policies, capital and solvency appetites
- Full/proxy capital assessments
- Rating agency capital assessments
- Stress and scenario testing
- Board quarterly review of capital needs, headroom and actions

Risk identification & assessment

- Quarterly risk and control affirmations
- Emerging risk forum
- Quarterly internal audit reports to the Audit Committee providing an update on work performed and analysis of root cause of audit findings
- External audit reports to the Audit Committee
- Audit Committee annual review of the effectiveness of financial reporting internal controls
- Quarterly ESG Committee

Risk & business management

- Review of risk management policies
- Assessment of risk management framework maturity
- Integrated assurance assessment
- Emerging risk assessment
- ESG framework and strategy
- Review and approval of business plan by the Board

Business planning

- Stress and scenario testing (business plan)
- Assessment of management actions
- Group CRO review of business plan
- Board business performance review
- Board consideration of stakeholder engagement

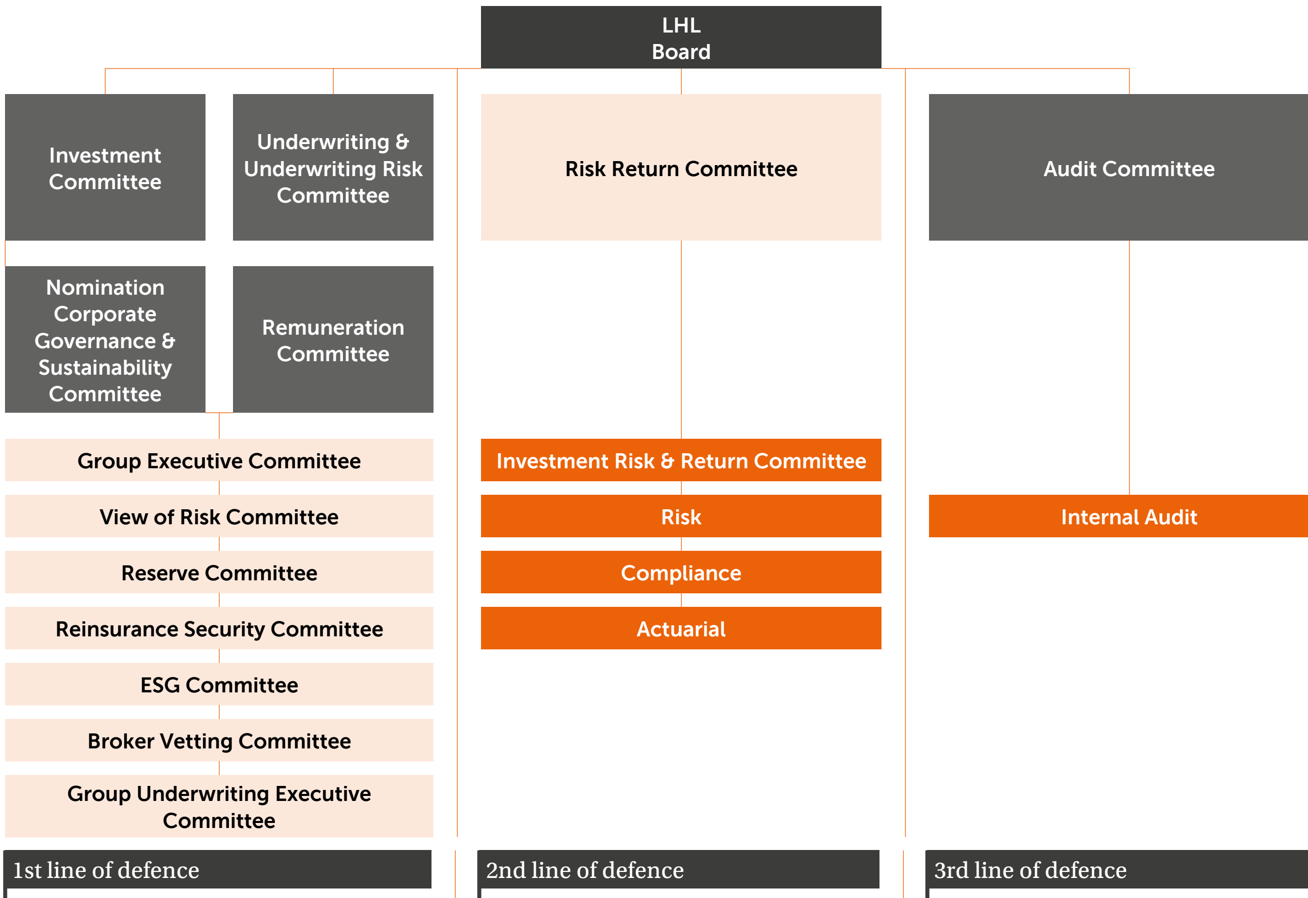
Risk appetite & tolerances

- Review of risk strategy and 'attitude to risk'
- Review and measurement of risk appetite and limits
- Review of Group risk tolerances
- Management, Board and subsidiary board approval and monitoring of risk appetite and tolerances

The ORSA processes are ongoing and operate throughout the year, with the annual ORSA report, summarising their outcome for management and the Board on an annual basis. The quarterly ORSA update report provides the Board with a point-in-time update on the key activities listed above and the challenge provided by the Group CRO.

Risk governance is a major component of the overall RMF and provides for clear roles and responsibilities in the oversight and management of risk. It also provides a framework for the reporting and escalation of risk and control issues across the Group. Lancashire operates a three lines of defence governance model.

Three lines of defence – governance framework



1st line of defence

Risk owners within each business function are responsible for promoting a strong risk culture, managing their risks within risk appetite and ensuring the effectiveness of their controls.

2nd line of defence

Provides expert advice, challenge and guidance together with providing independent oversight to the first line of defence to help ensure that risk taking remains within risk appetite. Includes the risk, compliance and actuarial functions, reporting to the RRC via the Group CRO.

3rd line of defence

The Internal Audit team provides independent assurance to the Audit Committee, by assessing the effectiveness of our risk management processes and that risk controls are being managed in line with approved policies, appetite, frameworks and processes. Additionally, it helps verify that the internal control system is effective. The Group Head of Internal Audit reports to the Board Audit Committee on internal control framework issues.

The Board retains responsibility for all risks within the Group and is responsible for setting and monitoring the Group's risk appetite and tolerances, whereas the individual entity boards are responsible for setting and monitoring entity-level risk tolerances. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Group and its entities are prepared to expose to certain risks. The Group's appetite for risk will vary marginally from time to time to reflect the potential risks and returns that present themselves. However, protecting the Group's capital and maximising risk-adjusted returns for investors over the long term are constants. All risk tolerances are subject to at least an annual review and consideration by management and the respective boards. The Board and individual entity boards review actual risk levels versus tolerances, emerging risks, loss event and near miss reporting, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations and supported by internal audit findings) at least quarterly. In addition, on at least a monthly basis, management assesses our PMLs against risk tolerances to ensure that risk levels are managed in accordance with them.

The Group CRO provides regular reports to the management team outlining the status of the Group's ERM activities and strategy, as well as formal reports to the Board.

The Group CRO reports to the Chair of the Board and Group CEO, but ultimately has the right to report directly to the Group and entity regulators if they feel that management is not appropriately addressing areas of concern regarding the Group as a whole or any of the individual operating entities.

We continue to perform a quarterly risk and control affirmation process whereby the operation of all key controls is affirmed by the control operators and then reviewed and approved by the risk owners. In addition, the risk owners are required to affirm that their risks remain appropriately documented and scored. The risks are scored on both a gross basis (i.e., inherent risk pre-controls) and a net basis (i.e., residual risk post the application of controls). The output from this process is reported to the RRC and the Group and operating subsidiary audit and risk committees, or boards of directors, as appropriate.

As at 31 December 2024, all Group entities were operating within their Board-approved risk tolerances.

The quarterly ORSA reports prepared by the Group CRO to the Group and subsidiary boards, provide a timely analysis of current and potential or emerging risks, compared against risk tolerances, along with their associated capital requirements.

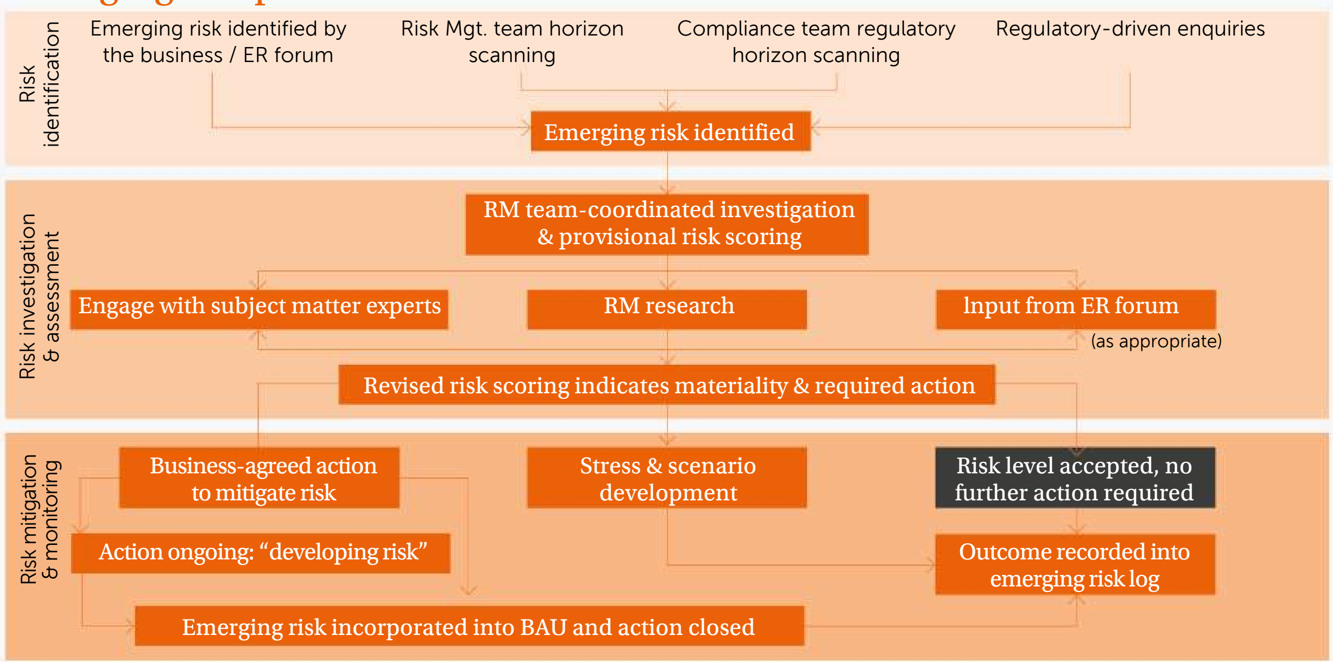
The 2025 annual ORSA report will be presented to the Board for review, challenge, and approval at the Q1 2025 Board meeting. The equivalent reports for the operating subsidiaries will also be presented to their boards for review, challenge, and approval during Q1 2025. As a Lloyd's managing agent, LSL falls within the Society of Lloyd's for Solvency II reporting, preparing ORSA reports for each syndicate. LSL has its own RMF to ensure it operates in line with the principles for doing business at Lloyd's.

Emerging risk

Lancashire defines emerging risk as a change in, or change in understanding of, the internal or external risk environment that could impact the validity of assumptions relating to strategy, decision-making and/or risk management approach. An emerging risk can arise in three ways:

- A genuinely new source of risk that has not existed before;
- A change in the way that an already identified risk can manifest which may not be adequately managed through Lancashire's current risk management procedures; or
- A change in understanding of an already identified risk.

Emerging risk process



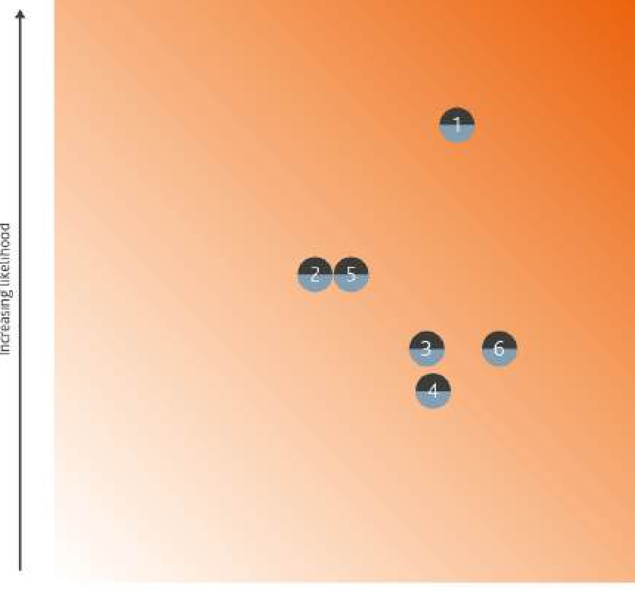
The process by which emerging risks are identified, investigated, assessed and reported is illustrated in the diagram on the previous page.

Emerging risks are identified by both the risk management function and the business, and are considered at the emerging risk forum, a Group-wide forum with cross-functional membership. A detailed log of all emerging risks identified is maintained including the anticipated impact, likelihood, time horizon, velocity, longevity, risk sector, risk type and any actions required.

The top emerging risks for the Group are recorded on our emerging risk radar and discussed with risk owners, executive committees, the Board and entity boards of directors on a periodic basis. The emerging risk radar is therefore subject to an iterative process of review and oversight. During the year, oversight of the following risks moved to our business-as-usual risk management processes: climate change, operational strain (driven by growth), geopolitical risk, inflation, tax and regulatory change, OECD global minimum tax and Bermuda CIT, and cyber security risks. As a result, emerging risk discussions predominantly focused on artificial intelligence, the many different components of AI and our risk appetite for utilising them.

Principal risks

Current assessment of principal risks



The Board evaluated the risks disclosed, alongside other factors, in the assessment of the Group's viability and prospects as set out in the going concern and viability statement in the Directors' report on page 111.

Given the broad reach of climate change and the risks associated with it, we concluded that these risks are most appropriately managed by including their impact through existing principal risks, rather than a separate climate change principal risk. The impact of climate change is therefore covered in the following principal risks: underwriting, investment, operational and strategic.

Key

Principal risk

1 Underwriting
2 Investment and Liquidity
3 Reserving
4 (Re)insurance counterparty
5 Operational
6 Strategic

2024
2023

Principal risks *continued*

Principal Risks

Principal risk category/risk owner	Key mitigating actions	How the Board reviews this risk
Underwriting **UURC** **Risk description and performance** Inadequate pricing of risk resulting in insufficient premium to cover any losses arising. Failure to monitor exposure accurately such that losses exceed expectation. Our underwriting performance is discussed on page 16. Our RPI for both the insurance and reinsurance segments was 101%. We remained within tolerance for all PMLs and RDSs during 2024.	We define our underwriting risk appetite and set risk tolerances as a percentage of capital we are prepared to risk for both natural catastrophe events and man-made disasters. PMLs for natural catastrophe perils are modelled monthly, and RDSs for non-elemental perils are updated quarterly. Both are provided to the RRC for review. We model our portfolio against Lloyd's RDSs to assess potential losses. We apply loads to and stress test stochastic models and develop alternative views of losses using exposure damage ratios. We review assumptions periodically to ensure they remain appropriate. We use our RPI measure to track trends in premium rates for our renewed business. The RRC considers accumulations, clashes and parameterisation of losses and models. Underwriters have individual underwriting authorities they must comply with. We perform pre- and post-bind peer review of a sample of risks written. Reinsurance is purchased to manage exposure and protect our balance sheet.	The Board delegates oversight of underwriting risk to the UURC. See page 88 for how the committee discharged its responsibilities in this area. Management reports to the UURC on underwriting performance, strategy and risk tolerances. The Board is engaged in the development and implementation of the Group's underwriting strategy, including the potential risks to this such as geopolitical risks and climate-related physical, transition and litigation risks. The Board reviews and approves the underwriting risk appetite, the risk tolerances and the structure of the outwards reinsurance programme on an annual basis. The Board reviews performance against risk tolerances on a quarterly basis.
Investment and liquidity **Investment Committee** **Risk description and performance** The risk of insufficient liquid assets to pay claims when due. The Group continues to have excess liquidity compared to tolerance and remained within investment guidelines.	We stress test our portfolio to understand the impact of a range of realistic loss scenarios, including risk-on, risk-off and interest rate hike scenarios. A biannual strategic asset allocation study is performed, the recommendations from which are discussed at the Investment Committee and presented to the Board for approval. The IRRC meets quarterly and reports to the RRC and to the Investment Committee via the Group CRO. External investment managers are used to manage the portfolios. The Group's principal investment managers are signatories to the UNPRI.	The Board delegates oversight of investment risk to the Investment Committee. See page 87 for how the Committee discharged its responsibilities this year. Management reports to the Investment Committee on investment performance, strategy, including asset allocation, and risk tolerances. The Investment Committee receives and reviews the investment strategy, guidelines and policies, risk appetite, and associated risk tolerances and makes recommendations to the Board in this regard. It also monitors performance against risk tolerances, investment guidelines, carbon intensity scores and a climate value at risk measure quarterly.

Strategic objectives	Risk trends	Impact trend	Appetite trend
Underwriting comes first	Stable risk	High	Acceptable
Balance risk and return through the cycle	Decreased risk	Moderate	Reassess
Insurance market employer of choice	Increased risk	Low	Unacceptable

Principal risks *continued*

Principal risk category/risk owner	Key mitigating actions	How the Board reviews this risk
Reserving **Reserve Committee** **Risk description and performance** The risk that established reserves are inadequate and claims exceed them. The confidence level of 86% is within our desired range.	Lancashire adopts a conservative reserving approach for all new classes of business until they are established. Actuarial and statistical data is used to set estimates of future losses. These are reviewed by underwriters, claims staff and actuaries to ensure they reflect the actual experience of the business. Reserves are reviewed and approved by the Reserve Committee whose members include representation from finance, actuarial and claims; there are additional attendees from underwriting, legal and risk. An independent review by external actuaries of reserve adequacy is performed twice a year.	The Board delegates oversight of reserving risk to the Audit Committee. See page 78 for how the Committee discharged its responsibilities this year. Management reports to the Audit Committee quarterly on reserves for material new claims, developments on established reserves, the reserve margin and confidence levels. The Audit Committee receives and considers the report from the external actuary on reserve adequacy. The Committee's review is also informed by the work performed by the external auditors.
(Re)Insurance and intermediary counterparty risk **UURC** **Risk description and performance** The risk our reinsurance counterparties are unable or unwilling to pay us in the event of a loss. The risk of mishandling by, or failure of, our intermediaries. The Group was within our stated risk appetite and tolerance during the year.	Our Broker Vetting Committee is responsible for the broker vetting approval process and monitoring credit risk in relation to brokers. The majority of business is conducted using non-risk transfer TOBAs. Monies are held by brokers in segregated client money accounts. Board-approved counterparty credit limits are used, reinsurers must meet minimum rating standards, and collateral agreements are used, where appropriate. The RSC approves counterparties within the framework set and monitors first loss and aggregate limits against the approved tolerances.	The UURC receives quarterly information from management with regard to broker distribution. The Group CRO reports to the Board on performance against Board-approved risk tolerances.

Strategic objectives	Risk trends	Impact trend	Appetite trend
Underwriting comes first	Stable risk	High	Acceptable
Balance risk and return through the cycle	Decreased risk	Moderate	Reassess
Insurance market employer of choice	Increased risk	Low	Unacceptable

Principal risks *continued*

Principal risk category/risk owner | **Key mitigating actions** | **How the Board reviews this risk**

Operational

Audit Committee & Board

Risk description and performance

The risk of inadequate or failed internal processes, personnel, systems or (non-insurance) external events.

The Group did not have any material operational loss events during the year.

Key mitigating actions

The Group has a robust quarterly risk and control affirmation process in place, which is supported by detailed control testing. A description of certain of the Group's operational risks and controls can be found on pages 58 to 60.

IT availability risk is mitigated through disaster recovery and business continuity plans which are tested annually.

IT integrity risk is mitigated through independent penetration tests and restricting access to key systems to individuals who are qualified and need to use them.

We have a cyber incident response plan to guide management in the event a third party gains access to our systems. The annual test of this is facilitated by a third-party specialist.

KRIs and KPIs are used to monitor performance against our cyber risk appetite.

How the Board reviews this risk

The Board delegates oversight of internal controls and risk management systems to the Audit Committee. See page 78 for how the Committee discharged its responsibilities this year. The Board retains the responsibility for risk oversight of IT and cyber risk.

The Group CEO and management team manage the operation of the business and report to the Board and its committees.

The Audit Committee receives a quarterly report from the Group CRO, summarising the results from the quarterly risk and control affirmation process and detailed control testing, along with the Group CRO's opinion on the overall control environment.

The Audit Committee reviews this alongside the quarterly update from the Head of Internal Audit.

The Board receives a quarterly ORSA update report from the CRO, which includes, by exception, details of loss events, performance against operational risk KRIs, and changes in the risk and control environment. The Group COO reports to the Board on operational matters, including the programme of change, IT and cyber security.

Strategic

Board

Risk description and performance

The risk of failing to devise and/or implement an effective business strategy that is aligned with risk appetite and/or not adapting the strategy/ business plan for the prevailing market conditions. This includes the potential impacts of climate change and impacts of transition.

Key mitigating actions

Strategic opportunities and capital planning are discussed at a dedicated session attended by all Directors and members of the management team.

The Group has a clear vision and strategic objectives that are well communicated internally, thereby enabling all employees to understand their role and their contribution to these objectives.

Regular town hall meetings are held with all employees to communicate performance against the strategic objectives.

Succession planning helps ensure awareness of the strength in depth, or lack of, and the necessary action in the event a key role becomes vacant.

How the Board reviews this risk

The Board retains responsibility for the oversight of strategic risk. The Group CEO and management team lead in the delivery of strategy.

The Directors are involved in setting the strategy and approve the annual business plan.

The Board receives quarterly updates on the Group's performance against the plan in its execution of the strategy.

Strategic objectives	Risk trends	Impact trend	Appetite trend
Underwriting comes first	Stable risk	High	Acceptable
Balance risk and return through the cycle	Decreased risk	Moderate	Reassess
Insurance market employer of choice	Increased risk	Low	Unacceptable

At Lancashire, we believe our culture sets us apart

The Lancashire Way

The way we behave and approach our work day-to-day is what makes us unique and creates a positive experience for our people, business partners and other stakeholders.

Honesty and integrity in all we do is a given and The Lancashire Way reflects our true character and spirit.

Straight-talking

We feel empowered to share thoughts and ideas, because everyone's voice matters.

Responsible

We focus on achieving tangible results with consistent standards across the Group.

Collaborative

We work together towards common goals, share knowledge and support each other.

Positive

We engage with brokers, clients, communities, stakeholders and colleagues professionally and passionately as proud ambassadors of Lancashire.

Hard-working

We all have a stake in the Company's success and are proactive in contributing to our goals and vision.

Passionate about our people

Total number of employees

426

We have one employee based in Canada

US
18
employees

UK
335
employees

Bermuda
65
employees

Australia
7
employees

Making Lancashire an employer of choice is one of our key strategic priorities.

We want to retain and attract the best talent across our markets and offer an inclusive and rewarding work environment.

The Lancashire Way is our framework for how we behave towards each other and our stakeholders and sets out what we expect of our employees.

Our people are drawn from a diverse range of backgrounds, which gives our community of colleagues a thriving and collaborative environment in which to excel.

Our people at a glance

Total number of employees:
426
(permanent and FTC)

Voluntary annual employee turnover:
8%

Permanent employees eligible to be considered for RSS awards:
100%

Employees promoted during 2024:
34

Gender split of employees:
59% male **41%** female

Gender split of Group Executive Committee:
50% male **50%** female

Gender split of senior management:
54% male **46%** female

Data as at 31 December 2024

Listening to our people

We believe that giving people a voice and the opportunity to provide feedback on their experience of working at Lancashire is vital to our ongoing success.

During 2024, we followed up the full staff survey carried out in 2023 with a series of feedback sessions.

These sessions looked at areas where we scored strongly in the survey and also three areas where the management team felt we could do better.

These included reward and recognition, training and having clear career paths. Other areas discussed included increasing knowledge of the work of different teams around the business and our approach to inclusion. The feedback from these sessions has helped inform the talent agenda, a major strategic focus for the business into 2025, following the growth the business has experienced over recent years.

Despite our growth, we are still a relatively small company. Our size means we can retain our 'open door' policy, and everyone is able to raise any issues and suggest possible solutions. They can do this by talking to their manager, a member of the Group Executive Committee, or the local HR teams.

Top ten employer for the third year

Lancashire was named a Top Ten employer in Bermuda in the annual awards run by the island newspaper *The Royal Gazette* and sponsored by PwC.

Lancashire was placed sixth in the top 10 (out of 45 participating companies).

This achievement builds on our success in recent years when we came 8th in 2021 and 7th in 2023. Importantly, our employees in Bermuda were instrumental in our nomination, showing continued high levels of engagement.

Engaging with our people

We understand the importance of communicating with our people, particularly following our recent growth in headcount.

Senior executives are available to discuss issues with employees on both a formal and ad hoc basis.

Group CEO Alex Maloney communicates regularly with employees on Company issues and town hall meetings are held for all colleagues each quarter. At these, our progress against our strategic goals is reviewed and Group-wide corporate activities are highlighted.

A Non-Executive Director attends each of these events where they are asked to outline their role, comment on recent Board discussions, and answer questions.

During 2024, we launched The Lancashire Way at a series of events in each of our offices to ensure employees understand the expected behaviours.

Following feedback from these sessions, a new initiative – ideas@lancashire – was launched, offering people the opportunity to submit ideas and comments with a focus on increasing operational efficiency.

Also in 2024, a new Group-wide intranet was launched which is regularly updated with news and information from around the business, enabling all employees, wherever they are based, to receive important information in a timely manner.

The Lancashire Employee Network

The Lancashire Employee Network (LEN) is run by our employees for our employees and offers valuable opportunities to share experiences and knowledge.

The LEN hosts internal and external speakers on a range of topics. During 2024, a new series of 'LEN-bitesize' was launched focusing on highlighting the activities of various teams around the Group to increase knowledge of our operations across the business.

Other events held during the year included a talk by a sports psychiatrist on boosting performance, teamwork, well-being, and resilience, and a session led by an international public speaking expert giving insights into presentation skills and the value of networking.

As part of the LEN sessions, members of the Group Executive Committee are interviewed to discuss their careers, current roles and offer advice to our people.

Supporting our people

We are pleased to offer our employees a range of benefits.

These are designed to support colleagues in line with local practices and, depending on location, include 'family-friendly' employment policies, such as enhanced maternity, paternity and adoption leave, and paid leave for IVF treatment and pregnancy loss.

We also have a support framework for employees experiencing menopause, as part of our commitment to providing a safe and inclusive environment and encouraging colleagues to have open conversations.

All permanent employees have an enhanced interest in the performance and success of the Company through our RSS to ultimately become a shareholder in LHL.

The Group also provides subsidised lunches on specific days for employees to encourage them to interact in the office during breaks.

During the course of the year, we offer advice and information on a range of health, wellbeing and financial matters through our external partners including health checks, and financial wellbeing workshops.

Additional resources are also available 24 hours a day through the EAP. Areas covered include supporting home life, work life and physical and emotional health, and the opportunity to enrol in self-help programmes.

The Group has volunteer first aid and wellbeing officers available to employees, and Lancashire offers non-judgmental support for those suffering mental health difficulties and ill-health.

Rewarding long service

Our focus on retaining the best talent includes offering long-service benefits.

We value the experience and expertise of our people, many of whom have spent large parts of their careers with us, and a sabbatical benefit is available for those who have served for 10 years or more.

Training and development

Increasing people's skills, experience and knowledge is good for our employees and our business.

We aim to assist employees in developing their talents to meet their career ambitions with us, and a number of training and professional development initiatives are offered to all employees at all levels.

During 2024, we rolled out a new three-day Management Development Programme for our leadership community with sessions held in Bermuda and London. The programme was developed in partnership with a leading external expert.

The course aimed to give our managers assistance and advice to drive individual and team performance. The programme focuses on inspiring attendees to think differently, work across diverse groups, and adapt to changing environments. It also highlights the importance of trust, commitment, accountability, healthy conflict and focusing on results.

In addition to individually focused coaching, we offer externally facilitated coaching sessions to employees across the business periodically during the year.

We also offer employees a range of support through our online e-learning platform. This provides compliance, soft skills, management and health and wellbeing training, along with (re)insurance-specific training courses. Where appropriate, financial support and incentives for professional qualifications are available.

All employees are encouraged to discuss training requirements with their manager on an ongoing basis and through more formal performance review discussions.

Compulsory training is also delivered to all new permanent employees, including people working part time, and those on fixed-term contracts.

Topics covered include tax/regulatory operating guidelines, disclosure (including the requirements of the Market Abuse Regulation 2016), inspections, financial crime, ERM, cyber security, communications etiquette/equality, diversity and inclusion, GDPR and conduct rules.

New employees are expected to complete this training during the first three months of employment.

Further training is offered, depending on individual requirements. The Board receives quarterly updates regarding completion of these sessions.

A responsible employer

We comply with all relevant requirements with respect to human rights, rights of freedom of association, collective bargaining, and working time regulations.

We believe every employee, and prospective employee, should be treated with dignity, respect and fairness. As an equal opportunity employer, we do not discriminate, or tolerate discrimination, on grounds of race, age, sex, sexual orientation, marital or civil partnership status, gender reassignment, pregnancy or maternity, disability, religion and/or beliefs.

All employees have a duty to treat colleagues, visitors, clients, customers, and suppliers with dignity at all times.

Please see page 58 for more information on our Group policies and procedures.

Inclusion

Lancashire has always been proud of its open and honest culture. We welcome talented people from all backgrounds and are committed to being an inclusive employer.

We show this commitment day-to-day in how we operate and how we behave towards each other and all our stakeholders.

Attracting new talent

To ensure we have access to the best and most diverse talent pools we recruit new employees through a number of channels, including direct outreach, corporate social media, and through our website.

All employees receive training on unconscious bias and other recruitment themes as part of our efforts to give everyone an equal opportunity to show their best during the selection process.

Our induction programme for new employees includes training on diversity matters to support our focus on fairness and inclusion.

Alongside our more experienced employees, we have a number of apprentices who receive training and support as they begin their careers with us in their chosen field.

Retaining talent

All employees are encouraged to take opportunities to develop their careers at Lancashire. We value initiative and drive, and seek to reward these attributes when suitable opportunities arise.

During 2024, 34 colleagues were promoted internally across the Group.

External benchmarking

Lancashire actively supports external initiatives which seek to build more inclusive businesses. These include the FTSE Women Leaders Review, to improve the representation of women on boards and in leadership positions. The Group submits data annually to the review.

Lancashire is also a partner for the Insider Progress initiative, launched by the Insurance Insider. Our support ensures events are free for participants across the industry from all backgrounds. Insider Progress is designed to promote discussions around building an insurance workplace for the future with a focus on inclusion. Our Group CFO, Natalie Kershaw, is a member of the Insider Progress advisory board, which sets the agenda for events and highlights topics and areas for discussion. We hosted two events for Insider Progress during 2024 at our London office.

Lancashire is also a member of the Insurance Breakfast Club and offers selected employees the valuable opportunity to participate in its events. The Insurance Breakfast Club programme involves ten months of structured development, and provides connections for people at a crucial time in their careers. Its overall aim is to assist companies in their development of female talent.

Inclusion-related policies and procedures

Our efforts in this area are supported by policies that help ensure people do not face any discrimination as an employee or during our recruitment process.

Board and senior management

The Chair's statement on diversity, and on the representation of women on the Board and within executive and senior management, and in relation to ethnic diversity, is available on our website.

The tables below set out data about the sex and ethnicity of the Board and executive management as at 31 December 2024 in the format prescribed by the Listing Rules. Data concerning ethnic background and gender is collected directly from individuals.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	58	3	4	50
Women	5	42	1	4	50
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	11	92	4	8	100
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	8	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

3

Support our people and work with our stakeholders,

fostering a positive, sustainable and open business culture to the benefit of society.

Chair's introduction to the ESG report

Q&A

"Lancashire plays a part in a (re)insurance market for risk solutions that is a force for good."

Philip Broadley
Non-Executive Chair

How has the Board ensured oversight of environmental, social and governance matters during 2024?

Lancashire's approach to environmental, social and governance matters is aligned to the business's purpose to offer people protection, balance risk and return, and support our people and our communities. During the year, the Board received regular updates on the work of the ESG Committee and approved the submission of the Group's ClimateWise Report and the 2024 TCFD Report, which address our approach to managing climate-related risks and monitoring the Group's carbon footprint for its own operations. Lancashire is very much focused on developing its people and the Board discussed the business's plans for talent management and training, and workforce feedback and expectations with our management team. The Board is also proud of the work of the Lancashire Foundation and annually reviews the Group's charitable donations policy, based on the performance of the business.

Lancashire plays a part in a (re)insurance market for risk solutions that is a force for good. The sector facilitates a wide range of commercial activities that are important for communities and economies, from aviation to food production. Importantly, the risk transfer products that we offer provide protection for people and commercial enterprises from the damaging consequences of adverse events. We will continue to influence the wider sustainability agenda where we can, but we do not have all the answers. So, we continue to engage with clients and other stakeholders for a more sustainable future.

What has been your experience of governance across the Group during your first year?

The formal governance at Lancashire is very strong for a relatively small business. I have been impressed by both the quality of agendas at Board meetings and the specificity for decisions. Board meetings are well-structured and that ensures that the Board uses its time effectively to discuss the significant issues relevant to the business. I have been very well supported by the corporate governance team during my first year.

How has the membership of the Board developed this year?

We have seen some significant changes to the Board during 2024. This includes my appointment as Chair and the appointment of one Executive Director and three Non-Executive Directors.

In May, Paul Gregory was appointed as an Executive Director having served as Group Chief Underwriting Officer since May 2014. In August, we appointed Linda Ventresca to the Board and Nathalie Rachou was appointed in November. Bob Cox was also appointed to join the Board from 1 January 2025.

Robert Lusardi and Michael Dawson, who have each served as Non-Executive Directors on the Board for over eight years, will not put themselves forward for re-election, in accordance with recommended UK governance practice, and will step down as Directors at the 2025 AGM. On behalf of the Board, I would like to thank both Michael and Rob for their many years of service.

The appointments we made during 2024 will help shape the Board for the coming years and we do not envisage making further appointments during 2025. Linda and Bob have significant US experience, that will assist the development of the Group's new US business, and Nathalie brings her investment expertise.

We conducted full searches internationally for appropriate Non-Executive Directors and it is testament to the strength of the business that we have been able to attract candidates of such high calibre.

I am pleased that, through the changes made during the last year, we expect to have over 45% female membership of the Board following the 2025 AGM, which meets our commitment to have at least 40% women on our Board. We have a good gender balance, diversity and range of views, and each of our Directors brings complementary skills to the Board.

How has the Board complied with the principles and provisions as set out in the Code?

As a listed business on the LSE, Lancashire observes the requirements of the UK Corporate Governance Code published by the UK FRC. Our Code compliance is monitored quarterly by the Board's Nomination Corporate Governance and Sustainability Committee. Lancashire also monitors compliance with applicable corporate governance requirements of our regulators, both in the UK and in Bermuda.

Lancashire is not formally subject to the Section 172 responsibilities of boards under the UK Companies Act 2006 but complies with those responsibilities as part of how we monitor engagement with stakeholders. I can confirm that the Company has complied with the principles and provisions as set out in the Code throughout the year ended 31 December 2024, except for provisions 19 (length of Chair tenure) and 21 (consideration of an externally facilitated Board evaluation), and we have provided full explanations relating to this on pages 68 and 69. The Board reviewed the changes to the Code that were published in 2024, which will apply to Lancashire from 1 January 2025 and from 1 January 2026, with respect to changes to Provision 29. These changes will help shape our governance practices over the next few years. Additionally, the Board has appropriately considered those duties set out in Section 172.

ESG strategy, progress and areas of focus

	Progress in 2024	Focus in 2025
1. People and culture Giving our people the environment, tools, skills and support they need to thrive in an open, honest and diverse culture.	• Maintained high levels of engagement and continued to offer formal and informal channels for employee feedback. • Annual UK Gender Pay Gap Report published and available on our website. • Reported diversity aligned to FCA disclosure requirements. • Completed initial phases of management development programme. • Increased levels of internal communication through the launch of a new Group intranet.	• Expand activities for Lancashire Employee Network to include inclusion themes. • Monitor employee sentiment through engagement survey. • Annual UK Gender Pay Gap Report. • Evolve the talent agenda with tailored solutions to deliver career pathways and manage succession. • Maintain awareness of emerging frameworks for future legislative requirements.
2. Sustainable insurance Ensuring our business considers climate change and other ESG issues in our underwriting decision-making.	• Premium related to environmental and social considerations evaluated and reported to the Board quarterly. • Maintained active dialogue on ESG issues with clients and brokers. • Published second public ClimateWise Report. • Engaged with market peers and stakeholders on improving consistency regarding accounting for insurance-related carbon emissions and other ESG topics.	• Enhance ClimateWise reporting as appropriate based on review feedback. • Maintain metrics for premium related to environmental and social considerations and report to Board quarterly. • Continue to engage with market peers and stakeholders on improving consistency regarding accounting for insurance-related carbon emissions and other ESG topics.
3. Responsible investment Demonstrating our commitment to ESG, including responsibility for our environment, through the management of our investments.	• 96.7% of the Group's principal investment managers are signatories to the UNPRI. • Continued to review and monitor that our ESG investment guidelines are adopted in external investment managers' guidelines.	• Continue to monitor principal investment managers as signatories to the UN Principles for Responsible Investment. • Monitor the climate change risk sensitivity, ESG profile and carbon intensity profile of the Group's investment portfolio with regard to developing expectations and methodologies and keeping within agreed guidelines.
4. Operating responsibly Running our business as a good corporate citizen, being a responsible preserver of resources, and holding our supply chain to the high standards we apply to ourselves. Supporting wider society through our corporate and charitable activities, including the Lancashire Foundation. Meeting and complying with legal, regulatory and investor obligations on ESG.	• Fully offset calculated 2024 GHG market-based emissions, for our Scope 1 and 2 own operations, by purchasing verified carbon credits. • $0.9 million donated to charitable organisations in 2024. • Continued to support and report against the aims of the TCFD.	• Monitor and report annually the Group's carbon emissions for our own operations. • Continue to fully offset calculated GHG market-based emissions, for our Scope 1 and 2 own operations, through purchasing verified credits. • Maintain and support the work of the Lancashire Foundation through funding and volunteering. • Maintain awareness of emerging frameworks for future reporting requirements.

Our ESG strategy and progress

Meeting the challenges of an uncertain world

Q&A

"We believe that the products we sell help businesses and communities manage risks and recover from adverse events, allowing our clients to concentrate on building more predictable futures."

Jelena Bjelanovic
Chair of the ESG Committee and Group Head of Investor Relations

How is the Group's ESG strategy aligned to the Company's purpose and goals?

We view sustainability as integral to our strategy and purpose, and ultimately our success. We believe that the products we sell help businesses and communities manage risks and recover from adverse events, allowing our clients to concentrate on building more predictable futures.

This alignment enables us to create long-term value for our stakeholders while meeting the challenges of an uncertain world.

What is the role of the ESG Committee and how does it engage with the Board and wider Group?

The ESG Committee coordinates the efforts of the individual divisions within the business in order to deliver the broader strategic objectives of the Group. As a management-level committee, it reports to both the Group Executive Committee, as well as the Board via the Nomination Corporate Governance and Sustainability Committee.

Each of the committee members has an operating role within the business, allowing for easier implementation of relevant initiatives.

What has been Lancashire's approach to sustainability issues in 2024?

Taking into account our size and distinct involvement in the (re)insurance markets, we always seek to take a pragmatic approach to sustainability matters.

Specifically addressing weather, climate, and transition risks is a core part of our business operations and strategy. These factors have significant implications for our industry and the communities we serve. Therefore, we continuously update our risk models to address the evolving landscape of climate-related risks.

Our investment portfolio, primarily consisting of cash and government-related securities, has limited exposure to assets affected by climate change. Additionally, this year we continued to look at suitable sustainable funds, with a target allocation that we expect to fund in 2025.

For our own emissions, we continue to make progress against our target of a 30% reduction in emissions per FTE from the baseline level. We have also continued to purchase carbon credits to offset emissions we are currently unable to eliminate.

What role do employees play in delivering a more sustainable business?

At Lancashire's core is our unwavering commitment to the development of our people. We recognise that our people are our greatest asset, and we seek to invest in their growth and well-being. Our Human Resources team plays a pivotal role in this effort, providing a wide range of professional development opportunities, training programmes, and wellness initiatives.

Through these efforts, we empower our employees to reach their full potential and contribute meaningfully to the Company's success.

In addition to formal initiatives, we foster a supportive and inclusive workplace culture through the Lancashire Employee Network (LEN). This initiative facilitates informal mentoring, peer support, and the sharing of knowledge and experiences. By nurturing a sense of community and belonging, we look to create an environment where employees feel valued and motivated to excel.

Our commitment to social responsibility also extends beyond our immediate workforce to the broader community through the Lancashire Foundation. The Foundation is dedicated to making a positive impact by supporting a diverse range of organisations and initiatives, with a particular focus on those causes chosen by our employees.

How does Lancashire approach sustainability reporting?

Strong governance is the backbone of our Group and, as a result, our ESG strategy helps ensure that we operate with integrity, transparency, and accountability.

As part of this, we have been a member of ClimateWise for three years and have published reports on progress against the ClimateWise principles for two years. This membership and reporting helps us to further enhance our ESG disclosures over time.

What are the key priorities for the ESG Committee in 2025?

In line with our principal objective to meet legal and regulatory obligations and investor expectations, we expect to look at ways we can further develop our reporting.

Giving back and making a difference

Action and Impact

The Lancashire Foundation has been at the centre of the Group's charitable activities for 17 years.

Since the Foundation was established in 2007, its fundamental objective has remained unchanged: to give back to our communities and make a tangible difference to those less fortunate.

We do this primarily through financial donations but also by using the skills and passion of our people to help society through volunteering and individual fundraising.

We take pride in the fact that the Foundation has donated more than $23.9 million to charitable organisations around the world since 2007. In recent years, the Foundation has concentrated on specific themes and actively sought opportunities to assist organisations working in those areas where our funding and time could be focused to have the most impact.

The focus for 2024 was on charities that work to improve the lives of individuals and the well-being of communities. In 2023, we centred our efforts on environmental activities, and in 2022, the spotlight was on charitable organisations working to assist with societal issues, such as those experiencing homelessness.

The Donations Committee, made up of employees, meets quarterly to review donations that are up for renewal and submissions from staff for new charities in order to make recommendations to the Foundation Trustees.

The Nomination Corporate Governance and Sustainability Committee monitors and makes recommendations to the Board on charitable giving and the operation of the Foundation.

Action and impact: Matched funding

Group Head of Claims, Steve Yeo, completed the iconic London to Brighton Cycle Ride helping raise more than £7,000 for Child Bereavement UK.

Senior Underwriter Tom Gowan raised more than £2,300 after a gruelling 11-hour Ironman competition in aid of Stop Hate UK.

Underwriters Joshua Beechinor and Robert James organised a Charity Padel Tournament on behalf of the Royal Marsden Cancer Charity raising more than £6,000.

Contract Wordings Manager, Natasha Oates, also raised more than £2,500 by taking part in the Cancer Research UK and Marie Curie Swimathon 2024.

Senior Underwriting Assistant, Nicola Moore, completed a 24km walk for the Farleigh Hospice that took care of her mother.

Action and Impact: Support Public Schools Bermuda

The Lancashire Foundation donated gardening supplies to two Bermuda schools to enhance children's understanding of how food is produced. The projects were led by Support Public Schools Bermuda, and the Foundation made donations of more than $6,000, which funded watering cans, shovels and rakes, gloves, vegetable seeds, and hats for sun protection.

Action and Impact: Relay for Life

Bermuda colleagues topped the leaderboard for team fundraising to support the annual Relay for Life. Lancashire's 'Team Tango' raised over $25,000 for the Bermuda Cancer and Health Centre. Prior to the relay, a silent auction was held and employees bid on items generously donated by colleagues. These included shoes, clothing, handbags, and chances to bid on local activities and sports sessions, which raised more than $11,000.

Action and Impact: Volunteering with the British Mountaineering Council

Twelve colleagues from our London office volunteered with the British Mountaineering Council (BMC), spending two days in the Peak District for an initiative supporting the BMC's work with the National Trust.

The team removed overgrown plants to encourage other species to thrive as part of a programme to ensure that visitors have a safe and enjoyable time in the UK National Park.

Action and Impact: Take back the Tap

The Lancashire Foundation is supporting environmental organisation Beyond Plastic Bermuda with its 'Take Back the Tap' initiative. 'Take Back the Tap' aims to help Bermuda reduce single-use plastic water bottles and avoid physical and financial waste by drinking properly treated tap water. Since plastic cannot be recycled in Bermuda, plastic bottles will ultimately end up in the island's incinerator or as litter.

Our donation helped fund vital research on tank water contamination, effective filtration systems, and safe water treatment. The findings were communicated via news outlets, radio shows, advertising and in-person workshops across the island.

In addition to this support, Lancashire was a sustainability partner for the 2024 Butterfield Bermuda Championship, a PGA golf tournament. As the 'Player and Caddie Water Partner,' Lancashire and the Butterfield Bermuda Championship aimed to eliminate the use of approximately 800 cases of plastic bottles at the event.

Action and Impact: Crisis and disaster relief following Canada wildfires

The Foundation donated £25,000 to the Canadian Red Cross to aid relief efforts following the wildfires that impacted Jasper National Park in the Canadian Rockies. Lancashire's financial contribution was matched by the provincial and federal government donation-matching programme for wildfire relief in Jasper and across the province of Alberta.

Action and Impact: Waterstart Bermuda

A team from Bermuda spent the day on Burt Island, supporting the Waterstart organisation. The group cleared out growth around a water catchment and painted the roof of a classroom. Some volunteers also had the opportunity to assist in counting spats (oysters in the post-larval stage) that have settled onto a structure. One of the many initiatives the Waterstart programme has in place is a shellfish restoration project that surveys the declining shellfish populations around the island, with a long-term plan to restore the populations to sustainable levels. Burt Island is the hub of Waterstart's educational outreach, and the group has been supported by donations from the Lancashire Foundation for the past two years.

Action and Impact: UK

Partnerships and donations

We are proud of the ongoing support we give to our long-term charity partners.
We are also proud that our people want to help others by nominating charities for our support.
Here is a selection of the organisations we have funded in 2024:

Cancer Research UK

The world's largest independent cancer research organisation.

London's Air Ambulance

Delivering an advanced trauma team to London's most critically injured patients.

The Poppy Factory

Supporting veterans suffering health conditions and helping them to find employment.

Medical Detection Dogs

Aiding people with life-threatening health conditions.

Hearts Milk Bank and Mummy's Star

These charities were nominated by an employee due to her personal relationship with them during a period of ill-health. Hearts Milk Bank facilitates the donation of breast milk and Mummy's Star focuses on supporting women and their families where there has been a cancer diagnosis in pregnancy or within 12 months of giving birth. Due to her powerful story, the Donations Committee increased its funding for the organisations significantly above the initial £3,000 requested.

Alzheimer's Society

The Lancashire Foundation donated £40,000 to assist the work of the Alzheimer's Society in the UK. The donation was part of our support for Insurance Day for Dementia. The funds will help the organisation continue to assist those living with dementia today and provide hope for the future through its vital research.

Stroke Association

Helping stroke survivors rebuild their lives, offering specialist support in their recovery, and wider research.

Action and Impact: Volunteering with Project Transform

The Project Transform initiative, first activated in 2010, was relaunched in 2023 following a pause due to the COVID-19 pandemic. Project Transform offers employees the opportunity to volunteer overseas, and the 2024 trip was a return visit to Tanzania following a highly successful programme the previous year. We again partnered with International Volunteer HQ.

Six employees from across the Group travelled to the country to take part in a further construction project to build a new home for a widow.

LoveOliver

Providing practical and financial assistance to families with young children diagnosed with cancer in Scotland.

Bobby's Big Heart

Supplying food parcels and clothing to vulnerable families, children and the elderly.

Thames Hospice

Providing support for terminally ill patients and their families.

Memory Action Group

A peer support group for people living with dementia and their carers.

Campaign Against Living Miserably

Funding a telephone support service for those close to taking their own lives.

Friends of Essex & London Homeless

Providing food and supplies to homeless people.

Bermuda

Family Centre

Lancashire has been supporting The Family Centre in Bermuda since 2007. The Family Centre provides free mental health counselling services, community outreach programmes, and advocacy initiatives.

Tomorrow's Voices

Transforming the lives of people with autism, developmental disorders and other developmental delays.

Knowledge Quest

Scholarships for Bermudians who are academically capable but do not have sufficient resources to attend college/ university.

WindReach

A fully accessible four-acre facility with a multi-purpose activity centre, animal zone and therapeutic riding.

Victor Scott Primary

Supporting a daily fruit snack programme for students.

Warwick Academy Outreach Programme

Funding for presentations to students and parents on digital safety, healthy social media habits and respectful relationships. A workshop was also held for the Bermuda Educators Council.

US

Morgan's Message

Eliminating the stigma surrounding mental health within the student-athlete community.

22ZERO

Supporting veterans and first responders suffering from post-traumatic stress injury and their families.

2024 TCFD report

Our TCFD report offers a snapshot of our efforts in responding to the challenges and opportunities of climate-related issues. Through our insurance underwriting guidelines and modelling capabilities, we have a pragmatic approach to underwriting potential perils and identifying mitigation factors to offset future risks. The risks of climate change on the insurance industry affect our assets and liabilities. As an insurer, that unique double exposure drives us to work with our clients to assist them with risk solutions and support the global carbon transition.

Approach to climate risk reporting

Each year, we aim to improve our reporting of climate risk and opportunities. The summary on the following pages details our disclosures, which are consistent with the TCFD's four core elements – governance, strategy, risk management, and metrics and targets – underpinned by the 11 recommendations. Lancashire supports the TCFD recommendations and recognises the value of consistent disclosures.

Assessing risks and meeting net-zero by 2050

Every year, the Board assesses the principal risks facing the Group, including those that could threaten our business model, future performance, solvency, or liquidity. This assessment stresses the business plan for several severe but plausible scenarios, including climate change, and evaluates the potential impact on capital and earnings. We continue to disclose our GHG emissions annually and use them as a pathway to understand ways to uncover new opportunities for reduction efforts, that support meeting the UK government's net-zero target by 2050.

About this report

This report on pages 46 to 57 covers the 12 months, ending on 31 December 2024, except where indicated for our GHG data reporting, and complements the disclosures made in our ClimateWise Report dated August 2024, and our signatory commitment to the UNEP FI Principles for Sustainable Insurance. Our ClimateWise Report and a copy of this report is available on our website at www.lancashiregroup.com.

Compliance summary

In compliance with the FCA listing rules, the Group has reported on climate-related financial disclosures consistent with TCFD recommendations and recommended disclosures, with the exception of the following:

Strategy 2b: Lancashire has partially complied with this requirement. Lancashire considers and provides qualitative disclosure regarding the potential impact of climate-related risks and opportunities on its businesses, with respect to risks underwritten. While the Group has made and disclosed a reduction target of 30% of emissions of tCo_2e per FTE from the 2015 baseline level by 2030, we have not yet compiled a detailed emission reduction transition plan across our whole organisation. In anticipation of transition plan reporting requirements in 2026, we are taking 2025 to clarify the requirements, apply them to the business and devise an appropriate and proportionate plan.

Strategy 2c: The Group complies with the guidance for all sectors but does not comply fully with the supplemental guidance for insurance companies. Lancashire does not disclose the critical input parameters, assumptions and considerations due to the commercial sensitivity of such information.

Risk management 3b: Lancashire is partially compliant with the supplementary requirements for insurance companies. The Group has not disclosed the specifics of the tools used to manage climate-related risks in relation to pricing due to the commercial sensitivity of such information.

Metrics and targets 4a: Lancashire partially complies with the supplemental guidance for insurance companies. The Group discloses the metrics used to monitor and manager climate-related risks in the form of our PMLs, but has not provided annual aggregated expected losses due to the commercial sensitivity of such data.

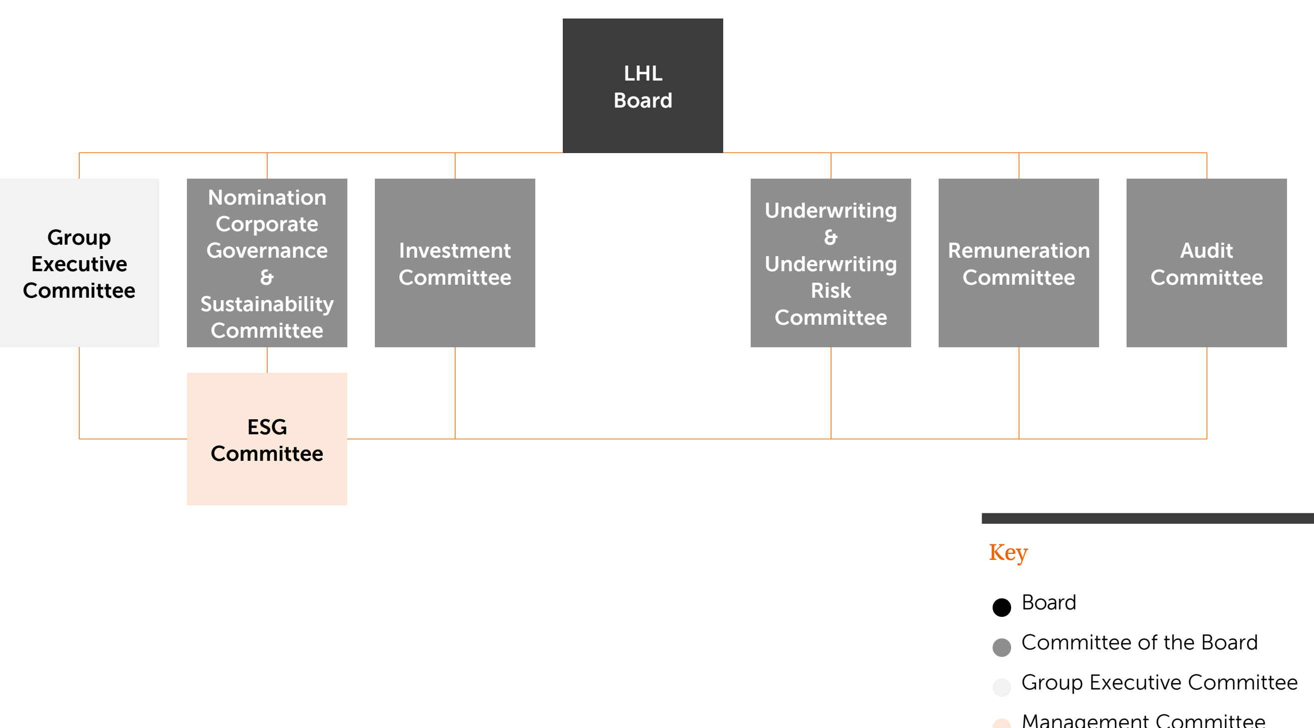
1. Governance

1.a. Describe the Board's oversight of climate-related risks and opportunities.

Board has ultimate responsibility and oversight

The Board has ultimate responsibility and oversight for the Group's ESG strategy, climate-related risks and opportunities, and related sustainability targets that have a material impact on the Company or the Group. The Board oversees the Group's ERM activities and receives quarterly updates on material ESG risks while ensuring appropriate governance, systems and oversights are in place.

Group ESG governance structure



Key

- Board
- Committee of the Board
- Group Executive Committee
- Management Committee

The Group's Board-level Nomination Corporate Governance and Sustainability Committee oversees the articulation of the Group's ESG strategy; the implementation of ESG initiatives by management and the business; and reviews the ClimateWise Report, and ESG, carbon footprint and TCFD disclosures in the ARA; reporting to the Board on these matters.

The Board is supported by its Committees within their respective core mandates, with each Committee meeting at least on a quarterly basis.

1. **The Nomination Corporate Governance and Sustainability Committee** receives direct reports from the management team and monitors issues of sustainability, including developments in climate change risk management and reporting requirements. The Committee's role also includes the pre-submission review of the Group's ClimateWise reporting for ratification by the Board and the year-end review of the ESG, carbon footprint and related climate disclosures in the ARA. Based on this work, the Committee makes recommendations to the Board regarding the ESG responsibilities of the Group.
2. **The Underwriting and Underwriting Risk Committee** receives direct reports from the management team and is responsible for monitoring the impacts of climate change and transition risk on the underwriting portfolio, as well as the broader ESG risks, and articulating appropriate underwriting risk appetites and tolerances for the Group.
3. **The Audit Committee** principally through its work reviewing the Group's ARA, provides oversight of the disclosures on the Group's ESG strategy, carbon footprint measurement and offsetting, and the TCFD report.
4. **The Investment Committee** receives direct reports from the management team and provides oversight of investment risks, including sustainability risks, by monitoring the climate change risk sensitivity, the ESG profile and the carbon intensity profile of the Group's investment portfolio.
5. **The Remuneration Committee** evaluates the Group's remuneration packages, including the Group's remuneration structure, ensuring they are in line with the Group's business and ESG strategy.

1.b. Describe management's role in assessing and managing climate-related risks and opportunities.

Group CEO

The Group CEO is accountable for the development and execution of the Group strategy, including managing climate-related risks and opportunities.

Group CUO

The Group CUO is ultimately responsible for the (re)insurance business underwritten by the Group, assisted by the Group's CUOs for its Reinsurance and Insurance segments, subsidiary CUOs and syndicate AUWs. Climate-related risks and opportunities related to the business underwritten are assessed as part of the underwriting process. Each underwriter has an underwriting authority in which the ESG Insurance Underwriting Guidelines have been embedded. Management information is used to monitor the business written against these guidelines.

Group CRO

The Group CRO is responsible for managing the Group's risk management framework and ensuring that this also addresses ESG-related risks. The framework facilitates the identification, assessment, evaluation and management of existing and emerging risks by management and the Board, to ensure these risks are given due consideration and embedded appropriately within decision-making.

Group CIO

The Group CIO is responsible for the Group's investments, including developing and communicating the investment strategy and incorporating ESG issues into the investment processes. ESG considerations are also included in the strategic asset allocation process, which is performed every two years.

Group Executive Committee

The Group Executive Committee is responsible for managing the day-to-day business activities by developing and implementing the strategy and business plan and an appropriate governance framework to manage and mitigate identified risks, which includes those associated with climate change.

Group Underwriting Executive Committee

The Group Underwriting Executive Committee's function includes, but is not limited to, overseeing the underwriting performance of the operating entities to monitor and review underwriting activities and performance across the Group. Along with investigating market trends, emerging risks, new classes of business, and new product opportunities as they may relate to climate issues.

Underwriting management

An appropriate understanding of climate and nature-related risks and opportunities is central to the Group's underwriting strategy and management. Responsibilities cascade across the Group's underwriting team, starting with the Group strategy and underwriting business plan. This flows from the high-level strategic goals and risk appetites set by the Group, which inform the business plans and individual risk appetites agreed by each underwriting entity.

ESG Committee

For more information, please see page 41.

ESG-linked compensation

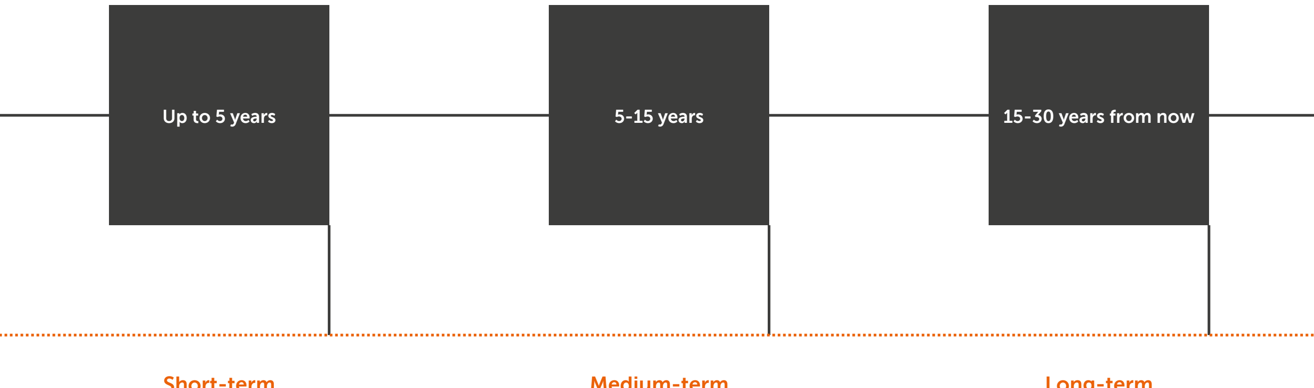
For more information, please see pages 100 and 101.

2. Strategy

2.a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Short, medium and long-term climate-related risks and opportunities

When evaluating the actual and potential impacts of climate-related risks and opportunities on our strategy and financial planning, we utilise the following three time frames.



Short-term

We predominantly underwrite short-tail business, so the principal impact of climate-related risks and opportunities is on short-term strategy. Potential impacts are mitigated by our ability to consider new data regarding the frequency and severity of elemental catastrophe events, re-evaluate the portfolio annually, re-price physical risks and reset exposure levels.

Medium-term

Over the last several years, we have seen increased climate-related information provided in the underwriting process. We recognise that climate change impacts the longer-term strategy regarding emerging risks. The Group's casualty risk exposures, which have a medium-term time frame, are not typically heavily influenced by catastrophic climate change-related loss events.

Long-term

Management works with some of the leading external catastrophe model providers to better capture the latest science that underlies and informs developments in the short- and long-term climate-related assumptions in their stochastic models. These developments are included in the Group's management and Board-approved business strategy with a view towards 2030, which is reviewed and updated annually.

The process by which management identify emerging risks, including those which are climate-related, is described on page 28.

As part of this process, the potential impact of these risks is assessed including magnitude, likelihood and time horizon. Risk mitigation and monitoring plans are then put in place using a risk-based approach to prioritise those considered most material and likely to impact the business.

Identifying the impacts of climate-related risks

Significant work has been undertaken to identify and articulate the financial impacts of climate-related risks including: physical; transitional; regulatory (current and emerging); technological; legal; market, and reputational risks.

For each physical risk that has been identified, the loss amplification factors, time frame and magnitude were considered, as were the metrics by which these risks could be monitored and reported.

Examples of short- to medium-term risks identified include:

- Increased severity of tropical cyclones and heightened storm surge resulting from the enhanced strength and duration of storms combined with sea level rise;
- Increased intensity of extratropical cyclones;
- Increased intense rainfall due to the warming atmosphere, leading to increased risk of flooding; and
- Increased risk of wildfire due to warming temperatures, combined with shifting precipitation patterns.

An example of a longer-term risk being considered is the emergence of new natural catastrophe zones due to shifting weather patterns.

Climate-related opportunities

Climate-related opportunities will arise from the investment in infrastructure required for the world's transition to a lower-carbon economy.

This infrastructure will require insurance which is already within the Group's existing classes of business and risk appetite.

The demand for new environmental insurance products and services is also expected to increase. We will work closely with existing and future clients to provide the insurance they need as they transition and access new market offerings in the form of new assets and locations requiring insurance coverage.

A summary of the opportunities, their likelihood, time frame, and magnitude of impact on the Group's profitability is included in the table on the following page.

Risk Description	Market Opportunity	Time frame	Likelihood	Magnitude
Political risk insurance	Currently, a strong uptick in ESG-related funding from our existing client base and this trend is expected to continue.	Short-term to medium-term	High	Low
Natural catastrophe (re)insurance	Additional limit purchased by insureds and reinsurers at improved pricing levels as catastrophe risk increases with both earnings protection and capital protection being sought.	Medium-term	High	High
Renewables	The trend for global renewable electricity generation is fully expected to continue. As our clients transition from fossil fuels to renewable energy, there will be sizeable opportunities in the market to grow this part of our portfolio.	Medium-term	High	Low
Decommissioning insurance: oil and gas assets	Energy transition will accelerate the decommissioning of many offshore platforms and complexes. As these assets reach the end of their commercial life, there will be increased pressure to ensure that their decommissioning is done in an environmentally friendly way with appropriate risk management solutions.	Medium-term	Medium	Low
Carbon capture: injection of CO_2 into depleted gas fields	Offshore carbon capture and storage may play a major role in global efforts to reduce emissions with appropriate risk management solutions.	Medium-term to long-term	Medium	Low
Environmental insurance products	Environmental insurance provides coverage for loss or damages resulting from unexpected releases of pollutants typically excluded in general property and liability policies.	Medium-term to long-term	Low	Low
Parametric (weather) insurance products for food and agriculture industry	Industries will look at new ways of managing weather risk where parametric triggers are more likely to offer a form of indemnity.	Long-term	Low/ medium	Low

2.b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Transitional risks

Transitional risks the Group may face include the probability of a declining premium environment in the traditional oil and gas sector and transportation classes over time, or the risk of exposure to climate change-related litigation. As the economy transitions from a carbon-based one towards a net-zero future, we will continue to consider the impact of new technology and how it will influence renewable energy risks we currently underwrite and those we may underwrite. We will use our underwriting expertise to assess these new risks and underwrite them appropriately.

The potential impact in terms of premium is thought to range from low to medium for the relevant subsidiary writing the business; however, the financial impact to the Group of these risks varies from very low to low at this time due to the inherent responsiveness in the Group's nimble and adaptive underwriting strategy. We would expect to feel the impact in both the insurance and reinsurance segments of the business.

Climate change impact on underwriting

The Group has underwritten property catastrophe-exposed policies since its inception. This is aligned with our purpose which includes delivering risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events. Rising awareness of climate- and nature-related risks has presented the Group with opportunities to deliver further on that purpose to the benefit of our clients, investors, employees and other stakeholders.

As part of our annual business planning process, various stress tests and scenarios, including those related to climate, are considered to assess the viability and resilience of the plan. A summary of these is provided to the Board at its year-end meeting each year, highlighting the potential upside and downside to the best estimate plan assumptions for the loss scenario outcomes. These stress tests include climate-related tests. At the year-end meeting in March 2025, these tests demonstrated the improved resilience of the business to withstand significant losses and produce a reasonable return.

Sustainable underwriting

The risk solutions that we provide help protect people, companies and economies from uncertainty, and give them confidence and stability in an uncertain world. Our property (re)insurance products insure clients against the risk of major weather and other catastrophic events, and we have long-standing expertise in this area. In our energy portfolio, we support our clients in addressing the challenges of the global transition to a lower carbon economy and continue to expand our knowledge and underwriting expertise to support the global carbon transition within the energy sector. As our energy clients transition to lower carbon operations, we see an increasing component of renewable energy and lower carbon generation projects within our portfolio, including wind and solar farms, nuclear, geothermal, biomass and other lower-carbon technologies.

Board-approved risk tolerances against the business plan

The actual business underwritten within the Group is monitored against the business plan and the Board-approved risk tolerances (including those linked to climate-related catastrophe loss events). Risk tolerances are reported to the Board quarterly within the Group CRO ORSA update report as part of our risk management framework. In addition, the Group CUO and Group CRO regularly review current and emerging (re)insurance risks. These Board-level conversations around risk tolerances set quantitative measures for all risk categories, including climate, in our operations. Our climate risk culture has been set at the top and, accordingly, acceptable levels of risk are communicated throughout the business, which range from risk avoidance to opportunity enablement.

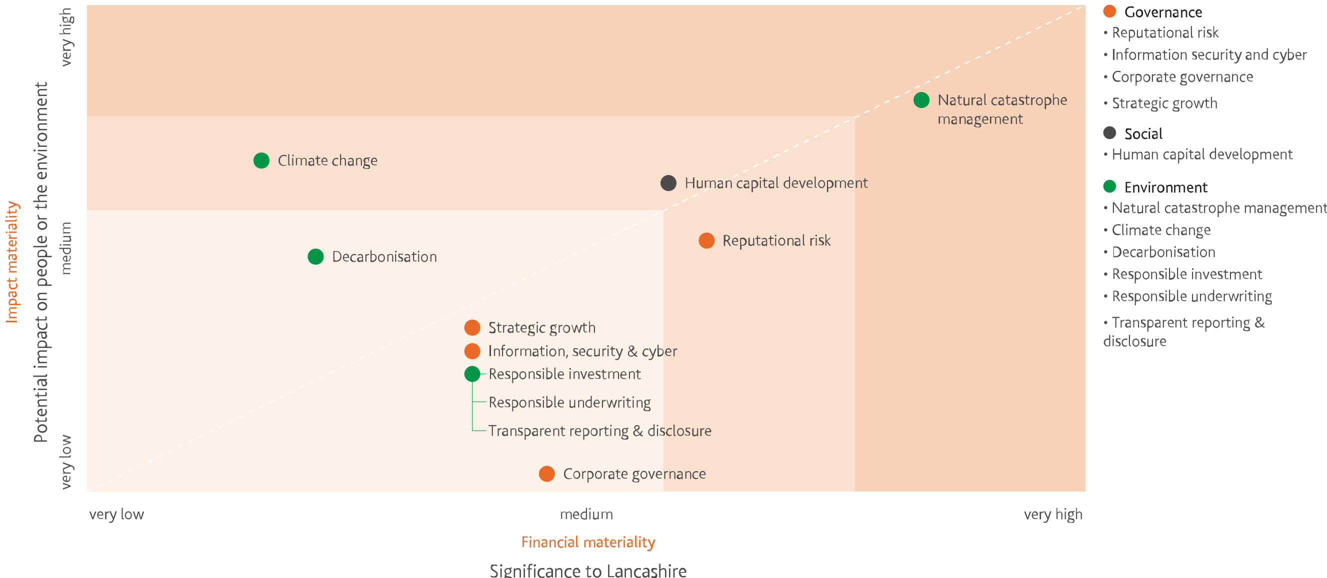
Proactive risk management strategy

Our risk management strategy is proactive. Detailed analysis of the assets to be insured, underwriting strategy days and the Group catastrophe underwriting strategy day, provide a practical basis for discussing the climate-related risks of current and anticipated future risks.

Such risks include transition risks arising from a decline in the value of assets to be insured, changing energy costs and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified are considered with respect to both their magnitude and timescale.

Materiality assessment

In 2023, we identified the need for a materiality assessment to inform our sustainability strategy further and, in 2024, we undertook the work to further our understanding of ESG issues and stakeholders' expectations. We chose to approach this assessment through a double materiality lens. The objective was to identify key considerations that are material to our business and analyse them from two different perspectives: the potential effects of the Group on climate-related issues and the effects climate-related issues might have on the Group. Our tabletop exercise of the double materiality assessment comprised our evaluation of external drivers (being an impact on people and environment and/or a financial impact on the Group) and the relevance these are considered to have to our stakeholders. A range of stakeholders were identified (e.g. insured clients, shareholders, regulators, rating agencies, executives, employees) and relevance was rated as low, medium or high. In addition, the impact and financial materiality of the drivers was assessed ranging from very low to very high. The impact materiality analysis assessed Lancashire’s potential effect on the economy, environment, and society, whilst considering the positives and negatives of our operations, including the value chain. Conversely, financial materiality looked at these sustainability issues’ impact on Lancashire’s financial performance and future viability.



Climate change as a factor in business planning using the Group's ORSA

For more information please see page 26.

ESG strategy and framework

For more information please see page 40.

2.c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Stress and scenario testing

Stress and scenario tests and reverse stress tests are performed as part of the business planning cycle and the annual ORSA reporting process. The capital impacts from a range of scenarios, including climate-related risks and opportunities, are presented to the RRC and Board for review and discussion. Stress testing allows us to understand the impact should the higher catastrophe event experience witnessed over recent years be more indicative of the average experience than that currently predicted by the third-party catastrophe models. Testing includes prescribed underwriting loss event scenarios as outlined in the BSCR and the Lloyd's RDS.

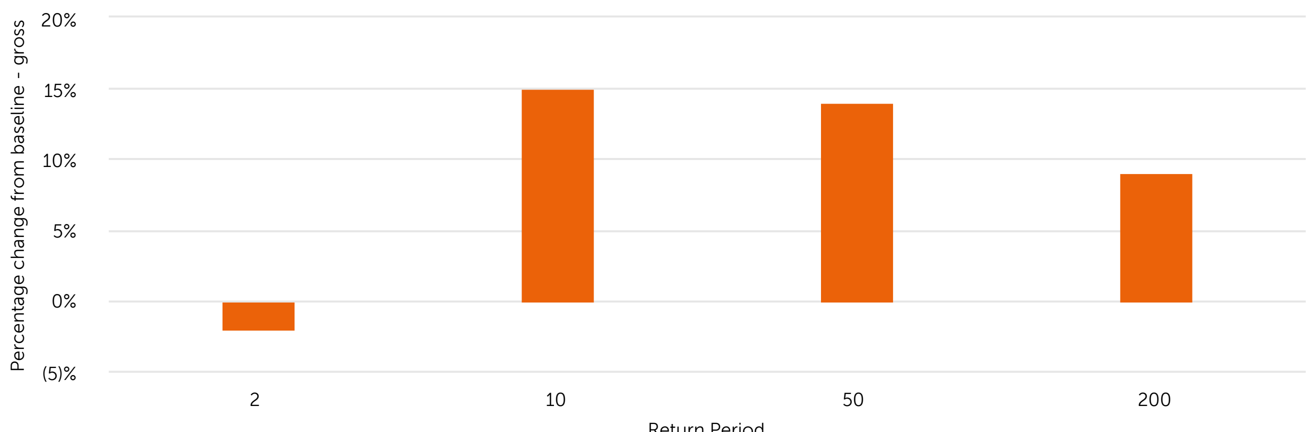
Use of third-party catastrophe models

The Group uses a leading third-party catastrophe model vendor and other portfolio modelling software to assess the Group's exposure to natural catastrophe risk. We explicitly consider the impact of climate change to ensure hazard selections within the model are appropriate for our understanding of current conditions and reflect any identified climatic trends. All material new models and model changes are validated via the View of Risk Committee, including any appropriate adjustments to address any identified gaps. We license a separate software tool that enables us to consider climate change scenario projections at varying levels to regularly assess potential impacts under future emissions scenarios for major exposed atmospheric perils. We also regularly undertake reviews of relevant scientific publications to ensure our scenarios are appropriate and representative of currently available knowledge.

Wind scenarios 2°C of global warming

We routinely measure the potential impact on our business of material physical risks, e.g. hurricanes and related storm surge, through the use of modelled PMLs and monitor these against Board approved risk appetite tolerances, which are set at a defined percentage of capital we are willing to lose in a specific event. We also periodically run scenario tests using a licenced third-party model. Our latest testing for US hurricane risk focused on the impact of 2°C of global warming, resulting in a 4% increase in severity of Tropical Cyclones, along with a 15% reduction in frequency according to the 2020 Knutson study[1]. In addition, we assumed a 30cm sea level rise giving increased storm surge. The results show the percentage change from our baseline (on a gross basis) against various return periods. In 2024, we undertook additional research to confirm our central assumptions for our scenarios were still relevant by reviewing recent research findings.

Climate change stress test - Occurrence PML change as at 31 December 2024



1. Knutson, T., Camargo, S.J., Chan, J.C.L., Emanuel, K., Ho, C.-H., Kossin, J., Mohapatra, M., Satoh, M., Sugi, M., Walsh, K. & Wu, L. "Tropical Cyclones and Climate Change Assessment. Part II: Projected Response to Anthropogenic Warming." Bulletin of the American Meteorological Society 101, no. 3 (March 1, 2020): E303–322. https://doi.org/10.1175/BAMS-D-18-0194.1

Our business planning process includes the modelling of anticipated new business for the forthcoming year, including climate-related risks and opportunities. The business plan is then stress tested for various scenarios, including climate-related scenarios. The results of these stress tests are considered during the review and approval process of the business plan at the management and Board level.

Continuously monitoring the investment portfolio

The Group's investment portfolio is continuously monitored using a variety of tools to measure the ESG profile, climate change risk exposure, and carbon intensity, including the MSCI ESG and carbon intensity rating tools. While it is acknowledged that most available tools and methodologies for ESG, carbon, and climate factors are imperfect, the Group is committed to further developing and refining its ability to analyse these factors in the future. This will be done in consultation with the Group's external advisors and portfolio managers, and in alignment with evolving market and regulatory standards and expectations for measuring and reporting in these areas. Despite these current perceived imperfections, the carbon intensity of the fixed maturities within the portfolio is tracked for those assets covered by the MSCI carbon intensity rating. It's important to note that US and other government-related bonds, which comprise 36% of the fixed maturity portfolio and are not covered by MSCI.

3. Risk management

3.a. Describe the organisation's processes for identifying and assessing climate-related risks.

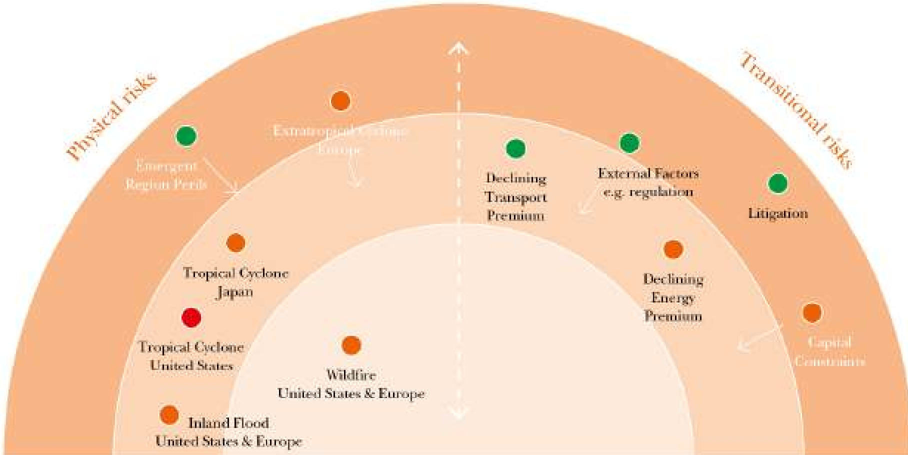
Risk management

Our risk management strategy is closely aligned with the Group strategy. It is focused on adding value to the business and providing assurance over the Group's most material and emerging risks, including climate risk. The Board is responsible for managing risk and retains responsibility for the oversight of risk management activities. The risk management function, led by the Group CRO, ensures there is appropriate risk governance and a risk management framework to support the Board, Group CEO and Group Executive Committee in managing risk. The risk management framework must adapt to any change associated with delivering the Group's strategy. The risk strategy is updated annually, and the Board approves the related work plan. The process for identifying and assessing climate-related risks is the same as the process for all other risks detailed in the ERM section starting on page 24.

Internal View of Risk

In 2021, we developed a Climate Risk Radar, which is reviewed annually and refreshed as necessary. It illustrates Lancashire's current internal view of the physical and transition risks from climate change, including the potential time horizon over which they may be faced, the potential magnitude of financial impact, and the geographical region (for physical risks). It allows us to map the climate dependencies to understand where the disruption might occur and financially impact our business from a physical or transition risk.

Climate risk radar



The arrows pointing inward indicate shortening time-frames for these risks.

Key

Time horizon
- Long-term: 15-30 years from now
- Medium-term: 5-15 years
- Short-term: up to 5 years

Impact on insurance service results
- High
- Medium
- Low

Climate risk governance

Lancashire is exposed to the risk of heightened severity and frequency of weather-related losses, which may be influenced by climate change. We manage this risk using stochastic models from third-party vendors with specific loadings in respect of climate risk. In addition, we further load these models based on our own views of climate risk and use our clients' exposure data to create aggregate loss scenarios.

Individual risks that are likely to materially utilise the Group's capital are reviewed by senior and experienced underwriters. The modelling data and the capital deployment are closely monitored by the Group's senior management. Likewise, the Board monitors this on a quarterly basis as part of its strategic risk and capital management assessments, with the testing of the models leading to changes in risk levels, reinsurance purchasing and structuring strategy as required.

As part of the financial planning process, the assumptions within the underwriting portfolio are reviewed, including the expected rate adequacy and losses for each class of business. Our assumptions are driven by several factors, which include climate change-related factors such as frequency and severity of elemental events, and the potential for associated claims inflation. The level and availability of capital and capital utilisation by class of business are also key considerations in the financial planning process. The business mix is also reviewed, with new products and lines considered where rates prove attractive and accretive.

Integrating investment considerations

The Investment Committee meets quarterly to monitor the management of the Group's investments against the asset allocations, risk tolerance and risk preference levels, and the approved investment guidelines.

The Group's overall risk tolerance for investment risk is expressed as a VaR metric as a proportion of shareholders' equity. More information on how the Investment Committee discharges its responsibilities can be found on page 87.

In 2023, a portion of the funds was dedicated to an ESG sweep facility product, an investment book that directs cash into a money market fund account daily. In 2024, we continued to look at other suitable sustainable funds, with a target allocation we expect to fund in 2025. In addition, the majority of our private funds are UNPRI signatories. Separately, $154.5 million has been committed to private funds classified as Article 8 under the Sustainable Finance Disclosure Regulation, of which $53.2 million has been funded.

3.b. Describe the organisation's processes for managing climate-related risks.

ESG Insurance Underwriting Guidelines

Our ESG Insurance Underwriting Guidelines are agreed by the senior underwriting management team and are a guide for integrating ESG risk factors into insurance underwriting decisions.

Investment strategy and guidelines

We track and monitor the emission intensity of our investment portfolio every quarter. Our investment strategy guidelines incorporate ESG and climate-related targets and appetites as part of the overall strategy and guidelines which align with our commitment to responsible investment.

Our investment policy and stewardship practices allow us to engage with our investment managers around discussions and decisions to improve ESG and climate-related factors to protect the portfolio's long-term value as we move towards net-zero for 2050. We have regular engagement with our investment managers for a more collaborative relationship and aligned approach to our investment strategy.

More information on our ESG and carbon management investment can be found on page 87.

Three lines of defence – Governance framework

Risk governance is a major component of the overall risk management framework and provides for clear roles and responsibilities in risk oversight and management. It also provides a framework for the reporting and escalation of risk and control issues across the Group. Lancashire operates a three-lines of defence governance model.

See page 27 for further information.

The three lines of defence model is the framework we use to outline responsibilities for the ownership and management of risk (first line), risk oversight (second line) and independent risk assurance (third line). The interaction of responsibilities within this framework helps ensure the effectiveness of our risk management. As we continue to develop our understanding of ESG and climate risks, we are taking steps to embed those considerations into our risk management to ensure we future proof our business model.

Enterprise Risk Management framework and ORSA process

The Group considers and adapts to the risks and opportunities arising from climate change by analysing the associated physical, transitional and liability risks. As part of our overall risk mitigation strategy, we perform detailed stress and scenario testing to stress the financial stability of the Group. This process is aligned with our business planning, ORSA processes and strategic and business plan time horizons. The selected tests are aligned to our key risk areas of capital (rating agency and regulatory), underwriting and investment-related stress tests, at a minimum.

More information on this can be found in the Enterprise Risk Management section starting on page 24.

3.c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Annual Board risk assessment

The Board's risk assessment considers risks that threaten the business model, future performance, solvency, or liquidity while also considering our offices' business continuity plan and disaster recovery plan. Climate-related risks are considered as part of this process, with their impact being considered within each existing principal risk rather than a separate climate change principal risk. Business plans are evaluated on a one-year, three-year and 2030 time horizon.

First and second line of defence management committees

As detailed in the graphic on page 27, dedicated management-level Committees have specific responsibilities. The relationship between the internal key control functions and the various Committees leverages the opportunity for oversight of responsibilities. While management has an obligation to oversee the delivery of strategic objectives, the first and second lines of defence in the model have responsibility for an additional layer of risk management including consideration of climate-related factors. Specific Committees have focussed management and oversight mandates. A description of the responsibilities and work of each Committee is outlined in their reports starting on page 76.

Risk identification and management discussions

Climate-related risks are identified and assessed as part of the formal risk identification and management process, including discussions with risk owners and subject matter experts across the Group, and discussions at the ERF and the ESG Committee. Individual underwriters identify and assess climate-related risks specific to the (re) insurance portfolios as part of the day-to-day underwriting process in their analysis of specific risk information. These reviews include the physical location of assets insured, weather-related perils that have impacted, or have the potential to impact, the location, and their historical frequency, and their severity. The Group's post-bind underwriting controls further offer additional insight of accepted risks, including climate risk. As part of the control process, peer reviews, appropriate for each of the pre-bind levels of authority, are carried out using real-time data.

Repositioning the portfolio

In 2022, the Investment Committee directed its external managers to begin repositioning the portfolio to reduce the carbon intensity score, a process that continued in 2023 and into 2024. The Committee noted that 96.7% of the Group's externally managed investment portfolio is assigned to managers which are signatories to the UNPRI (as at the 2024 year-end). The Group operates a framework for measuring climate sensitivity for corporate bonds within the fixed maturity portfolio using a Climate VaR, which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5°C, for the Group's investment risk tolerance statements. The Investment Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure, demonstrating the Group's effective risk management strategy.

Incorporating ESG into vendor management

The Group has taken a ground-up approach to understand the underlying objectives of ESG criteria across the sourcing lifecycle, and how the data collected from traditional vendor due diligence can be assessed from a sustainability perspective.

As part of our strategic commitment to sustainability, we include climate and ESG-related questions in our vendor RFP and onboarding due diligence processes.

In the second quarter of 2024, the vendor RFP questionnaire underwent significant revisions. It now features a set of questions that all vendors, when participating in an RFP, are required to answer.

4. Metrics and targets

4.a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Impact of climate-related risk

Our underwriting strategy is based on several factors, including, but not limited to, market conditions and opportunities, pricing adequacy, and available capital. We define our risk appetite for underwriting risks as the percentage of capital we are willing to lose in a specific event, and we set a capital loss tolerance for the Company and track modelled PMLs to weather-related hurricane perils.

The table below sets out the possible financial impact of physical risk based on our portfolio as at 31 December 2024. If the exposure were to change materially the financial impact could be more significant. However, the longer-term impact would likely be managed by our ability to reprice contracts upon renewal if needed, and the development of new products.

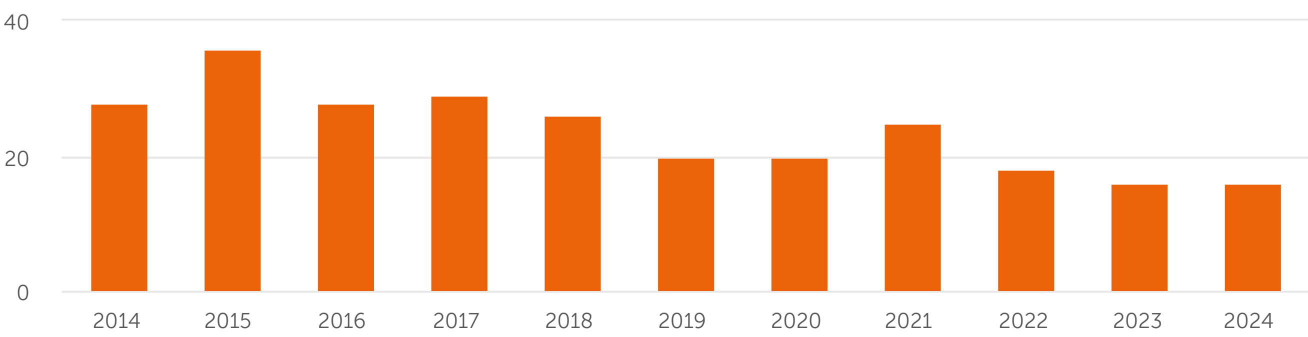
Physical: acute and chronic (100-year event)	Time frame	Magnitude of impact	Potential financial impact Group net PML/% of tangible capital
Tropical Cyclone			
US. Windstorm – Gulf of Mexico	Medium	High	$335.8 million/19.3%
US Windstorm – Non-Gulf of Mexico	Medium	High	$233.4 million/13.4%
Japan Typhoon	Medium	Medium	$102.3 million/5.9%
Extratropical Cyclone			
European Windstorm	Medium – Long	Medium	$129.4 million/7.4%

Mitigation

- positive feedback loop in pricing models that reflect heightened risks from climate change;
- gross risk appetite is adjusted wherever the risk is viewed as inappropriately priced for the exposure;
- outwards reinsurance is adapted to reflect the changing exposures;
- robust internal controls ensuring PMLs are monitored monthly by the RRC;
- additional secondary perils now modelled; and
- continue to develop views on other perils

PML as a percentage of GWP

The chart below illustrates the Gulf of Mexico 1-in-100-year PML event, expressed as a percentage of GWP and how the proportionate risk to the Group has been managed over time.



Our PMLs are derived using stochastic models licensed from third-party vendors. These models include perils such as windstorm, convective storm, wildfire and flood. The View of Risk Committee assesses the assumptions within the licensed model and, where appropriate, applies loadings. Model outputs are regularly challenged at both the macro and specific account levels. The RRC reviews our PMLs and the actual in-force exposure versus tolerance every month. The loadings applied to the model are periodically reviewed by the View of Risk Committee to assess their ongoing appropriateness.

Additionally, risk learning can be performed following a large catastrophe event to compare the actual loss versus the modelled loss, further assessing the appropriateness of the assumptions and loadings within the model, and establishing whether further adjustments are required. More information on how the Group actively monitors risk levels and manages catastrophe can be found on page 137.

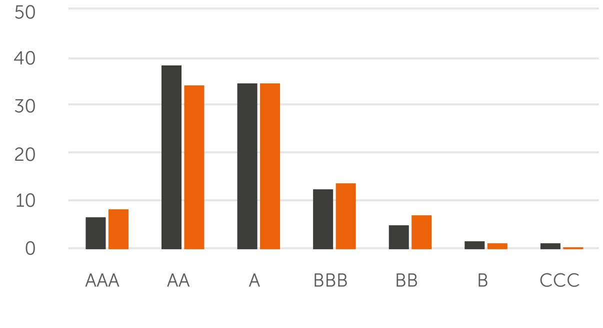
Monitoring the investment portfolio

The majority of assets within our investment portfolio are fixed maturity securities, making up 82.4% as at 31 December 2024, of which almost half were government-related securities. We had a 35.1% allocation to corporates bonds, of which we had a small exposure to climate-related risks. The Group continued to review and monitor its investment portfolio from an ESG perspective through the approved MSCI climate VaR metric. Lancashire's overall risk tolerance for investment risk is expressed as a VaR metric as a proportion of shareholders' equity. Every quarter, the Climate VaR is monitored versus the MSCI benchmark through analysis of the underlying securities as measured by MSCI for the Group's Level (i) and Level (ii) securities.

Management's target preference is for the impact of climate change to be less detrimental on our portfolio than the relevant benchmark at the same level.

Lancashire monitors the ESG profile of its fixed maturity portfolio for those securities covered by the MSCI ESG rating tool. Much of the portfolio for the year-end of 2024 was designated within the 'average' ESG category.

MSCI Overall Rating (%)



* Percentages for the MSCI benchmark data are up-scaled to compare with the Lancashire securities covered by MSCI

Group investment guidelines

The Group's investment guidelines continue to restrict investments in companies that rely on thermal coal for power generation or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. Compliance with the investment guidelines is monitored every month and any adjustments are approved by the Board and the Investment Committee. The Investment Committee continues to consider developing market practices for further analysing the Group's investment portfolio from an ESG exposure perspective. As of 31 December 2024, 96.7% of our external investment portfolio was administered by managers who are signatories to the UNPRI. The Group's external investment managers must operate within the parameters set in our guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored monthly.

4.b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.

Offsetting and reducing our energy use

The tables on pages 61 and 62 presents a comprehensive view of our environmental impact, with year-over-year GHG data comparison. Each year, we purchase carbon credits to offset our calculated emissions for our own operations, a practice that underscores our commitment to sustainability. We will continue to monitor and report on performance.

4.c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Board-approved offset programme

The Group has set GHG reduction targets for the Scope 1 and Scope 2 carbon emissions related to its own operations measured by carbon emissions for each full-time employee, and committed to meet the UK Government's net-zero strategy by 2050. The Group continues with its Board-approved carbon credit offsetting programme for its own operations, and the Board monitors these targets to ensure they are aligned with the overall strategy and the operational requirements of the business.

Commitment to offset emissions

The Group continues its commitment to offset 100% of Scope 1 and 2 emissions, and 100% of the Scope 3 emissions of our own operations over which we exercise sufficient control at the current time. Scope 3 includes business travel, waste generated in operations, employee commuting, along with upstream fuel and energy-related activities not included in Scope 1 or Scope 2.

More information on our path to meet the UK Government's net-zero target by 2050 can be found on page 61 of this report.

Targets going forward

Wherever possible, the Group operates out of sustainable offices. Our London office, 20 Fenchurch Street, is a BREEAM 'excellent' building that uses 100% renewable electricity, evidenced by a tariff backed up by associated REGOs certification. Our facilities team continues to engage with the building management's 'Green Building' meetings and the property's energy-saving initiatives. The meetings are an opportunity to share best practices with other tenants and understand green initiatives in The City of London. More details on our GHG reduction targets can be found on pages 61 to 62.

Operating responsibly and sustainably

We strive to operate in a sustainable and responsible way with high standards expected of ourselves and those we work with.

We support this goal with policies, oversight and controls to ensure we remain a good corporate citizen.

Our Global Employee Handbook, which covers a range of topics, is distributed to employees on joining and available on our internal intranet, and is supported by country-specific supplements where relevant.

We have identified a number of stakeholder groups with an interest in our commitment to sustainable operating excellence.

Our stakeholder responsibilities

Our policyholders | Our people | Society and the environment | Brokers | Regulators | Vendors | Our shareholders and investors

Policy / area	Our approach	Stakeholder impact	Board oversight
Legal and regulatory frameworks	The Group complies with a wide range of legal and regulatory requirements. These include the environmental, social and governance regulations of the BMA, PRA, FRC, FCA, Lloyd's, UNEP-FI, TCFD, Mandatory Greenhouse Gas Emissions reporting/Streamlined Energy and Carbon Reporting (SECR), and Home Office (Modern Slavery Statement Registry).	**Our policyholders** **Our people** **Society and the environment** **Brokers** **Regulators** **Vendors**	**Yes**
Human rights	Lancashire is committed to respect, support and protect human and labour rights across our organisation. In this we are guided by the principles outlined in international standards such as the United Nations Universal Declaration of Human Rights. We expect compliance throughout our organisation with our employment policies, practices and procedures. Our full Group Human Rights Policy Statement is available on our website.	**Our policyholders** **Our people** **Society and the environment** **Brokers** **Regulators** **Vendors**	**Yes**
Health and safety	While our office-based operations are less exposed to major incidents, we regularly consult with employees on health and safety issues to ensure our people and visitors are supported and protected. Where potential danger in a task is identified, risk assessments are carried out. Additionally, business continuity, disaster recovery, and fire safety training, is mandatory for all employees. Our full Health and Safety Policy is communicated to employees on joining and is available on the intranet.	**Our people** **Society and the environment** **Brokers** **Regulators** **Our shareholders and investors**	**Yes**
Whistleblowing	We expect everyone working for Lancashire to maintain high standards and report any wrongdoing or malpractice. Our Whistleblowing Policy aims to ensure that matters of genuine concern can be raised without fear of reprisals, in the knowledge that they will be taken seriously and that the matters will be investigated appropriately and confidentially. Each Group entity has a designated whistleblowing champion, a Non-Executive Director, who can be contacted if employees would prefer to raise concerns with them. The policy is formally approved by the Board annually on recommendation from the Audit Committee. The policy is available to staff on our intranet and a summary is available on our website.	**Our people** **Regulators** **Our shareholders and investors**	**Yes**

Policy / area	Our approach	Stakeholder impact	Board oversight
Data protection and privacy	The Group adheres to the data protection principles set out in the relevant UK and other privacy and data protection legislation, including compliance with the Bermuda PIPA Act. All employees are expected to familiarise themselves with and comply with the regulations. For compliance with PIPA policy development, employee training and implementation of controls were created ahead of the 1 January 2025 deadline. Information collected, recorded, and used must be handled and dealt with correctly and in line with our data protection policies. The Audit Committee has overall responsibility for data protection and privacy and receives a quarterly report for review.	**Our policyholders** **Our people** **Brokers** **Regulators** **Vendors** **Our shareholders and investors**	**Yes**
Information security	Risk assessments are conducted regularly to identify any potential threats. As part of maintaining a safe and efficient work environment, during 2024 we updated our Group Information Security and Acceptable Usage policies. These documents help us to ensure that we use our IT in an appropriate way and that we protect Lancashire from external threats. It is mandatory for all employees to review and acknowledge their understanding and acceptance of these policies.	**Our people** **Regulators** **Vendors** **Our shareholders and investors**	**Yes**
Cyber incident response	Lancashire is aware of and understands the cyber threat landscape, including the current and future risks from cyber security incidents. Lancashire has a number of technologies, processes and procedures in place to mitigate, respond to and keep pace with new developments and any issues that may arise. These include 'table-top' exercises to stress test our plans, which are attended by colleagues from appropriate functions across the Group.	**Our policyholders** **Our people** **Brokers** **Regulators** **Vendors** **Our shareholders and investors**	**Yes**
Anti-harassment and bullying	In compliance with the UK's Equality Act 2010, (and UK Worker Protection Act 2023), we operate a zero-tolerance approach to bullying and harassment, and all employees are encouraged to speak up. Our Anti-Harassment and Bullying Policy also offers employees a mechanism through which they can raise issues of concern. We are committed to creating a safe working environment where people treat each other with respect, empathy and compassion.	**Our people** **Society and the environment** **Brokers** **Vendors**	
Dispute resolution	Our Dispute Resolution Policy, where issues cannot be initially resolved, can be used by employees, without fear that they will be penalised in any way.	**Our people**	
Grievance procedure	Employees who believe they may have been discriminated against are encouraged to raise the matter through our Grievance Procedure. Abusive or discriminatory behaviour by an employee towards another will be seriously and confidentially investigated, and will be dealt with in accordance with the Group's disciplinary procedure.	**Our people**	
Living Wage	We are an Accredited Living Wage Employer, for our business and our supply chain.	**Our people** **Society and the environment** **Suppliers**	
Anti-slavery and human trafficking	We are proud of the conditions of employment for all our employees throughout the Lancashire Group. We consider that there is minimal risk that, within either the Lancashire Group or the very limited supply chains which support our business activities, the Lancashire Group is involved in, supportive of, or complicit in slavery and human trafficking. The Group's Anti-Slavery and Human Trafficking Statement is available on our website.	**Society and the environment** **Brokers** **Regulators** **Vendors** **Our shareholders and investors**	**Yes**

Operating responsibly *continued*

Policy / area	Our approach	Stakeholder impact	Board oversight
Anti-money laundering, bribery and financial crime policy	We have zero tolerance for money laundering or any other type of financial crime or dishonesty, including acts of bribery. A training programme is active to ensure a widespread understanding of our policy. All Group employees are required to report to their local Money Laundering Reporting Officer any potentially suspicious activity. The policy is formally approved by the boards of relevant Lancashire Group entities annually, and any instances of breach are reported to the Group Board on a quarterly basis. A summary of the policy is available on our website.	**Our policyholders** **Our people** **Society and the environment**	Yes
Procurement	Specific questions related to climate and ESG have been incorporated into vendor process-specific questionnaires. The questions are designed to provide insight into the vendors' level of familiarity and awareness of their operations, as well as any existing programmes they have in place to support sustainability.	**Vendors (including outsourcing vendors)** **Society and the environment**	Yes
Collaboration with third parties	During the course of our business operations, we use third-party suppliers to complement our in-house skills. We strive to receive assurance that employers within the ancillary services and limited supply chains used by the Group pay a living wage. Payments to service providers are made in accordance with the individual payment terms agreed. The Group's UK subsidiary, LUK, complies with its statutory reporting duty for payment practices and performance in relation to qualifying contracts on a half-yearly basis.	**Our policyholders** **Society and the environment** **Brokers** **Regulators**	Yes
Sanctions	Lancashire looks to ensure compliance with all applicable sanctions legislation in the jurisdictions in which the Group operates. The processes and systems are documented and approved annually by the LHL and relevant subsidiary boards. Quarterly reports are provided to LHL and subsidiary boards to confirm whether there have been any breaches, or not, during the period.	**Our policyholders** **Society and the environment** **Brokers** **Regulators**	Yes
Share dealing	The Group's Share Dealing Code places restrictions on the trading of LHL's securities for Directors and employee shareholders and, along with the Group's Disclosure Policy, restricts the disclosure of any confidential information.	**Regulators** **Our shareholders and investors** **Our people**	Yes
Engagement with regulators, rating agencies and lenders	The Group actively engages with relevant regulatory bodies which provide supervision and oversight. This includes meetings, regular reporting or engaging with routine regulatory reviews. The Board and management monitors changes in regulatory and supervisory requirements closely. We also engage regularly with major rating agencies to discuss financial performance and when significant events occur, such as loss events. We purchase reinsurance coverage as part of our capital management and regulatory compliance and operate in compliance with our credit facilities, which support underwriting obligations. Additionally, the syndicates benefit from Lloyd's current ratings, resources, brand and network of global licences.	**Our policyholders** **Society and the environment** **Brokers** **Regulators**	Yes
Relationships with tax authorities	The Group maintains proactive relationships with relevant tax authorities in order to comply with all its tax obligations. This requires us to keep abreast of developments in tax legislation and to work with the tax authorities to manage our tax risk.	**Our policyholders** **Society and the environment** **Brokers** **Regulators**	Yes

GHG reporting

Environmental impact and offsetting

We are committed to understanding and managing the environmental impact of our business operations.

For the 2024 reporting year, we have again engaged third-party consultants ClimatePartner to calculate the Group's CCF.

The CCF reflects the total CO_2 emissions released by the Group's own business operations, within defined boundaries and for a specified period, with the calculations based on the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol).

We use the CCF as a tool to track our progress against the Group's carbon reduction goal, as well as to understand our energy consumption, identify ways to reduce our carbon footprint, understand energy and emission trends, and improve our data collection.

Emissions data was calculated using both the Company's consumption data and various emission factors researched by ClimatePartner. Wherever possible, primary data was used. If primary data was not available, secondary data from highly credible sources was used, with emission factors taken from scientifically recognised databases and models.

Operational boundaries

We used an operational control approach to assess the appropriate boundaries and identify all the activities and facilities for which the Group is responsible. Per ISO 14064-1 guidance, an organisation has operational control when it has full authority to introduce and implement its operating policies at the operational level. We have therefore reported 100% of our Scope 1 and Scope 2 CCF, along with areas of our Scope 3 CCF over which we consider ourselves to have high levels of operational control.

Employee commuting

We continue to report emissions associated with our employees' commuting and home working within our Scope 3 emissions. For this reporting period, a survey regarding our employees' commuting habits was undertaken, which was completed by over 49% of employees globally.

International operation footprint

With our principal commercial operations based in four countries, along with clients and brokers around the globe, the Group has typically incurred the bulk of its carbon footprint within the business travel category of Scope 3. We have seen an increase in business travel within the reporting period, which is reflected in an increase to the related and reported emissions.

We regularly consider ways in which our own offices can be more sustainable. Our London office is already well-optimised, as the building within which it is located has a BREEAM 'excellent' certified performance rating, and sources 100% renewable electricity on a tariff that is backed up by associated Renewable Energy Guarantees of Origin (REGOs). Representatives from the London office have engaged with the building management's 'Green Building' meetings and the property's energy-saving initiatives. We continue to work with the respective building management teams in Bermuda, Australia and the US in order to participate in any applicable initiatives.

Carbon per FTE as intensity metric

We use tCO_2e per FTE as the intensity metric in our CCF. The FTE count has increased year-on-year due to headcount growth. Total emissions per FTE have also increased within this reporting period.

Contributing to global net-zero

Historically, following the completion of the CCF calculation, the Group has purchased verified carbon credits, predominantly in carbon avoidance programmes, which assist in the creation and/or maintenance of systems and technologies that replace carbon intensive processes.

In 2021 and 2022 the Group offset 15% of its emissions via a carbon sequestration project, which aims to actively remove carbon from the atmosphere, with the remainder of our carbon credits procured via carbon avoidance projects. In 2023 we increased the allocation to carbon sequestration projects to 20%. For 2024, we have procured 25% of our carbon credits via a carbon sequestration project with the remaining 75% in a carbon avoidance programme. When considering our carbon contribution, we have followed the same methodology as last year including the addition of a safety margin of 10% applied to the total carbon footprint incurred, to compensate for uncertainties in the underlying data that naturally arise from using database values, assumptions, or estimates. This resulted in the Group purchasing a total of 3,700 carbon credits in this reporting period. We report the emissions data for the Group in the table on the following page.

Streamlined energy and carbon reporting disclosure – 1 July 2023 to 30 June 2024

	Current 2024 reporting year (market-based) 1 July 2023 to 30 June 2024		Previous 2023 reporting year (market-based) 1 July 2022 to 30 June 2023	
	UK & Offshore	UK Only	UK & Offshore	UK Only
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO_2e	**148.3**	**138.2**	101.6	92.1
Emissions resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use / tCO_2e	**223.7**	**–**	280.6	–
Gross emissions (Scope 1,2) / tCO_2e	**372**	**138.2**	382.2	92.1
Energy consumption used to calculate above emissions /kWh	**2,036,764**	**1,416,405**	1,320,545	944,270
Total gross emissions (Scope 1, 2, 3) / tCO_2e	**3,363.3**		2,783.0*	
tCO_2e per FTE	**8.3**		7.7*	

GHG reporting *continued*

Carbon credit breakdown

75% carbon avoidance	Renewable energy project - Continent-wide, Asia
25% carbon sequestration	Afforestation project - Dingxi, China

Encouraging and supporting employees

The Board monitors the Group's emissions from its own operations and is mindful of the Group's strategic and business operational requirements. We encourage the use of public transport, walking and cycling to commute to our offices.

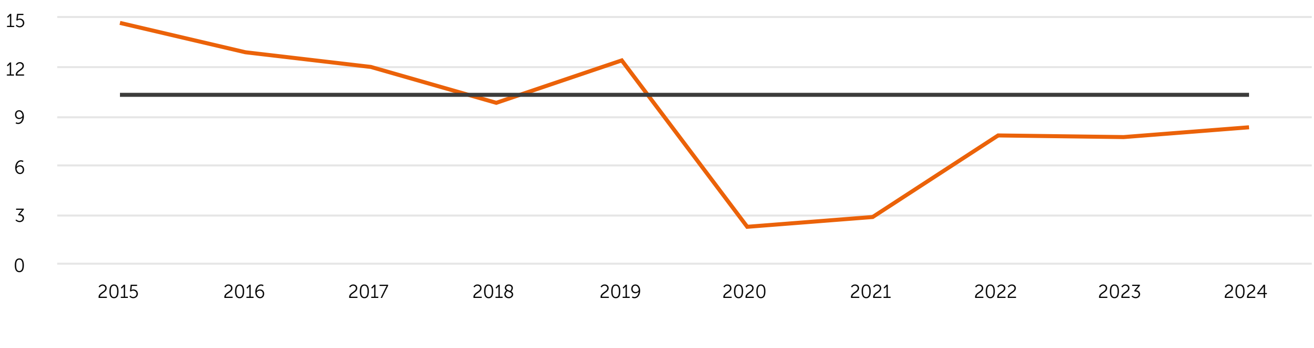
Through the employee commuting surveys completed since 2022, we note that the majority of our London-based employees commute via public transport. We continue to provide incentives for our London office employees to support this, with a season ticket loan scheme as well as assistance in purchasing bicycles.

Types of emissions	Activity	**1 July 2023 – 30 June 2024**	1 July 2022 – 30 June 2023
Scope 1			
Direct emissions from Company facilities	Heat (self-generated)	**115.8**	77.2
	Refrigerant leakage	**32.5**	24.4
Scope 2			
Purchased electricity for own use	Electricity (stationary)	**223.7**	280.6
Scope 3	Business travel (flights, hotel nights, vehicles, and rail)	**2,677.9**	2,006.4
	Employee commuting and home office	**208.8**	307.1 *
	Fuel- and energy-related activities (upstream emissions for electricity and heat)	**99.2**	79.1
	Purchased good and services (office paper and water)	**1.4**	6.9
	Waste generated in operations	**4.0**	1.3
Gross emissions (tCO_2e) (market-based)		**3,363.3**	2,783.0 *
Gross emissions per FTE (tCO_2e/FTE)		**8.3**	7.7 *
Carbon credits		**3,700.0**	2,907.0

All numbers quoted have been rounded to one decimal place.
Upstream fuel and energy-related activities include Well-to-Tank and Transmission and Distribution emissions. These are emissions associated with the upstream processes of extracting, refining and transporting raw fuel and the emissions associated with the electrical energy lost during transmission to our business.
* The emissions attributed to employee commuting and home office for the 2022-2023 reporting period were previously misstated due to a calculation error by our external consultant. The restated 2022-2023 employee commuting data has also resulted in a change to our total gross emissions and gross emissions per FTE.

Progress against our 2030 target

The following diagram shows the change in the Group's emissions per FTE against our current target of a 30% reduction in emissions per FTE from the 2015 baseline level.



A purpose-driven Board

Philip Broadley
Non-Executive Chair

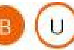
Date of appointment to the Board: 8 November 2023
Board meeting attendance: 4/4

Skills, experience and qualifications:

Philip Broadley was appointed as a Non-Executive Director to the Board on 8 November 2023. He assumed the role of Chair on 1 May 2024. Philip was Group Finance Director of Prudential plc from 2000 until 2008 and subsequently held the same position at Old Mutual plc from 2008 until 2014. He has served as Chairman of 100 Group of Finance Directors and as a member of the Code Committee of The Takeover Panel. He chaired the Group Audit Committee of Legal & General for six years. Prior to his board roles, Philip began his career at Arthur Andersen in 1983, becoming a partner in 1993, where he specialised in auditing banks and insurance companies. Philip is a Fellow of the Institute of Chartered Accountants in England and Wales. Philip graduated in Philosophy, Politics and Economics from St. Edmund Hall, Oxford, where he is now a St. Edmund Fellow. He holds an MSc in Behavioural Science from the London School of Economics.

External appointments/Other roles:

Philip is Senior Independent Director and Audit Committee Chair at AstraZeneca PLC and a Non-Executive Director of Legal & General Group Plc.



Alex Maloney
Group Chief Executive Officer

Date of appointment to the Board: 5 November 2010
Board meeting attendance: 4/4

Skills, experience and qualifications:

Alex Maloney joined Lancashire in December 2005 and was appointed Group Chief Executive Officer in April 2014. On joining, Alex was responsible for establishing and building the energy underwriting team and account and, in May 2009, was appointed Group Chief Underwriting Officer. Since November 2010, Alex has served as a member of the Board and was appointed Chief Executive Officer of Lancashire Insurance Company (UK) Limited in 2012. Alex has over 30 years' underwriting experience and has also worked in the New York and Bermuda markets.

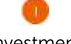
Natalie Kershaw
Group Chief Financial Officer

Date of appointment to the Board: 1 March 2020
Board meeting attendance: 4/4

Skills, experience and qualifications:

Natalie Kershaw joined Lancashire in December 2009 as the Group Financial Controller and has also held the positions of Chief Financial Officer of Lancashire Insurance Company Limited and Group Chief Accounting Officer. She has over 20 years' experience of the insurance/reinsurance sector with previous roles at Swiss Re, ALAS (Bermuda) Ltd and PwC. Natalie graduated from Jesus College, Oxford University in 1996 with a first class degree in Geography and is a Fellow of the Institute of Chartered Accountants in England and Wales. Natalie was appointed to the Board of Lancashire Holdings Limited as an Executive Director on 1 March 2020.

Key

Chair
Board of Directors
Audit Committee
 Investment Committee
Nomination Corporate Governance and Sustainability Committee
Remuneration Committee
Underwriting and Underwriting Risk Committee

Board of Directors *continued*

Paul Gregory
Group Chief Underwriting Officer

Date of appointment to the Board: 1 May 2024
Board meeting attendance: 2/2

Skills, experience and qualifications:

Paul Gregory has led the underwriting operations of the Lancashire Group since May 2014 as Group Chief Underwriting Officer. Paul joined Lancashire in 2007 as part of the team responsible for underwriting the energy portfolio. In January 2009, he was appointed Chief Underwriting Officer of Lancashire Insurance Company (UK) Ltd and was responsible for all business underwritten from the platform. Paul also served as Chief Executive Officer of Lancashire Insurance Company (UK) Ltd between 2014 and 2019. Paul has been a member of the Lancashire Holdings board's Underwriting and Underwriting Risk Committee since 2010 and has served as Chief Executive Officer of Lancashire Capital Management (LCM) since 2021. Prior to working at Lancashire, Paul was an energy underwriter at AIG and he started his career at Marsh as an Account Executive in the Energy team as part of the Marsh graduate scheme.

Bob Cox
Non-Executive Director

Date of appointment to the Board: 1 January 2025
Board meeting attendance: 0/0

Skills, experience and qualifications:

Bob Cox is an experienced insurance underwriter and senior manager with experience of US and international insurance markets. Bob was appointed by resolution of the LHL Board on 5 November 2024 and became a Non-Executive Director of LHL with effect from 1 January 2025. Bob joined Markel in 2018 as the President and Chief Operating Officer, Insurance Operations and stepped down from that role in December 2023. During his tenure, Bob oversaw Markel's global insurance operations, including its specialty and international divisions and served on several subsidiary boards across the Markel group. He played a key strategic and operational role during a period of significant growth and profitability. Prior to joining Markel, during a long career at Chubb, Bob served in a number of leadership positions within Chubb Specialty Insurance including roles as Chief Underwriting Officer and later as the Chief Operating Officer. Bob was first employed by the Chubb group in 1981, as an underwriter in Chubb's Department of Financial Institutions. He specialised in underwriting Directors and Officers (D&O) and Errors and Omissions (E&O) insurance, while also gaining knowledge of other lines of insurance for financial institution clients in US and international risk.

External appointments/Other roles:

Bob also serves as a Director on the Board of American Bankers Mutual Insurance Company Limited, based in Bermuda.

Michael Dawson
Non-Executive Director

Date of appointment to the Board: 3 November 2016
Board meeting attendance: 4/4

Skills, experience and qualifications:

Michael Dawson has more than 40 years' experience in the insurance industry, having started his career at Lloyd's in 1979. He joined Cox Insurance in 1986 where he was the Chief Executive from 1995 to 2002. In 1991, Michael formed and became the underwriter of Cox's and subsequently Chaucer's specialist nuclear syndicate 1176, where he remains the active underwriter. Between 2005 and 2008, Michael was appointed Chief Executive of Goshawk Insurance Holdings PLC and its subsidiary Rosemont Re, a Bermuda reinsurer. Michael served on the Council of Lloyd's from 1998 to 2001 and on the Lloyd's Market Board from 1998 to 2002.

External appointments/Other roles:

Michael is Deputy Chairman of the Management Committee of Nuclear Risk Insurers Limited. He is also a Director of Knoll Investments Limited, and Glengau Limited, all private family companies.

Key

Chair
Board of Directors
Audit Committee
Investment Committee
Nomination Corporate Governance and Sustainability Committee
Remuneration Committee
Underwriting and Underwriting Risk Committee

Jack Gressier
Non-Executive Director

Date of appointment to the Board: 26 July 2022
Board meeting attendance: 4/4

Skills, experience and qualifications:

Jack Gressier has over thirty years' experience in the insurance industry, including as Chief Operating Officer of Axis Capital Holdings Ltd. and the Chief Executive Officer of its Insurance segment. He served as an underwriter at Charman Underwriting Agencies from 1989 until 1998, when acquired by ACE Limited. At ACE, he served in a number of senior roles including as a member of the Global Markets Executive Underwriting Committee and was appointed Joint Active Underwriter of Syndicate 2488 and Director of the ACE Agency Board, where he served until joining AXIS in 2002.

External appointments/Other roles

Jack currently serves as Non-Executive Chair to strategic intelligence firm, Herminius Holdings Ltd. Previous Non-Executive appointments include Chair of Syndicate Holdings Corp, the holding company for the Lloyd's managing agency, Vibe Syndicate Management. In addition, Jack served as Non-Executive Chair of Limehouse Agencies Limited.

Bryan Joseph
Non-Executive Director

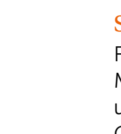
Date of appointment to the Board: 26 April 2023
Board meeting attendance: 4/4

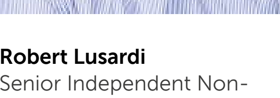
Skills, experience and qualifications:

Bryan Joseph is a Fellow of the Institute and Faculty of Actuaries with over 40 years of experience in the insurance and reinsurance industry. Having started his career as a trainee actuary in Legal & General, Bryan held a number of senior roles in the industry including partner and global chief actuary for PwC. Bryan left PwC in 2015 and founded Vario Partners LLP, an ILS consultancy specialising in transforming underwriting risk into capital markets. In 2016, Bryan joined XL Catlin (now AXA XL) as an independent Non-Executive Director serving in a variety of Non-Executive Director and Committee Chair roles within the AXA XL group including as Chair of the UK audit committees, and as Chair of XL Insurance Company SE, the group's European and Asia Pacific-focused entity, overseeing its move to the Republic of Ireland and merger with AXA. Bryan stepped down from all AXA XL directorships in 2023 to take on his role with Lancashire. Bryan is also a Director of Lancashire Syndicates Limited, where he is Chair of the Risk and Compliance Committee.

External appointments/Other roles:

Bryan remains a partner on Vario Partners LLP and a Director of Vario Global Capital Limited, the Vario operating company. Bryan was appointed as a Non-Executive Director for Sabre Insurance Group plc in June 2023 and as the company's Senior Independent Director in May 2024. In July 2024, Bryan was appointed as a Non-Executive Director for CFC Underwriting Limited.





Robert Lusardi
Senior Independent Non-Executive Director

Date of appointment to the Board: 8 July 2016
Board meeting attendance: 4/4

Skills, experience and qualifications:

From 1980 until 1998, Robert Lusardi was an investment banker in New York, ultimately as a Managing Director specialising in the insurance and asset management industries. From 1998 until 2005, he was a member of the Executive Management Board of XL Group Ltd. (now AXA-XL Group), first as Group CFO then as CEO of one of their three operating/reporting segments; from 2005 until 2010 he was an EVP of White Mountains (an insurance merchant bank) and CEO of certain subsidiaries; and from 2010 to 2015 he was CEO of PremieRe Holdings, a private insurance entity. He has been a Director of a number of insurance-related entities including Symetra Financial Corporation, Primus Guaranty Ltd., OneBeacon Insurance Group Ltd., Esurance Inc., Delos Inc., Pentelia Ltd. and FSA International Ltd. He received a BA and MA degree in Engineering and Economics from Oxford University, an MBA from Harvard University, and a PhD from Barry University.

External appointments/Other roles:

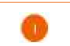
Robert is a board member of Oxford University's 501(c)(3) charitable donations entity.

Key

Chair

Board of Directors

Audit Committee

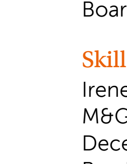
 Investment Committee

Nomination Corporate Governance and Sustainability Committee

Remuneration Committee

Underwriting and Underwriting Risk Committee

Board of Directors *continued*



Irene McDermott Brown
Non-Executive Director

Date of appointment to the Board: 28 April 2021
Board meeting attendance: 4/4

Skills, experience and qualifications:

Irene McDermott Brown most recently held the position of Chief Human Resources Officer at M&G plc, a FTSE 100 international savings and investments firm, retiring from that role on 31 December 2021. Her executive career has included international Human Resources roles at Barclays, BP, and Cable and Wireless. Irene's UK experience includes over 12 years at Mercury Communications, Digital Equipment Company and the Electricity Supply Industry. She has an MSc from the London School of Economics in Industrial Relations and is a Fellow of the Chartered Institute of Personnel and Development.

External appointments/Other roles:

Irene was appointed as a Non-Executive Director of IntegraFin Holdings plc, the holding company of a leading UK investment platform, in January 2025.

Nathalie Rachou
Non-Executive Director

Date of appointment to the Board: 5 November 2024
Board meeting attendance: 0/0

Skills, experience and qualifications:

Nathalie Rachou has strong asset management and capital markets experience, with commercial and financial expertise across several sectors including as a senior manager and entrepreneur. Nathalie worked at Banque Indosuez and Crédit Agricole Indosuez from 1978 until 1999, She was company secretary from 1991 to 1996 and from 1996 to 1999, served as Global Head of Foreign Exchange and Foreign Exchange Options. In 1999, Nathalie founded Topiary Finance Ltd, an asset management company of which she remained the CEO until its merger with Rouvier Associés in 2015. At Rouvier Associés-Clartan, Nathalie was a senior advisor until 2020. Nathalie has a Masters in Management at Ecole des Hautes Etudes Commerciales (HEC), and completed an executive programme at INSEAD.

External appointments/Other roles:

Nathalie is a member of the board of UBS Group AG, based in Switzerland, and serves on the Audit Committee and the Governance and Nominations Committee. Nathalie is also a member of the supervisory board of Euronext NV, where she chairs the Remuneration Committee and is a member of the Nomination and Governance Committee, the Audit Committee and the Risk Committee. Since 2023, Nathalie has served on the board of Fondation Leopold Bellan.

Linda Ventresca
Non-Executive Director

Date of appointment to the Board: 7 August 2024
Board meeting attendance: 1/1

Skills, experience and qualifications:

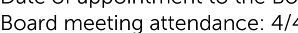
Linda Ventresca is an experienced senior leader in the insurance industry, having worked at AXIS Capital from 2003 to 2023. She most recently served as Head of Digital at AXIS Capital and previously held a number of leadership roles at AXIS, including Chief Strategy Officer, Chief Transformation Officer, and Head of Corporate Development and Investor Relations and served as a Director of Axis Reinsurance Company. She joined AXIS Capital from MMC Capital (predecessor firm to Stone Point Capital) where she was a private equity investment associate integrally involved in the formation of AXIS Capital. Linda commenced her career as an analyst in the financial institutions investment banking operations of UBS Securities, LLC and Donaldson, Lufkin & Jenrette. She has served as a Director on a number of boards and in an advisory capacity, with a focus on the insurance sector. She holds an M.B.A. from Columbia Business School and a B.S.E. in bioengineering from the University of Pennsylvania.

External appointments/Other roles:

Linda is a member of the board of Velocity Holdco., LLC, the holding company of a managing general agency/carrier hybrid specialising in excess and surplus lines insurance for the US property market.

Key

Chair | Board of Directors | Audit Committee | Investment Committee | Nomination Corporate Governance and Sustainability Committee | Remuneration Committee | Underwriting and Underwriting Risk Committee



Sally Williams
Non-Executive Director

Date of appointment to the Board: 14 January 2019
Board meeting attendance: 4/4

Skills, experience and qualifications:

Sally Williams is an experienced Audit Committee Chair with extensive risk, compliance and governance experience, having held senior positions with Marsh, National Australia Bank and Aviva. Sally is a chartered accountant and spent the first 15 years of her career with PwC, where she held senior roles in their financial services risk management and audit practices. She also undertook a two-year secondment from PwC to the Bank of England. Sally is also a Director of Lancashire Insurance Company (UK) Limited where she chairs the Audit Committee.

External appointments/Other roles:

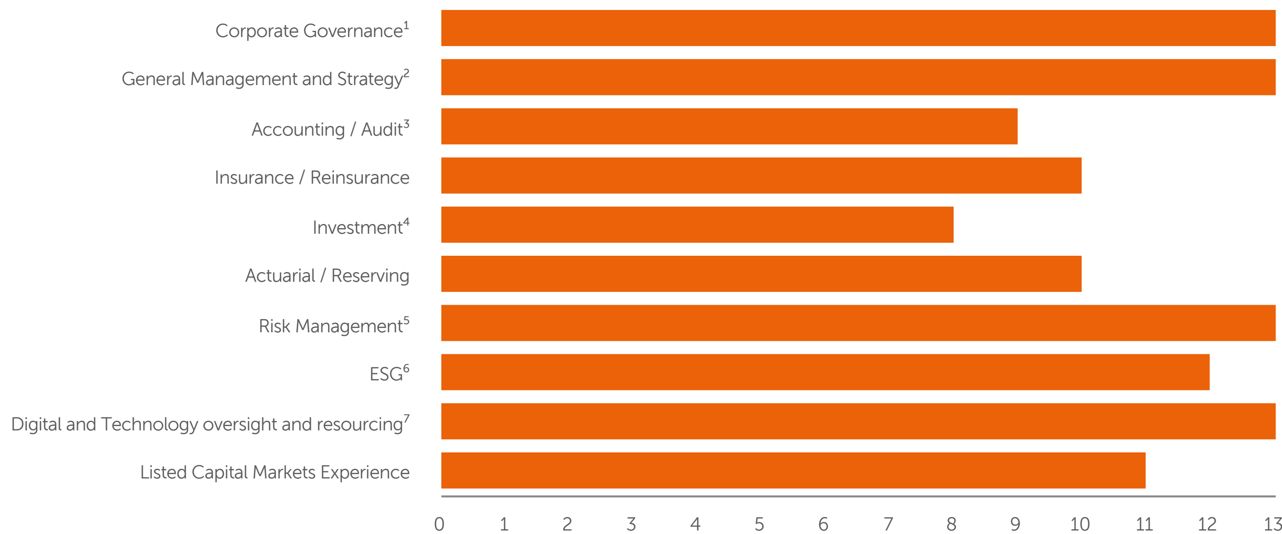
Sally is a Non-Executive Director of Family Assurance Friendly Society Limited (OneFamily), where she is Chair of both the Audit Committee and the With Profits Committee, and a member of the Risk, Nominations and Member & Customer Committees. Sally is also a Non-Executive Director of Close Brothers Group plc and Close Brothers Limited, where she is a member of the Audit and Risk Committees. Sally is a Trustee of the charity Ovarian Cancer Action, where she chairs the Audit and Risk Committee.

Christopher Head
Company Secretary

Skills, experience and qualifications:

Christopher Head is a qualified solicitor and joined Lancashire in September 2010. He was appointed Company Secretary of LHL in 2012 and advises on issues of corporate governance and generally on legal affairs for the Group. He also advises on the structuring of Lancashire's third-party capital underwriting initiatives, which have included the Accordion and Kinesis facilities. Prior to joining Lancashire, he was in-house Counsel with the Imagine Insurance Group, advising specifically on the structuring of reinsurance transactions. He transferred to Max at Lloyd's in 2008 as Lloyd's and London Counsel. Between 1998 and 2006, Chris was Legal Counsel at KWELM Management Services Limited, where he managed an intensive programme of reinsurance arbitration and litigation for insolvent members of the HS Weavers underwriting pool. Chris worked until 1998 at Barlow Lyde & Gilbert in the Reinsurance and International Risk Team. Chris has a History MA and legal qualification from Cambridge University.

Director skills matrix



1. Including legal, regulatory and compliance
2. Including business development and M&A
3. Including competence in accounting or auditing, and recent and relevant financial experience
4. Investment Treasury, portfolio and asset-liability management
5. Including internal control and internal audit processes
6. Including sustainability and climate change
7. Including oversight of data management, information security and cyber

The Board and Committees

Board and Committee administration

The Board of Directors is responsible for overseeing and monitoring the effective leadership and performance of Lancashire's business. The Board agrees the Group's strategy and monitors performance. It ensures an appropriate focus on opportunities, risks and a framework of controls designed to deliver the profitable and long-term sustainable success of the business in the interests of the Group's shareholders, clients, employees and other stakeholders. The Board has reserved a number of matters for its decision, including responsibility for setting the Group's values and standards, and approval of the Group's strategic aims and objectives. It has delegated certain matters to Committees of the Board, as described below. Copies of the Schedule of Board Reserved Matters and Terms of Reference of the Board Committees are available on the Company's website at www.lancashiregroup.com.

The Board has approved and adopted a formal division of responsibilities between the Chair and the Group CEO. The Chair is responsible for the leadership and management of the Board and for providing appropriate support and advice to the Group CEO. The Group CEO is responsible for the management of the Group's business and for the development of the Group's strategy and commercial objectives. The Group CEO is responsible, along with the executive team, for implementing the Board's decisions.

The Board and its Committees meet on at least a quarterly basis. At the regular quarterly Board meetings, the Directors review all areas of the Group's business, strategy and risk management and receive reports from management on underwriting, reserving, reinsurance, finance, investments, capital management, internal audit, risk, legal and regulatory developments, compliance, climate change risk, ESG and sustainability and other matters affecting the Group. Management provides the Board with the information necessary for it to fulfil its responsibilities. In addition, presentations are made by external advisers such as the independent actuary, the investment managers, the external auditors, the remuneration consultants and the Group's corporate brokers. The Board Committees are authorised to seek independent professional advice at the Company's expense.

The Board also meets to discuss strategic planning matters in addition to the customary schedule of quarterly meetings. The Board dedicated time to strategic opportunities and capital planning at a dedicated Board strategy session which was held in April 2024 in which all Directors and invited members of the management team participated.

The Chair holds regular meetings with the Non-Executive Directors, without the Executive Directors present, to discuss a broad range of matters affecting the Group. The Chair also holds regular meetings with the Chairs of the Group's principal operating subsidiaries.

The Directors

Appointments to the Board are made on merit, against objective criteria, and with due regard to the right balance of skills, experience, knowledge, independence and diversity required for the Board to operate effectively as a whole. These areas are considered in detail by the Nomination Corporate Governance and Sustainability Committee. The Board considers all the Non-Executive Directors to be independent within the meaning of the Code. Bob Cox, Michael Dawson, Jack Gressier, Bryan Joseph, Robert Lusardi, Irene McDermott Brown, Nathalie Rachou, Linda Ventresca, and Sally Williams are independent, as each is independent in character and judgement and has no relationship or circumstance likely to affect his or her independence.

Chair succession

Following the Company's AGM held on 1 May 2024, Philip Broadley assumed the role of Chair of the Board of Directors. Philip Broadley was determined to be independent on his appointment and he succeeded Peter Clarke as Chair, who stepped down as a Director following the AGM, having completed over nine full years of service on the Board. Peter's service as Chair for more than nine years was a departure from Provision 19 of the Code which helped facilitate the Board's Chair succession plans published in November 2023.

Executive Directors

Following the 1 May 2024 AGM, Paul Gregory, who since 2014 has been the Lancashire Group Chief Underwriting Officer, was appointed as an Executive Director on the Lancashire Board. As one of three Executive Directors on the Board, Paul Gregory is not counted as independent.

Non-Executive Directors

The Board appointed three Non-Executive Directors during the course of 2024: Linda Ventresca, Nathalie Rachou and Bob Cox. The three appointments were facilitated by the independent specialist recruitment agency Russell Reynolds, which conducted a search exercise for Non-Executive Director candidates under the direction of the Nomination Corporate Governance and Sustainability Committee, and Philip Broadley as the Company Chair. Russell Reynolds prepared reports for each of the candidates. A series of meetings was arranged between each one of the candidates and the Directors, either individually or in small groups. Each of the candidates also gave their responses to requests for information pertinent to their skills and experience, reputation and independence. Each of the appointments was considered at the Nomination Corporate Governance and Sustainability Committee. As part of this process close consideration was given to the balance of skills and experience on the Board. Linda Ventresca joined the Board as a Non-Executive Director with effect from 7 August 2024. Nathalie Rachou joined the Board as a Non-Executive Director with effect from 5 November 2024. Bob Cox was appointed by the Board as a Non-Executive Director on 5 November 2024 and the appointment took effect from 1 January 2025. Accordingly, Mr Cox was not a Director at the year-end on 31 December 2024.

The Board considered the range of skills and experience of each candidate with due regard to the evolving suite of skills and experience of the whole Board and its Committees. With respect to these appointments, the Board also considered the question of each candidate's independence of character and judgement. The Board accordingly determined that each of Linda Ventresca, Nathalie Rachou and Bob Cox individually brings relevant skills and experience to the Board and should be considered independent on appointment. Linda Ventresca was appointed, on 5th November 2024, as a member of the Audit Committee and the Investment Committee. The Committee memberships for Nathalie Rachou and Bob Cox will be considered during the course of 2025.

Please see the Nomination Corporate Governance and Sustainability Committee Report on page 83 for more details of the appointment process. For a summary of the current roles, including external appointments, and the skills and experience of all the Directors and the balance of skills and perspectives on the Board and its Committees, please see the biographies and summary data on pages 63 to 67. Where Directors assumed other external appointments during the year, these were discussed with the Chair and approved on the understanding that each Director is required to devote the necessary time for the performance of their duties for the Company's Board.

At the Board meeting held on 5 March 2025, further to a recommendation by the Nomination Corporate Governance and Sustainability Committee, the Board affirmed its judgment that nine of the thirteen members of the Board (excluding the Chair and the Executive Directors) are independent in their roles as Non-Executive Directors. The Board noted that Robert Lusardi and Michael Dawson have each served as Non-Executive Directors on the Board for over eight years. In light of the Code guidance on independence, the Board had announced in November 2024 that both Robert Lusardi and Michael Dawson had decided not to submit themselves for re-election and to step down as Directors at the 2025 AGM, which is planned for the 30 April 2025. It is therefore planned that the number of Directors on the Board will reduce from thirteen to eleven immediately following the 2025 AGM. At that point, seven of the eleven members of the Board are expected to be independent in their roles as Non-Executive Directors. Therefore, in the Board's judgement, the Board's composition complies with the Code requirement that at least half of the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent.

In accordance with the provisions of the Company's Bye-laws and the Code, and for 2025, with the exception of Michael Dawson and Robert Lusardi, all the Directors are subject to election (in the cases of Paul Gregory, Linda Ventresca, Nathalie, Rachou and Bob Cox) or re-election annually at each AGM.

Information and training

On appointment, the Directors receive written information regarding their responsibilities as Directors and information about the Group. An induction process is tailored for each new Director in the light of his or her existing skill set and knowledge of the Group and includes meetings with senior management and visiting the Group's operations. Information and advice regarding the Company's official listing, legal and regulatory obligations and on the Group's compliance with the requirements of the Code are also provided on a regular basis. An analysis of the Group's compliance with the Code is collated and summarised in quarterly reports together with a more general summary of corporate governance developments, which are prepared by the Group's legal and compliance department for consideration by the Nomination Corporate Governance and Sustainability Committee. That Committee also receives reports from the ESG Committee Chair on its work. The Directors have access to the Company Secretary and the Group General Counsel who are responsible for advising the Board on all legal and governance matters.

The Directors also have access to independent professional advice as required. Regular sessions are held between the Board and management as part of the Company's quarterly Board meetings, during which in-depth presentations covering areas of the Group's business are made. During these presentations, the Directors have the opportunity to consider, challenge and help shape the Group's commercial strategy. The Directors are also encouraged to seek supplementary know-how training suitable to their roles offered by the many external providers of training pertinent to governance, in particular the roles of Non-Executive Directors, and to consider their training needs and priorities as part of the year-end performance evaluation for the Board and its Committees.

Board performance – 2024 evaluation

A formal performance evaluation of the Board, its Committees and individual Directors is undertaken on an annual basis and the process is initiated by the Nomination Corporate Governance and Sustainability Committee led by the Chair of the Board. The aim of this work is to assess the effectiveness of the Board and its Committees in terms of performance and risk oversight, strategic development, stakeholder and employee engagement, composition, skillset, supporting processes, and management of the Group. The evaluation is forward-looking in terms of identifying strategic priorities and actions as well as considering performance, training and development needs for the Directors within the context of the work of each Committee and that of the Board.

At the meetings held in April 2024, the Nomination Corporate Governance and Sustainability Committee and the Board noted that, pursuant to principle 21 of the Code, the chair of any FTSE 350 board is expected to consider commissioning an externally facilitated board evaluation at least once in every three years. Consequently, the Code created an expectation that an externally facilitated review would be commissioned for the current 2024 year. Whilst mindful of this expectation, the Board noted that because the role of Board Chair had been assumed by Philip Broadley on 1 May 2024, there would be greater value and cost benefit from an externally facilitated evaluation if it were to be deferred until the end of the 2025 year, by which time the Board will have been chaired by Philip Broadley for over a year. Accordingly, the Board determined that the 2024 evaluation should be led by the company secretariat and that an external facilitator will be appointed to conduct the 2025 Board performance evaluation, which will be four years since the last externally facilitated evaluation. To this extent, the Board decided to depart from the formal UK Code expectation, and to explain the reasons for doing so.

The 2024 evaluation process for the Board and each of its Committees was conducted internally, and was based on a set of questionnaires which were prepared by the company secretariat and agreed with the Board Chair and the Chairs of each of the Committees and made available to participants using a web-based platform. The Group's principal operating subsidiaries, LICL, LUK, LSL and LCM also carried out performance appraisals facilitated by the respective company secretaries.

The reports covering the subsidiary boards and relevant Committees, including recommendations, were discussed with the respective subsidiary chairs and have been discussed within the relevant subsidiary boards. Key themes from those subsidiary evaluations were also reported to the LHL Board.

The 2024 LHL Board and Committee evaluation process involved each Director as well as the Company Secretary, the Group CRO, Group General Counsel and other Committee members and members of senior management who were invited to review and complete online questionnaires. Further to this process, the Company Secretary prepared an evaluation report for the Board which collated feedback from the responses which was then reported on an anonymised basis. The summary reports identified a series of themes covering both areas of effectiveness and potential actions and areas for future focus, discussion or development. The summary reports were discussed between the Company Secretary and the Board Chair and the relevant Committee Chairs before being distributed to each of the Directors. The Chair invited feedback on key findings in the evaluation reports prior to their finalisation.

The performance evaluation reports were formally tabled and discussed at meetings of the Nomination Corporate Governance and Sustainability Committee and the Board held in March 2025, and each of the other Committees discussed the report pertinent to its own operation and performance. The reports identified a number of key strengths of the Board and its Committees, including; dynamics and chairing; skills and expertise of both Non-Executive and Executive Directors; effective oversight of strategy and performance; effective shareholder and stakeholder engagement; strong Committee reporting; an open, candid and collaborative Board culture; effective risk management and controls; an effective Group structure and governance; and good company secretariat support. The Board discussions on the reports were led by the Chair.

In summary, in its consideration of the 2024 performance evaluation reports, the Board concluded that it operates effectively and has a good blend of insurance, financial, regulatory and other relevant expertise. All Non-Executive Directors are committed to the continued success of the Group and to making the Board and its Committees work effectively. Attendance at Board meetings was found to be good. The Group CEO, the Group CFO and the Group CUO, being the Company's Executive Directors, were also found to be operating effectively.

The Board also concluded that appropriate infrastructure, processes and governance mechanisms are in place to support the effective performance of the Board and its Committees. The Board is also considered to manage risk effectively. Furthermore, the number of Directors on the Board and the balance of skills is considered to be appropriate. Respondents commented favourably on the smoothness of the transition in the Chair role and on the effectiveness of the process to identify and appoint both Executive and Non-Executive Directors during the course of 2024.

The Board noted the progress made during 2024 in improving the gender and diversity balance of the Board as part of its succession planning.

Further to the Board engagement with the evaluation process and consideration of the reports, the Board concluded that Board and Committee oversight of strategy, risk tolerances and controls had operated effectively. Management's presentation to the Board of strategy had generated a useful discussion of the longer term strategic trajectory of the Group.

It was noted that the Group had commenced underwriting activities during 2024 through the new LUS underwriting platform. The Board had received regular updates on the performance of the new platform and with regard to US strategic growth plans. The processes for Board and Chair succession had been well managed and had operated effectively. Implementation during the year of enhancements to the Group's IT underwriting systems had been well reported and implemented by management and associated risks and timing had been discussed effectively within the Board. The Board and its Committees had effectively monitored and responded to changes during 2024 to the UK Corporate Governance Code and to the UK Listing Rules.

Engagement between the Board and the workforce was considered to be generally strong and beneficial to the operation of the business and will continue to be a priority for the Board. For further information on workforce engagement, please see the report from the Nomination Corporate Governance and Sustainability Committee starting on page 82.

Other strategic priorities identified by the Board for the year ahead included ensuring a balance between the maintenance of a robust capital base for the Group, capable of supporting the strategic growth plans for the business and the Group's strategic objective of actively managing its capital. The Board and management are also committed to maintaining a close focus on recruitment, skills, employee retention and training to further strengthen and build a workforce equipped to deliver the Group's strategic growth plans.

The Board identified a number of areas for training and specific themes for monitoring over the coming year, including the following:

- To monitor developing insurance market conditions and review strategic opportunities for growth and the related resourcing requirements;
- To monitor performance of the Group's new US underwriting platform;
- To continue to monitor expected UK legislative and regulatory changes in the areas of corporate governance, employment law, financial reporting, audit and associated regulation;
- To ensure the ongoing resilience of the Group's data protection and information security systems;
- To ensure the allocation of Board time to the discussion of emerging risks; and
- To continue to monitor changes to the Bermuda, UK and global tax rules and to consider the strategic implications.

The Board will continue to review its procedures, training requirements, effectiveness and development during 2025.

The Chair's performance appraisal was led by the Senior Independent Director, who consulted with the Non-Executive Directors with input from the Executive Directors during November 2024. The Chair was considered to be effective in facilitating strategic decision-making, the oversight of financial and business performance, Board risk oversight, whilst ensuring an appropriate level of challenge and a culture of constructive discussion.

Following the year end, the Chair met with the Group CEO, and the Group CEO met with the Group CFO and Group CUO, to conduct a performance appraisal in respect of 2024 and to set targets for 2025. The results of these performance evaluations were discussed by the Chair and the Non-Executive Directors and are reported in the Directors' Remuneration Report commencing on page 92.

Relations with shareholders

The Company actively seeks engagement with feedback from its shareholders. During 2024, the Group's Head of Investor Relations, usually accompanied by one or more of the Group CEO, the Group CUO, the Group CFO, the Chair or a senior member of the underwriting team, engaged in a series of meetings with and presentations to major shareholders, analysts and the investor community. Summary reports of these meetings were provided to the Board on at least a quarterly basis.

Conference calls with shareholders and analysts hosted by senior management are held quarterly following the announcement of the Company's quarterly financial results or trading statements. The Group CEO, Group CUO and Group CFO are generally available to answer questions on these calls.

Shareholders are invited to request meetings with the Chair, the Senior Independent Director and/or the other Non-Executive Directors by contacting the Group Head of Investor Relations. All of the Directors are expected to be available to meet in person or virtually with shareholders at the Company's 2025 AGM.

The Chair of the Remuneration Committee led a shareholder advisory exercise with the Group's largest shareholders regarding the Board's remuneration plans during early 2024. Please see page 92 for details.

The Company commissions regular independent shareholder analysis reports, and also receives periodic reports from the Group's Head of Investor Relations on feedback from shareholders and analysts.

The Company's bye-laws are governed by Bermuda company law and subject to approval of shareholders in a general meeting. The bye-laws are available on the Company website. A copy of the Company's bye-laws is also available for inspection at the Company's registered office.

Enterprise Risk Management

The Board is responsible for setting the Group's risk appetites, defining its risk tolerances, and setting and monitoring the Company's risk management and internal control systems, including compliance with risk tolerances. During 2024, the Board received regular reports on the emerging and principal risks affecting the Group's business model, future performance, solvency and liquidity and the operation of internal control systems.

Further discussion of the emerging and principal risks affecting the Group, as well as the procedures in place to identify and manage them, can be found in the ERM section of this report starting on page 24 and in the risk disclosures section on page 136. The Group's reporting of climate change risk and its management within the business can be found in the TCFD Report starting on page 46.

Each of the Committees is responsible for various elements of risk (see the various Committee reports starting on page 76 for further detail). The Group CRO reports directly to the Group and subsidiary boards and facilitates the identification, evaluation, quantification and control of risks at a Group and subsidiary level. The Group CRO provides regular reports to the Group and subsidiary boards covering, amongst other things, actual risk levels against tolerances, emerging risks, loss events and near misses, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations and supported by internal audit findings). The Board considers that a supportive ERM culture, established at the Board and embedded throughout the business, is of key importance. The facilitating and embedding of ERM and helping the Group to improve its ERM practices are a major responsibility assigned to the Group CRO. The Group CRO's remuneration is subject to annual review by the Remuneration Committee. The Board is satisfied that the Company's risk management and internal control systems have operated effectively for the year under review. In this regard, please see the Audit Committee report on page 80. During 2024, the Board also considered the changes to board risk monitoring and reporting requirements introduced by amendments to provision 29 of the Code, which will take effect for financial years commencing in 2026. The Board and its Committees expect to further develop their risk review and reporting practices with a view to meeting the Code requirements in 2026.

Committees

The Board has established Audit, Investment, Nomination Corporate Governance and Sustainability, Remuneration, and Underwriting and Underwriting Risk Committees. Each of the Committees has written Terms of Reference, which are reviewed regularly and are available on the Company's website. The Committees' Terms of Reference were reviewed by the Board during 2024 and considered again as part of the 2024 year-end performance evaluation process. The Committees' Terms of Reference are considered to be in line with current best practice. The Committees are generally scheduled to meet quarterly, although additional meetings and information updates are arranged as business requirements dictate. Director attendance at the 2024 Board meetings is set out on pages 63 to 67. A report from each of the Committees, which covers Committee attendance, is set out at the front of each of the Committee reports.

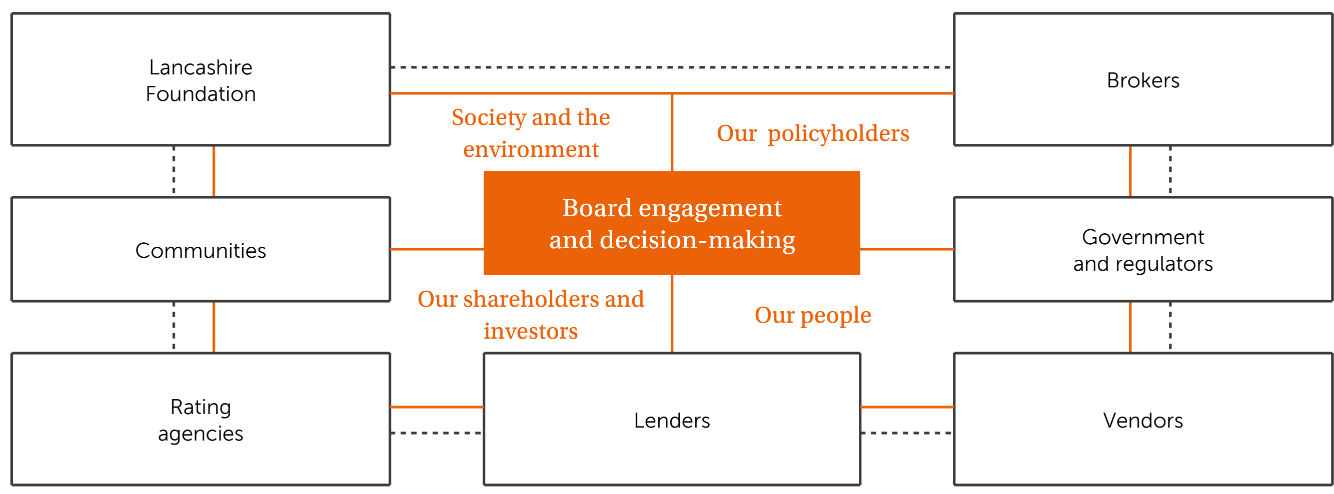
Section 172

The Code requires formal disclosure around the interests of and engagement with stakeholders, and the duties falling upon boards under Section 172 of the UK Companies Act 2006. Although the Company is incorporated in Bermuda, and is therefore not subject to the UK Companies Act requirements, the Board continues to pay close attention to developments in English law and governance best practice.

In this 2024 Annual Report and Accounts, we give an overview of how both the Board and the business have factored in the needs of our stakeholders in their discussions and decision-making in all areas of performance review, strategy, risk and capital management. This section should be considered together with the rest of this report as the Company's comprehensive summary of its Directors' compliance with their equivalent Section 172 duties.

Section 172(1):	Duty to promote the success of the company, with regard to:	For further details, see:
a	The likely consequences of any decision in the long term;	The Group's statement of purpose – page 8 The Group's business model – page 9 The Group's strategic goal and three priorities: that Underwriting comes first; balancing risk and return through the cycle; operating as an insurance market employer of choice – pages 12 and 13 Attracting and retaining talent – page 36 The Board's assessment of the Group's viability and prospects as set out in the going concern and viability statement – page 111
b	The interests of the company's employees;	The importance of our people, and the business's focus on Lancashire's values, culture, diversity and inclusion, training and development and workforce engagement – pages 33 to 36
c	The need to foster the company's business relationships with suppliers, customers and others;	Our business depends upon the strong business relationships that we build and maintain with our core and broader stakeholders. All Board members attend the quarterly UURC and, during 2024, gave close consideration to business development opportunities, as summarised in the Committee's report – page 88
d	The impact of the company's operations on the community and the environment;	Society and the environment form part of our 'core' set of stakeholders. The Board is engaged with the impact of the Company's operations through its oversight of the Lancashire Foundation, the annual offsetting of our own operations' GHG emissions, and our commitments to report against the UNEP FI Principles for Sustainable Insurance (see our website for details) and reporting against the requirements of the TCFD – pages 42 to 62
e	The desirability of the company maintaining a reputation for high standards of business conduct; and	Through its compliance with the Code, the Company strives to operate in line with high standards of governance expectation and business conduct. A healthy and sustainable corporate culture is embedded throughout the business, which is assessed by the Board through various channels – page 84 The Audit Committee oversees the Group's implementation of whistleblowing arrangements, and other systems and controls for the prevention of fraud, bribery and money laundering – page 81
f	The need to act fairly as between members of the company.	The Board is committed to treating the Company's shareholders fairly, and engaging with them through a broad programme of investor relations activities, meetings (including the AGM), and targeted consultations; be that with our substantial shareholders, the Company's own employees, private individuals, or via shareholder advisory groups. See 'Section 172 responsibilities in focus' regarding the Board's consideration of the balance between underwriting opportunities and the payment of dividends – page 74

Our engagement with stakeholders



	How we engage	2024 highlights
Our people		
Our employees, which number more than 400, are the bedrock of our success and strong and positive culture. They deliver our strategy aligned to our purpose and operational priorities. Ensuring we retain and attract the best talent available is a fundamental business focus.	• Our Group CEO hosts quarterly town hall meetings for all employees to update them on financial performance and other corporate activities. • The business operates various forums to discuss opportunities and challenges with the input of senior leaders. • Informal social events are organised during the year to allow employees to interact outside the work environment. • All employees have annual review conversations with their manager to discuss their performance and any training and development needs.	• A new Group intranet was launched to help ensure that all employees, regardless of location, have timely access to Company news and information. • 'The Lancashire Way', a new set of statements that highlight the positive behaviours we expect from our employees, was rolled out across the Group. Events were held for all staff with senior management to discuss the initiative and answer questions. See page 33. • The Lancashire Employee Network hosted a number of events for staff to hear from external and internal experts and learn 'soft skills' to expand their horizons. See page 35. • A new manager training programme was launched to give our leaders further skills and capabilities to manage their teams. See page 36. • Charities nominated by our employees received total donations of $297,000 during 2024. See page 42.
Our policyholders		
We value our long-standing relationships with many policyholders and seek to develop mutually beneficial partnerships with new clients. Our focus on customer service and our positive culture ensure that our policyholders are at the centre of everything we do.	• Our claims specialists have expert knowledge of our diverse product lines and are focused on ensuring a timely and equitable claim resolution for our clients. • Our claims handling process is proactive and efficient, as well as transparent and flexible. It is conducted in accordance with the terms and conditions of the (re)insurance policy. • We operate in a highly-regulated market, seeking to engage constructively with the Group's regulators. This regulation helps reinforce management's focus on maintaining good risk management and a strong capital base.	• $511.3 million claims paid during 2024. • See Purpose in action Q&A on page 11.

	How we engage	2024 highlights
Brokers		
Lancashire strives to be a trusted partner to brokers distributing (re)insurance solutions to our policyholders and, since inception, we have built strong relationships with large international firms and smaller independent intermediaries.	• The expertise of our people adds value to our discussions with broker partners, and we always look for new ways to further strengthen and enhance our relationships. • Our teams attend a wide range of industry events and conferences each year to discuss our products and capabilities. • We market our products through a number of channels including our Company website and at face-to-face events.	• Senior management and product leaders attended industry events including the RVS in Monte Carlo, and conferences in Baden Baden, and Singapore. • Event sponsorships included the WTW aviation and space series.
Our shareholders and investors		
We pride ourselves on our mutually beneficial relationships with our shareholders and those entities which lend to the Group. We look to maintain transparent communication with them and foster good relations through our active programme of engagement.	• Our relationship with our shareholders is led by our Group Head of Investor Relations, in collaboration with members of the Board and the wider Executive team. • The Group's corporate brokers provide guidance on investor priorities and perceptions and meet regularly with the Board. • We maintain a regular and open dialogue with the Group's lenders and main ratings agencies.	• An Investor Event was held in November, including an update on company strategy, underwriting priorities, and capital management.
Society and the environment		
Lancashire seeks to be a good corporate citizen with a focus on doing good in society and ensuring the environmental impact from our operations is minimal.	• Lancashire has been a member of the ClimateWise group since 2022. • We continue to support our clients as they transition and reduce GHG emissions and through active engagement with them with regard to our ESG Insurance Underwriting Guidelines. • We measure and offset carbon emissions for our own operations.	• Our 2023-2024 ClimateWise Report was published in September and is available on our website. • We purchased 3,700 carbon credits to balance our calculated carbon emissions. • The Lancashire Foundation makes a tangible difference to communities across our markets and beyond. Total donations for 2024 were $0.9 million. See page 42.

Section 172 responsibilities in focus

Capital requirements and dividend	Relevant stakeholders		
Criteria considered (Key)	Our shareholders	Our policyholders	a b c e f
	Our people	Government and regulators	

The Board considered the appropriate return of capital to shareholders during the course of 2024. These discussions were framed by the capital requirements of the business and the current underwriting conditions. The Group continues to have a robust capital position due to the strong operational performance of the business during 2024.

In March, given the increased resilience of Lancashire's business model, the Board approved a change to the regular final and interim ordinary dividend policy. Our Board declared a final ordinary dividend of $0.15 per common share, an increase of 50% from the previous year, and its intention to increase the Group's ordinary interim dividend to $0.075 per common share. The interim ordinary dividend was paid after the announcement of our results for the first six months of the year. Please see the Director's report on page 109 for more information on dividends paid during 2024 and the Group's dividend policy.

Aligned to these decisions were the requirements for capital held in light of the Group's regulatory capital requirements and with regard to the market credit rating agency models.

The Board discussed the success of the Group's diversification strategy, which has resulted in an improved performance and capital position. A key part of Lancashire's offering to (re)insured policyholders is its financial security and balance sheet strength.

The Board also discussed the positive approach to employees sharing in the Group's success through the RSS, whose members are eligible to receive special and other dividend equivalents.

Our US operations	Relevant stakeholders		
Criteria considered (Key)	Our policyholders	Our shareholders	
	Government and regulators	Our people	a b c d e f
		Society	

Lancashire Insurance US opened for business in March 2024. This was a significant milestone in the strategic development of Lancashire, giving the Group access to business that it could not write before, through new distribution channels and with new clients.

Lancashire Insurance US operates under a delegated underwriting arrangement with LUK and is focused on the US excess and surplus market. The initial product lines written were energy casualty and property.

The Board noted the strong team built in the US, both of underwriters and within support functions, the long-term business plan projections, and the significant planning required for the successful execution of the launch. It also discussed further opportunities within the US market and additional product lines that could be offered.

This geographic expansion strengthens Lancashire's offering to clients and created a number of opportunities for current and new employees. The launch of the business was aligned to relevant legal and regulatory requirements and capital demands.

Operational enhancements	Relevant stakeholders		
Criteria considered (Key)	Our policyholders	Our people	a b c e

The growth of the business and the diversification of the underwriting portfolio over the past five years has required Lancashire to review its operational efficiency.

The Board received regular reports on the Group's programme to bring core underwriting platforms together onto an upgraded policy administration system, and discussed its progress and implementation. Key to these discussions was ensuring oversight of associated risks.

Core elements of the programme include the alignment and simplification of processes and systems to make day-to-day working easier, more efficient applications and tools to augment our capabilities, and enhanced data for decision-making. The project also introduced a new risk modelling system and a centralised document management system.

The Board discussed the successful implementation of the first phase of the programme, which went live in September 2024, and work continues on a second phase.

Audit Committee

"2024 was an excellent year for the Lancashire business and has also been another busy year for the Committee. The Committee continues to provide appropriate challenge around key accounting judgements, assessing the integrity and fair presentation of the Group's financial reporting, and reviewing the effectiveness of the Group's internal control framework. In what has proven to be another active year for insurance market losses, the Committee has maintained its focus on the adequacy of the Group's reserving. In addition, the Committee has been mindful of both business and systems changes during the year and remained focused on obtaining assurance that our risk management, internal audit and external audit teams appropriately factor these changes into their work."

Sally Williams
Chair of the Audit Committee

Committee membership

The Audit Committee comprises five independent Non-Executive Directors and is chaired by Sally Williams. As part of the Board's longer-term succession planning, Linda Ventresca became a Committee member on 5 November 2024. The qualifications for each of the Committee members are detailed on pages 63 to 67. The Committee members bring a diverse range of experience in finance, risk management, and business, with experience in the property, casualty and specialty insurance and reinsurance sectors. The Board has confirmed that the members of the Committee and the Committee Chair have the necessary expertise to provide effective challenge to management.

The Group's internal and external auditors have the right of direct access to both the management team and the Audit Committee. The Audit Committee's detailed Terms of Reference are available on the Group's website.

Committee members	Meetings attended
Sally Williams (Chair)	4/4
Jack Gressier	4/4
Bryan Joseph	4/4
Robert Lusardi	4/4
Linda Ventresca[1]	0/0

1. Linda Ventresca was appointed to the committee on 5 November 2024.

Principal responsibilities of the Committee

- Monitoring and reviewing significant accounting judgements;
- Monitoring the integrity of financial and narrative reporting including recommending to the Board if this reporting is fair, balanced and understandable;
- Reviewing the independence and effectiveness of Group internal audit;
- Overseeing the appointment, reappointment, remuneration, independence and effectiveness of the external auditor;
- Recommending the appointment of the external auditor and the approval of their fees;
- Overseeing the effectiveness of the Group's risk management systems and internal controls; and
- Monitoring compliance, whistleblowing and speaking up mechanisms for financial irregularities, together with risk and fraud.

Specific details of the Committee's responsibilities and activities in these principal areas during the year are set out in the table on the following pages.

Summary of key areas of Audit Committee challenge

IFRS 17 and IFRS 9 embedding

The IFRS 17 and IFRS 9 accounting standards were implemented during 2023, resulting in significant changes to the accounting treatment for (re)insurance contracts and financial instruments respectively. 2024 has seen the further embedding of these changes into our day-to-day finance processes. Accordingly, during 2024, the Committee devoted additional time to reviewing enhanced reporting under these new standards from the finance team. The Committee also considered the validity of the related assumptions, judgements and disclosures in the financial statements.

New policy administration system implementation and capitalisation of costs

The Committee monitored progress around the implementation of a new Group-wide policy administration system during September 2024, and sought assurance that related financial controls remained robust. The Committee also reviewed a management proposals with regard to the capitalisation and amortisation of related project costs.

Significant areas of judgement and estimation

An annual paper is presented by management to the Committee that details the areas of judgement and estimation in the preparation of the consolidated financial statements. This is scrutinised and challenged by the Committee. Key areas of judgement and estimation challenged by the Committee during the year are discussed below.

Measurement of insurance contracts issued and reinsurance contracts held

The most significant area of judgement and estimation considered by the Committee during 2024 related to the Group's measurement of insurance contracts issued and reinsurance contracts held. These are recognised on the statement of financial position as 'insurance contract liabilities' and 'reinsurance contract assets'. As a result of the judgemental nature of these balances, changes in assumptions made may materially change the fulfilment cashflows within these balances. The estimation of the fulfilment cashflows is a complex actuarial process which incorporates a significant amount of judgement, in particular in relation to the estimation of the liability for incurred claims and the asset for incurred claims (i.e. the gross and net loss reserves).

The Committee's primary areas of focus and challenge relates to the adequacy of these gross and net loss reserves. The Committee held regular sessions with the Group Chief Actuary and the Group Head of Claims during the year to discuss reserving and claims developments. This included a close focus on the Group's gross and net of reinsurance exposures to significant loss events, which during 2024 included the Baltimore Bridge marine collision and collapse, and hurricanes Helene and Milton. The Committee also received independent estimates of the Group's loss reserves from an external actuary and compared these third-party estimates to those of the Group at its second and fourth quarter Audit Committee meetings.

During the year the Committee discussed and challenged:

- reserving for loss events which occurred during the year, together with reserve developments in respect of prior year losses across the Group's entities;
- the impact of inflation on the Group's approach to reserving and related assumptions;
- the IFRS 17 risk adjustment maintained within insurance contract liabilities above the established actuarial best estimate; and
- the IFRS 17 confidence level for the Group's reserves.

KPMG conducted a detailed re-projection of the Group's loss reserves as part of the annual financial statement audit.

Having reviewed and challenged these areas, the Committee concurred with management's valuation of the Group's loss reserves and the relevant disclosures in respect of loss reserving and the related assumptions within the Group's consolidated financial statements.

Assessment of premium allocation approach ("PAA") eligibility

The Committee previously considered the Group's eligibility for the PAA during the implementation of the IFRS 17 accounting standard. During 2024, the Committee considered eligibility of the 2024 groups of insurance contracts. The PAA is designed to simplify the measurement of insurance and reinsurance contracts. Judgement is applied when performing the PAA eligibility assessment on insurance and reinsurance contracts with a coverage period of more than one year. The Committee discussed and agreed with management the basis on which the Group would apply judgment in determining that it is eligible to apply the PAA measurement model to its portfolios and groups of contracts. The measurement of the liability for remaining coverage and asset for remaining coverage is not reasonably expected to differ materially from that calculated under the general measurement model.

The Committee also discussed with KPMG, as external auditors, the auditor challenge around stress testing and management's conclusions with regard to the Group's eligibility for the PAA. The Committee remains satisfied that the Group remains eligible to apply the PAA for all portfolios and contract groups.

Risk culture and controls

Other key areas of review and challenge by the Committee were over the effectiveness of the Group's control environment; the continued integrity of external financial reporting; and the oversight of corporate and risk culture through the reporting of the internal audit and risk management functions. The Committee seeks to ensure that the Group operates within a framework of prudent and effective controls that allow risks to be identified, assessed and managed.

Furthermore, the Committee discussed the expected evolution in this work and related disclosures in future years, following the FRC publication of the 2024 Corporate Governance Code.

Bermuda CIT regime

The Committee monitored developments related to the implementation of the new Bermuda corporate income tax regime which became effective from 1 January 2025. The Group is not expected to become subject to Bermuda CIT until 1 January 2030, provided it continues to meet the relevant conditions within the Bermuda CIT rules that means groups with a limited international presence are excluded from scope for a period of up to five years.

The recently published, post balance sheet, administrative guidance by the OECD in respect of Pillar Two has no impact on the Group's balance sheet position at 31 December 2024.

FRC's Audit Committees and the External Audit: Minimum Standard

The FRC issued this standard in 2023 and it became effective in January 2025. The Audit Committee has considered this standard and received a report on how the committee addresses the requirements within it. The Committee concluded that there are no significant changes in the Committee's activities arising from this new standard, as it primarily codifies existing good practice.

Going concern basis of accounting and longer-term viability

The Audit Committee reviewed and challenged the going concern assessment prepared by management at both the August 2024 and March 2025 meetings, with particular consideration of capital management, the current underwriting and loss environment, the composition and liquidity of the investment portfolio, long-term debt financing arrangements, strategic and financial forecasts over the business planning horizon, and stress and scenario testing (including climate change risk scenarios). These factors are also relevant in providing assurance to the Board on the longer-term viability of the Group's business strategy.

Having reviewed and challenged these areas, the Committee concurred with management's going concern assessment, together with the relevant disclosures in respect of going concern and longer-term viability within the Group's consolidated financial statements.

How the Committee discharged its responsibilities

Financial and narrative reporting

<table>
<tr><th>Committee responsibility</th><th>Committee activities</th></tr>
<tr><td>Monitors the integrity of the Group's consolidated financial statements, including its annual and half-yearly reports, annual reporting arising under applicable supervisory rules, interim management statements, and any other formal statements relating to the Group's financial performance.
Reviews and reports to the Board on significant financial reporting issues and judgements contained in the consolidated financial statements.</td><td>At each meeting, the Committee reviewed the Group's management accounts, including the annual consolidated financial statements, as well as the Annual Report and Accounts, and other public financial disclosures for the purpose of recommending their approval by the Board. The Group's annual regulatory reports, prepared in accordance with the BMA's reporting requirements, were reviewed in April 2024 at the Audit Committee meeting prior to their recommendation to the Board for approval. The Committee also monitored the activities of the Group's Disclosure Committee and reviewed the Group's financial releases and accompanying earnings call investor presentations.

During 2024, the Committee received, discussed and challenged regular and ad hoc reports and presentations from management in the following areas.

• Loss reserving, and developments to the Group's reserving process (see the Summary of key areas of Audit Committee challenge section above).
• Financial reporting-related changes arising from the embedding of IFRS 17 and IFRS 9 and other new or significant accounting treatments (including related party transactions).
• Developments in accounting and financial reporting requirements impacting the consolidated financial statements.
• The suitability and methodology for the Group's APMs.
• The wider activities of the finance team.
• The 2024 assessment of the Group's ability to continue as a going concern and the longer-term viability of the business.
• Consideration of reports from management concerning the dividend proposals to the Board during 2024 and compliance with Bermuda law and regulatory requirements.
• Key risk and controls including those relating to information security as part of regular risk controls reporting, together with quarterly confirmatory compliance statements from the Group's legal and compliance function.

The activities of LHL's subsidiary companies boards and audit committees. This included management reporting on progress made in the integration of the Group's new Lancashire US underwriting operation.

Reports from the external auditors and discussion with them, covering audit planning, the results of the external auditor assessment of key financial statement judgements and estimates, control testing, misstatements identified and other audit and accounting matters.

The Audit Committee continued its practice of holding closed sessions with the Group CFO, the Group Head of Internal Audit, the Group Chief Actuary and the External Auditor without management present.</td></tr>
<tr><td>Reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.</td><td>The Committee reviewed drafts of the 2024 Annual Report and Accounts in order to provide input and challenge of its key themes and messages. Ahead of their presentation to the Committee, a thorough review process of the Annual Report and Accounts was conducted to help ensure disclosures were balanced, accurate and consistent with the expectations of the Committee. The Committee carefully reviewed the Group's performance and reporting in light of the principal and emerging risks. The Committee carefully reviewed the clarity of the Group's financial statement disclosures made in accordance with applicable accounting standards, and relating to APMs, including consideration of the overall presentation of APMs to ensure that they are properly explained, reconciled and not given undue prominence. The Committee reviewed the final draft of the 2024 Annual Report and Accounts at the March 2025 Audit Committee meeting, together with the external auditor's report. The Committee advised the Board that, in its view, the 2024 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.</td></tr>
</table>

External audit oversight

Committee responsibility	Committee activities
Oversees the relationship with the Group's external auditors, approves their remuneration and terms of engagement, and assesses annually their independence and objectivity, taking into account relevant legal, regulatory and professional requirements, together with the Group's relationship with the external auditors as a whole. This includes an annual assessment of the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the external audit process.	The Committee considered the appropriateness of the annual external audit plan, and whether appropriate professional scepticism was applied by KPMG to key accounting judgements such as loss reserving. KPMG's work included a detailed re-projection of the Group's loss reserves, and the Committee discussed with KPMG their work during the course of the year and was satisfied that their work afforded appropriate challenge and professional scepticism. Following its review, the Committee approved the scope of the external audit plan. Throughout 2024, the Committee received regular reports from the external auditors, including regular assessments of the progress and effective delivery of the audit compared to the plan. KPMG's terms, scope of engagement and fees were discussed, challenged and subsequently approved by the Committee during the year. Following the 2023 year-end audit, the Committee performed an assessment led by the Committee Chair, of the effectiveness of the external audit process. The evaluation focused on the following areas: independence, professional scepticism and culture; the quality of audit expertise; auditor quality control; audit planning; and audit performance and evaluation. The assessment was discussed at the April 2024 Audit Committee meeting. The process identified a number of potential areas for enhancement that were factored into the audit planning process for 2024. Overall, the Committee was able to conclude that the external audit process was operating effectively, both with respect to the service provided by KPMG and management's continued support of the audit process. The Committee reviewed a letter from the external auditor to the management team, setting out certain findings and recommendations in respect of the control environment observed during the 2023 audit, together with management responses in each area identified. The Committee reviewed the independence of the external auditors at the half-year and year-end meetings, taking into account any non-audit services provided and related fee arrangements. The Committee concluded that KPMG remained independent.
The development and implementation of a formal policy on the provision of non-audit services by the external auditors, taking into consideration any threats to the independence and objectivity of the external auditors.	Pursuant to its annual review process, the Committee received a recommendation from management and approved a revised non-audit services policy in April 2024. The policy stipulates the approvals required for various types of non-audit services that may be provided by the external auditors, as well as those from which the external auditors are excluded, and is made available on the Group's website. During 2024, KPMG provided $0.6 million of non-audit services to the Group relating to the half-year reporting review, and PRA Solvency II and Lloyd's regulatory returns. The Committee considered the nature of the non-audit services provided, the suitability of KPMG as the supplier of the non-audit services, and the level of fees charged, and has determined that they do not affect the independence and objectivity of KPMG as external auditors.
Makes a recommendation to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Group's external auditors.	The 2024 financial year was the eighth financial year in which KPMG acted as the Group's external auditor. The incumbent lead audit partner is Salim Tharani, who assumed this role in February 2022 and has now completed three full years as the designated KPMG lead audit partner. In conformance with the required rules, provisions and good corporate governance, the Group will be required to tender for the external audit ahead of the 2027 year-end. The Committee discussed the need to run an external audit tender process during the course of 2025 and appointed certain members of management and the Committee to collectively facilitate the audit tender process on behalf of the Committee, but with the Committee's ultimate oversight and responsibility. It is intended that the Committee itself will consider proposals from prospective audit services providers during the course of 2025, with a view to making a recommendation to the Board with regard to the appointment of an external auditor later in the year. The proposed external auditor will be put to a shareholder vote at the 2027 AGM and will be expected to commence offering audit services for the 2027 financial year. The external audit fee arrangements across the Group were agreed after discussion between the Committee, management, and KPMG. The Committee and the Board are recommending the re-appointment of KPMG as external auditor at the 2025 AGM. The Committee monitored the developing regulatory landscape relating to the corporate governance, delivery and conduct of the external audit. In this regard, the Committee noted the changes and future requirements arising from the 2024 revisions to the FRC's Code and the ongoing requirement on audit committees to follow the FRC's Audit Committees and External Audit: Minimum Standard.

Internal audit oversight

Committee responsibility	Committee activities
Monitors and assesses the role and effectiveness of the Group's internal audit function in the overall context of the Group's risk management systems, ensuring it has no restriction over setting their scope, and the necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards.	The Group's internal audit function reports directly to the Committee. At the beginning of 2024, the Committee reviewed and approved a 2024-2026 strategy for the internal audit function, tabled by the Group Head of Internal Audit, that supports the strategic objectives and success of the Group and aligns with the expectations of the Board, senior management, and other key stakeholders. Throughout 2024, the Committee reviewed the delivery of the strategic priorities agreed for the year. In November 2024, the Group Head of Internal Audit presented the 2025 Group internal audit plan to the Committee for review, discussion and approval. The internal audit plan adopts a risk-weighted approach and considers current and emerging risks which impact the business, articulates the audit universe for the Group, sets out proposed work aligned with the Group's audit cycle and addresses specific area identified by management and Board for focus or to address regulatory requirements. The Committee received reports from the Group Head of Internal Audit summarising the status of the internal audit plan; findings from internal audits conducted in the period; and the status of actions taken by management to implement recommendations arising. The internal audit programme also covers the assessment of the Group's culture, including risk culture, for each audit undertaken. An overall summary of observations identified in respect of the Group's culture is presented to the Committee and discussed in both open and closed Committee sessions. The Committee reviewed and approved the Internal Audit Charter, which can be viewed on the Group's website. The Committee approved the objectives, the performance review and the succession plan for the Group Head of Internal Audit. The Committee commissioned Grant Thornton to conduct an External Quality Assessment, which was due in 2024, and to assess the performance of the internal audit function against the Chartered Institute of Internal Auditors' UK Code for Effective Internal Audit in the Financial Services Sector and the International Professional Practice Framework (IPPF) including the Global Institute of Internal Auditors' standards. The Committee also requested the internal audit function's work to be benchmarked with the practices prevalent in the UK Financial Services sector and amongst Lloyd's Specialty Market insurers. The review also included a gap analysis against the new Global Internal Audit Standards released in 2024, which will be effective starting in January 2025. The conclusion of the review was that the Group internal audit function 'generally conforms' to the requirements of the Standards. The Committee was content that this is the highest rating for the IIA IPPF. The Committee reviewed the implementation of the observations raised during the External Quality Assessment during the course of 2024. The Chair of the Committee undertook an annual review of the effectiveness of the internal audit function and its activities. At its November 2024 meeting, the Committee discussed the report and its findings and concluded that the internal audit function had operated effectively in the overall context of the Group's risk management systems, has appropriate standing and priority within the Group, and that the Group Head of Internal Audit has the appropriate reporting lines to maintain independence.

Internal controls and risk management systems

Committee responsibility	Committee activities
Reviews the adequacy and effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. Reviews and approves the statements to be included within the Annual Report and Accounts concerning internal control, risk management, including the assessment of principal and emerging risks, and the statements regarding going concern and viability.	The Board has ultimate responsibility for ensuring the maintenance of a robust framework of internal control and risk management systems across the Group and has delegated the monitoring and review of these systems to the Committee. The Committee reviewed and challenged the Group's control environment, in the light of regular quarterly reporting from the Group Chief Risk Officer, the finance department and the legal and compliance function and half yearly reporting from an external actuary on the adequacy of loss reserving. The Committee discussed and challenged the results of the risk and control affirmation review and testing work performed and the ongoing effective operation of key controls. At each meeting the Committee is presented with a report from the Group Head of Internal Audit, and reviews findings relating to the control environment and management responses. In addition, the Committee received from the Group Head of Internal Audit an annual assessment of the effectiveness of the Group's governance, risk and control framework for discussion, together with an analysis of themes and trends from the internal audit work performed and their impact on the Group's risk profile. The Group Head of Internal Audit considered management's fraud risk assessment as part of this work. Fraud risk and the associated controls were, otherwise, ordinarily considered by the Group internal audit function as part of the planning phase for each audit conducted. During this review, the Committee did not identify any weaknesses which were determined to be significant to the preparation of the financial statements. Where areas for improvement were identified, processes are in place to ensure that the necessary actions are taken, and progress is monitored by the Committee. As a result of this work the Committee and the Board were satisfied with the effectiveness of the Group's internal controls, including operational and compliance controls and controls over financial reporting. The Committee assisted the Board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the Group, as more fully described in the Directors' Report on page 111.

Compliance, speaking up and fraud

Committee responsibility	Committee activities
Reviews for adequacy and security the Group's compliance, speaking up and fraud controls.	The Committee conducted an annual effectiveness review of the Group's policies and procedures relevant to financial controls and recommended the adoption by the Board of updated policies and procedures in respect of: • anti-money laundering; • the prevention of bribery and financial crime (including the detection of fraud); • conflicts of interest; • whistleblowing arrangements; and • sanctions monitoring. The operation of the controls that are documented in these policies and procedures are reported to the Committee on a quarterly basis in the form of confirmatory compliance statements from the Group's legal and compliance function, members of which include the Group's Money Laundering Reporting Officers and Group Data Protection Officer. The Committee also keeps under review the adequacy and effectiveness of the Group's legal and compliance function, and receives regular updates on compliance training delivered to employees across the Group. The Group's whistleblowing policy and procedures provide an internal mechanism for the reporting, investigation and remediation of any workplace wrongdoing, with arrangements in place that allow for the independent investigation of such matters and appropriate follow-up action. A whistleblowing champion has been appointed to each of the Group's principal operating subsidiaries, as well as at a parent company level, with the Chair of the Audit Committee serving in such capacity. The appointed whistleblowing champions have responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Group's policies and procedures on whistleblowing. The Group places a high priority on employees' understanding of this process to enable them to speak out with confidence when appropriate. This message, as well as the arrangements that are in place, is regularly communicated to all employees.

Priorities for 2025

- Maintain the focus on the Group's risk and control framework, the operation of the business's financial reporting systems and the integrity of external financial reporting, with consideration of the changes to the UK Code where relevant;
- Monitor and embed aspects of positive business culture in quarterly reporting, in particular regarding the Group's financial and risk control environment;
- Conduct an effective tender process for the Group's external audit services which is compliant with the requirements set out in the FRC's Audit Committees and the External Audit: Minimum Standard;
- Monitor developments and implement recommendations relating to anticipated changes in the corporate governance, corporate reporting, audit practice landscape, ESG, sustainability and climate reporting; and
- Oversee the implementation of the changes required by the new Global Internal Audit Standards for the Audit Committee and the internal audit function.

Sally Williams
Chair of the Audit Committee

5 March 2025

Nomination Corporate Governance and Sustainability Committee

"I became Chair of the Committee following Peter Clarke's planned departure at the 2024 AGM. The Committee has had another active year, with its principal focus being on succession both to further the commercial and strategic objectives of the business and to ensure the evolution of the Board and its Committees with due regard to the overall balance of skills, experience and diversity. Following a thorough process for the identification of candidates, and on the recommendation of the Committee, the Board appointed Linda Ventresca in August 2024, and Nathalie Rachou and Bob Cox in November 2024. The Board has the right balance of skills and experience to deliver intelligent and focused governance, with an appropriate balance of challenge and support for our senior executive team."

Philip Broadley
Chair of the Nomination Corporate Governance and Sustainability Committee

Committee membership

The majority of the Nomination Corporate Governance and Sustainability Committee members are independent Non-Executive Directors. The Committee Chair is Philip Broadley, who is also the newly appointed Chair of the Board.

Committee members	Meetings attended
Philip Broadley (Chair)	3/3
Peter Clarke (former Chair)	2/2
Michael Dawson	4/4
Sally Williams	4/4
Irene McDermott Brown	4/4

Principal responsibilities of the Committee

- Reviews the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and oversees Board engagement with the workforce;
- Considers succession planning for the Directors and other senior executives;
- Nominates candidates to fill Board vacancies;
- Makes recommendations to the Board concerning Non-Executive Director independence, membership of Committees, suitable candidates for the role of Senior Independent Director, and the re-election of Directors by shareholders;
- Reviews the Company's corporate governance arrangements and compliance with the Code;
- Monitors and makes recommendations to the Board regarding the environmental, social and governance responsibilities of the Company; and
- Makes recommendations to the Board concerning the charitable and corporate social responsibility activities of the Company and donations to the Lancashire Foundation.

How the Committee discharged its responsibilities

Committee responsibility	Committee activities
Board and Committee succession, independence, composition and effectiveness	The appointment of Russell Reynolds as the independent external recruitment consultancy to carry out a search for the three additional Non-Executive Director candidates who were appointed during 2024 was approved by the Committee. The Committee agreed detailed specifications for the required Non-Executive Director roles, which were structured with regard to the balance of skills, experience and diversity of the Board and its Committees. During the course of 2024, regular meetings were held with representatives of Russell Reynolds, as well as numerous meetings between Directors, members of management and the prospective candidates. The company secretarial department assisted in conducting the relevant due diligence processes and gave advice around governance requirements for candidates under consideration. All Directors were involved in meeting and approving the principal candidates emerging from the search process. The Committee regularly discussed Board succession and skills planning over the year and monitored the diversity of the Board members. The appointments of Paul Gregory, Linda Ventresca, Nathalie Rachou, and Robert Cox, as Directors were reviewed and approved during the year. See pages 68 and 69 for details of these appointments. Philip Broadley was appointed as a member and Chair of the Nomination Corporate Governance and Sustainability Committee, and as a member of the Investment Committee and the Remuneration Committee. The Committee reviewed the composition of the Board at its November 2024 meeting, and it considered that the balance of skills, knowledge, independence, experience and diversity continues to be appropriate for the Group's business to meet its strategic objectives. The Committee noted in its discussions that the Board had met its Parker review objective for the Board of having at least one director from a minority ethnic background. The Committee has also noted that, due to the appointment of two female Non-Executive Directors during 2024, the gender balance of the Board has improved. The Committee and Board remain committed to an objective of having at least 40% female membership of the Board and intends to maintain this as part of its succession planning over the next couple of years. The process for the year-end review of the effectiveness of the Board, the Committees and each of the Directors, was overseen by the Committee. See pages 69 and 70 for a summary of the process and conclusions, including the decision not to use external facilitation. In accordance with the provisions of the Code, all of the Directors are subject to annual (re)election by shareholders. See pages 68 and 69 for a summary of the Committee's work regarding the independence and (re)election of Directors. The Group's fit and proper policy for Board appointments was reviewed and approved.
UK Corporate Governance Code compliance	The Committee keeps under review the Company's corporate governance arrangements, particularly the Company's compliance with the Code. The Committee reviewed the company secretariat's checklist record of the Company's compliance with the Code on a quarterly basis.
Governance documentation	Each Committee considered its Terms of Reference as part of the 2023 year-end evaluation process and has recently completed a similar exercise as part of the 2024 evaluation. The Committee recommended to the Board changes to the Terms of Reference for the Underwriting and Underwriting Risk Committee, which were tabled in the light of changes to the Group's underwriting management structure and underwriting processes and approved in August 2024. The Committee also concluded that all other Terms of Reference for the Committees were fit for purpose. In August 2024, the Committee reviewed and recommended to the Board minor revisions to both the Board's Schedule of Reserved Matters and to the document describing the division of responsibilities between the Group CEO and the Chair.
Management and staff appointments and succession planning	In November 2024, the Committee reviewed and recommended the approval and adoption by the Board of the Group's management succession plan and talent management and development programme for the senior management population. The business has the objective of fostering a skilled and diverse workforce to meet the needs of the business. The Committee engaged with Nicola Nairn, the newly appointed Group Head of HR and discussed with her plans for the enhancement of data collection and reporting for employees. The Committee reviewed training and development proposals for a number of key employees across the Group as part of the succession planning process.

Committee reports *continued*

Committee responsibility	Committee activities
Workforce engagement	With regard to its arrangements for workforce engagement the Board does not use the suggested methods set out in the Code, but an alternative arrangement involving the designation of Non-Executive Directors on a rotating basis. During 2024, the Group CEO held 'town hall' meetings with employees following the announcement of the Group's quarterly results. To best promote arrangements for Non-Executive Directors to engage constructively with members of the workforce, the Committee oversaw for these town hall meetings to be attended by the Chair of the Board or another Non-Executive Director. The Non-Executive Director participants in the town hall meetings held during 2024 were Michael Dawson, Irene McDermott Brown, Sally Williams and Robert Lusardi. The Directors continue to have the opportunity to meet with employees less formally at lunches and other social gatherings throughout the year as well as those specifically organised around the time of the Board's regular meetings in Bermuda. Following his appointment as Chair of the Board at the 2024 AGM, Philip Broadley introduced himself in a session open to all staff members and welcomed questions. Philip Broadley also convened a question-and-answer session for all employees in June 2024, which was framed as a discussion between Philip and Alex Maloney, and afforded staff the opportunity to ask questions. A similar question-and-answer session for staff was conducted with Natalie Kershaw, the Group CFO and an Executive Director, in May 2024. The Committee considered these and other tools for workforce engagement at its November 2024 meeting and discussed arrangements for workforce engagement during 2025. The Committee, and the Board, consider that the mechanisms for workforce engagement and feedback have an appropriately high profile and, in turn, inform debate within the relevant Committees, the Board and the wider Group.
Legal, regulatory and governance developments reform	Developments in the areas of law, regulation and guidance relevant to the Group and its operation were reported and discussed. Topics covered included proposals for reform to the UK Code and related corporate reporting requirements for UK listed entities, changes to the UK Listing Rules during 2024, developments in audit market reform and guidance, UK guidance with regard to ethnicity pay data and developments in ESG regulation and practice.
Subsidiary boards	The Committee and Board monitored the composition of the Group's subsidiary boards, including appointments and other alterations.
Sustainability	
Sustainability and ESG strategy and reporting	Regular reports were received from Jelena Bjelanovic as Chair of the management ESG Committee regarding the current and developing ESG regulatory landscape as well as the Group's progress in these areas. The Committee has continued to monitor developments in the area of the Group's ESG responsibilities, including climate change risk management, data collection and reporting within the business. The Committee received feedback on the Group's engagement with the Lloyd's market pilot concerning proposals for accounting for insured carbon emissions. The Committee noted the developments in wider regulatory requirements and market initiatives. At its November 2024 meeting, the Committee recommended to the Board for approval changes to the Group's ESG strategy and framework.
Environment	
Climate change risk and opportunity and nature-related risk	Developments in the areas of environmental sustainability and climate change, and the management of related risks and opportunities, were periodically reviewed. The Committee and Board reviewed and ratified the Group's 2024 ClimateWise submission. For more information on these matters, please see the 2024 TCFD report starting on page 46.

Committee responsibility	Committee activities
Social responsibility	
Diversity, equity and inclusion	For data regarding the gender and ethnicity of the Board and executive management, please refer to page 37. The Committee recommended approval of an updated Board diversity policy, which is posted on the Company's website, and covers the Board and each of its committees. The Committee was pleased that during 2024, the Board continued to meet its Board-level Parker review objective for minority ethnic representation. At its November 2024 meeting, the Committee discussed with the Group Head of HR progress towards the Group's option of the adoption of a Parker Review ethnicity target for the executive management group and its reports. The Committee and Board will continue to keep under review pending enhancements to the Group's data collation and reporting capabilities which are expected to help inform the process for considering an appropriate ethnicity target at some future date. The Committee noted the improvement in gender diversity on the Board. At the 2024 year end the percentage of female membership of the Board was 41.7%. On 1 January 2025, the percentage fell to 38.5% when the appointment of Bob Cox became effective. Female Board membership is expected to increase to 45.5% following the 2025 AGM. The Board intends to continue to maintain this focus on the balance of the Board as part of future succession planning. The Committee received an update from management on the Group's gender pay gap data and discussed areas for focus and action, including continued workforce communication.
The Lancashire Foundation	The Committee is responsible for monitoring and making recommendations to the Board in relation to the Company's charitable giving policy and the operation of, and reporting requirements for, the Lancashire Foundation. During 2024, the Committee received a report from the Foundation, including its objectives, governance and approach to funding for 2025 and beyond, alongside its investment strategy, donations policy and charitable activities, as well as the ways in which the Foundation engages employees throughout the Group with its work and initiatives. The Committee made a recommendation to the Board that the Company donate to the Foundation 0.75% of full-year Group profits (subject to a cap of $750,000 and a $250,000 collar), conditional on the determination of financial performance for the full year. For more information regarding the work of the Lancashire Foundation, please see pages 42 to 45.
UK Modern Slavery Act 2015 and human rights	During 2024, the Committee recommended the approval by the Board of an updated Group anti-slavery and human trafficking statement which was amended to include reference to the Group Human Rights Statement. Both statements are posted on the Company's website.

Priorities for 2025

- To continue to ensure that the Company is able to effectively discharge its governance responsibilities and to appropriately adapt, monitor and report its compliance with the 2024 UK Corporate Governance Code;
- To support management in the further development of the talent pipeline and training and retention tools within the business;
- To review developments with regards to the Company's sustainability and ESG activities, including management of climate change risk and opportunity; and
- To monitor the Company's progress on diversity and to consider appropriate objectives as part of its oversight of succession planning.

Committee reports *continued*

Investment Committee

"The Investment Committee has focussed on the increasing investment opportunities arising from the diversification and growth of the Group's insurance business over recent years. The larger pool of insurance and reinsurance reserves held by the Group linked to organic growth initiatives including the establishment of a new US-based underwriting platform in 2024 and the growth of the Group's longer tail casualty portfolio has increased the size of the Group's managed investment portfolio. This exceeded $3 billion for the first time during 2024. The larger portfolio provides the opportunity for investment returns to generate a larger contribution to overall Group profit. However, the Group's investment portfolio has continued to be managed with the same relatively conservative approach, as in previous years. In the current higher interest rate environment, the portfolio investment returns have made a material contribution to the Group's profitability. We expect investment returns to continue to enhance the Group's overall returns in future years."

Robert Lusardi
Chair of the Investment Committee

Committee membership

The Terms of Reference of the Investment Committee provide that the Committee shall comprise at least two Non-Executive Directors (one of whom may be the Chair of the Board) and the Group CFO and/or the Group CIO. Any Executive Director may also serve on the Committee.

The Investment Committee comprises one independent Non-Executive Director, the Chair of the Board, one Executive Director (the Group CFO) and the Group CIO (who is not a Director).

Committee members	Meetings attended
Robert Lusardi (Chair)	4/4
Peter Clarke[1]	1/2
Philip Broadley[2]	3/3
Natalie Kershaw	4/4
Denise O'Donoghue	4/4
Linda Ventresca[3]	0/0

1. Peter Clarke left the Investment Committee when he stepped down as a Director and the Company Chair on 1 May 2024.
2. Philip Broadley was appointed to the Committee on 5 March 2024.
3. Linda Ventresca was appointed to the Committee on 5 November 2024.

Principal responsibilities of the Committee

- Reviews investment strategies, guidelines and policies proposed by management and recommends such to the Board and other Group entities to approve;
- Recommends and sets risk asset definitions and investment risk tolerance levels as proposed by management;
- Recommends to the relevant subsidiary boards the appointment of investment managers proposed by management to manage the Group's investments;
- Monitors the performance of investment strategies within the risk framework; and
- Establishes and monitors compliance with investment operating guidelines.

How the Committee discharged its responsibilities

During 2024 the Group's investment portfolio generated $162.2 million, representing a positive return of 5.0%. The strong return was driven by a higher-yielding environment, diversification and a strong contribution from our alternative assets. The Committee received regular comprehensive reports from management regarding investment performance, strategy and risk monitoring. The Committee continued to work constructively with management to articulate, support and implement the Board's investment philosophy and discussed and agreed the resourcing requirements for the Group's investment department.

The Committee carried out its biennial strategic asset allocation review, assisted by analysis from the Group's investment advisers, and recommended to the Board for approval resultant changes to the Group's investment strategy and portfolio guidelines. This regular strategic review work is designed to optimise the risk and return profile of the Group's investment portfolio.

Regular reports from the professional investment portfolio managers concerning their forward-looking view of the macroeconomic environment and implications for investment asset classes and strategy were discussed. The Committee received a presentation from one manager regarding the opportunity and performance associated with certain credit-focused investment portfolios.

The Committee considered regular reports on the performance of the Group's investment portfolios, including asset allocation and compliance with pre-defined guidelines and tolerances; and recommended amendments to portfolio investment guidelines to the Board. During the year, the Committee approved two new private credit fund investments and received management reports on other investments which further diversified the Group's investment portfolio. The due diligence for all new managers and funds is under the remit of the internal Investment Return and Risk Committee and outcomes are reported to the Investment Committee.

A suite of investment portfolio risk analytics were monitored throughout the year by the Committee, including a 1 in 100 VaR measure, realistic disaster scenarios and realistic loss scenarios, credit risk and credit quality, liquidity risk and other market risks. The Committee also tracked foreign exchange exposure and its management.

A number of tools were monitored to measure the ESG profile, climate change risk exposure and carbon intensity of the Group's investment portfolio, with due regard to stakeholder expectations in these areas. The Committee intends to continue to monitor the available ESG and carbon management tools in consultation with the Group's external advisors and portfolio managers in order to remain informed of the evolving market and regulatory standards and expectations for the measuring and reporting in these areas.

Of the Group's externally managed investment portfolio, 96.7% is assigned to managers which are signatories to the UNPRI. Performance against carbon intensity guidelines for investment managers in the fixed maturity portfolio is regularly reviewed. The Committee monitored the ESG profile of the Group's fixed maturity portfolio by reference to the MSCI ESG rating tool, noting that the MSCI covered assets within the Lancashire portfolio is broadly aligned with the MSCI ESG category rating for a benchmark portfolio, being the Bloomberg Barclay's US Corporate Bond 1 to 5 year Index.

The proportion of the fixed maturity portfolio covered by the available rating methodology was approximately 45% of the public fixed maturity portfolio at the year-end, due to the high number of US treasuries and structured products that are not covered by the available methodology.

The MSCI rating for the proportion of portfolio assets covered under the available MSCI carbon intensity rating methodology was rated as "A". The carbon intensity score for the fixed maturity portfolio continued to reduce during 2024 following recent changes to the investment guidelines.

The Committee continues to operate a framework for the measurement of climate sensitivity for corporate bonds within the fixed maturity portfolio through the use of a Climate VaR, which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5°C, for the Group's investment risk tolerance statements. The Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. Due to limited coverage of the available MSCI measurement tool, the portfolio performance is grossed up by reference to covered assets. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure.

ESG and carbon management investment guidelines are approved by the Committee and the Board and implemented by the Group's investment managers across the Group's fixed maturity investment portfolios. The Committee agreed further changes in the Group's investment guidelines during 2024 so that, from 1 January 2025, investment managers will be required to divest from companies that generate more than 2% of their power from thermal coal or derive more than 2% of their revenues from oil sands or Arctic oil and gas.

Priorities for 2025

- To maintain a diversified investment portfolio which generates attractive risk-adjusted returns, supports Group underwriting activities, contributes to growth in DBVS and is balanced with the preservation of capital and the maintenance of liquidity to pay claims;
- To have the portfolio duration align with the reserve duration of the Group's inwards insurance and reinsurance portfolios, which has increased in recent years;
- To monitor macroeconomic trends, in particular the anticipated changes in the yield curve, and to assess associated investment risk within a framework of prudent investment risk management;
- To monitor the climate change risk sensitivity, ESG profile and carbon intensity profile of the Group's investment portfolio with due regard to developing expectations and methodologies; and
- To monitor the implementation of recommendations from the biennial strategic asset allocation study, and to evaluate the developing investment environment relative to the original assumptions and recommendations.

Underwriting Committee

"For the first time in the Group's history, our annual gross premiums underwritten exceeded $2 billion. Over several years, the Group has taken advantage of a favourable trend in (re)insurance pricing in most classes of business. This attractive environment helped us once again to achieve profitable growth in 2024, ahead of the market rate increases. We were able to grow our client base, build out both newer and existing lines of business and establish a more diversified book. In what was another active year for large risk losses and catastrophe losses, our strong underwriting result helps demonstrate the greater resilience of our portfolio. The Group's newly established Lancashire US platform, which commenced underwriting in early 2024 was an exciting development and an area of close focus for the Committee."

Alex Maloney
Group CEO and Chair of the Underwriting and Underwriting Risk Committee

Committee membership

During 2024, the Underwriting and Underwriting Risk Committee comprised two Executive Directors (the Group CEO and the Group CUO) and three Non-Executive Directors, together with other senior members of the Group's underwriting and actuarial management teams (who are not Directors).

Committee members	Meetings attended
Alex Maloney (Chair)	4/4
Jon Barnes	4/4
Michael Dawson	4/4
James Flude	4/4
Paul Gregory	4/4
Jack Gressier	4/4
James Irvine[1]	4/4
Hayley Johnston	4/4
Bryan Joseph	4/4
Ben Readdy	4/4

1. James Irvine resigned from the Committee on 4 December 2024.

Principal responsibilities of the Committee

- Reviews Group underwriting strategy, including consideration of new lines of business;
- Oversees the development of, and adherence to, underwriting criteria, limits, guidelines and authorities across the Group;
- Reviews underwriting performance;
- Reviews significant changes in underwriting rules and policies; and
- Monitors underwriting risk and its consistency with the Group's risk profile and risk appetite.

How the Committee discharged its responsibilities

Strategic oversight

During 2024, the Committee continued to monitor the development and delivery of the Group's underwriting strategy. The management team remained focused on the strategic priority of maximising the underwriting opportunity during another year in which the (re)insurance pricing environment continued to improve in most classes.

The Committee actively monitored underwriting performance during the year and continued to monitor and approve the Group's underwriting risk tolerances and preferences and related performance.

Management reporting to the Committee included the clear presentation of underwriting information, aligned with the Group's insurance and reinsurance reporting segments, including dashboard summaries. Improvements to the Group's data warehouse and data management capabilities over recent years have afforded enhancements to the collation and presentation of underwriting, outwards reinsurance and claims data relevant to the Committee's activities.

The Committee received regular updates on the Group's strategic underwriting plans and the Lloyd's business plans, including related capital requirements.

It also regularly reviewed progress in the development of the Group's Lancashire US underwriting platform.

Reports were received on a number of new business initiatives, including several which were explored but not pursued.

Underwriting performance

Regular reports were received on the Group's underwriting activities, including quarterly updates on gross premium written, insurance and reinsurance pricing trends, and combined ratio developments as well as changes in underwriting appetites and the Group's client base. The strong improvement in the pricing environment over recent years had contributed to the Group's ability to grow its premium income materially. Within this context, the Committee discussed with management the implications for increasing competition in the current strong pricing environment.

A management presentation was received on developing the Group's casualty reinsurance portfolio, performance and strategy. Since the Group's entry into this class in 2021, Lancashire has become a respected casualty market participant with increasing access to interesting market opportunities. The Committee also noted the longer tail claims duration within the casualty class and that the resultant casualty reserves held by the Group will tend to enhance overall returns within the Group's investment portfolio. Throughout 2024, the Committee monitored the progress made in building a more diversified underwriting portfolio, within which catastrophe risk is more broadly balanced against other non-correlating risks.

The Committee received regular reports from management following the commencement of the Group's US underwriting operations in April 2024. The Committee discussed progress in operational areas, recruitment and other arrangements for the US office as well as reports on broker submissions and business bound during the year.

In August 2024, the Committee received an update of the Group's mid-year Florida property reinsurance renewals including pricing, underwriting appetite, and positioning.

Underwriting controls

The Committee's Terms of Reference were reviewed to ensure that they have appropriate focus. In the light of changes to the Group's underwriting management structures the Committee discussed and recommended to the Board certain changes to its Terms of Reference, which were agreed by the Board in August 2024.

The Committee kept the Group's underwriting controls policy and procedures under review and approved changes. The Committee also reviewed and recommended to the Board changes to the underwriting authorities, aggregate exposures and normal maximum lines by class of business.

Risk appetites and monitoring including climate risk exposure

The Committee reviewed and recommended to the Board the Group's underwriting PML and RDS risk tolerances and preferences. The Committee reviewed at each of its meetings a summary of the Group's top PML and RDS exposures, including quarterly movements.

Through the review and monitoring of underwriting PMLs, the Committee continued to monitor exposures to a range of natural catastrophe risks, including regional windstorm and hurricane exposures. The Committee and the Board articulated and agreed an appropriate underwriting and risk management strategy and management preferences for these and other risk exposures linked to climate change factors.

The Committee and the Board are satisfied that the Group's underwriting strategy and reinsurance and risk management programmes are appropriate for the management of underwriting risk and natural catastrophe and climate linked exposures relating to these risks. For more detail, please see the ERM report starting on page 24 and the Group's TCFD report starting on page 46.

The potential for conflicts and their related management within the business was also monitored.

Oversight of reinsurance structures

One of the Committee's roles is to monitor the Group's reinsurance planning, which is an important tool in managing the Group's exposures from the inwards (re)insurance portfolio.

The Group's programme of outwards reinsurance protections is a core risk and exposure management tool. The Committee reviewed the structure, pricing and operation of the outwards reinsurance programme and regularly discussed management reports covering outwards reinsurance developments. The Committee's work included a forward-looking presentation by management regarding opportunities for the Group's reinsurance structure for 2025. The Committee also monitored the Group's intra-group reinsurances.

Claims reporting

The Committee monitored the status of key claims, including reserve developments during the course of the year. Additionally, other topics discussed included COVID-19 related market litigation and claims relating to the conflict in Ukraine. Significant loss events during the year included the March 2024 Baltimore bridge marine collision and collapse, the August 2024 Calgary hailstorms, the European windstorm Boris in September 2024, and US hurricanes Debby, Helene and Milton.

Board engagement

During 2024, the Committee meetings were ordinarily attended by all Board members. The Committee and Board seek to match the Company's capital to the underwriting requirements of the business in all parts of the underwriting cycle. A more detailed analysis of the Group's underwriting performance appears in the underwriting and business review starting on page 16.

Priorities for 2025

- To continue to monitor and understand opportunities and risks within the context of the evolving underwriting pricing cycle;
- To oversee implementation by management of a profitable, forward-looking and disciplined underwriting strategy with a focus on disciplined growth appropriate to the current market opportunities and nimble use of the Group's underwriting platforms, within a framework of appropriate risk tolerances;
- To work to identify new underwriting opportunities, in particular new lines of business available through the Group's Lancashire US underwriting platform; and
- To continue to foster a nimble, sustainable and responsive underwriting culture, capable of responding to the needs of clients, investors, employees and other stakeholders.

Remuneration Committee

"The Committee and Board have been pleased with the resilience of the Group's underwriting portfolio to market losses, and the contribution of both underwriting, and investments, to exceptional profitability for 2024. Strong performance during the year enabled the Board to deliver enhanced returns to shareholders by both an increase in the Company's ordinary dividend payments and by further special dividends during the year. These results are reflected in the 2024 remuneration outcomes for our Executive Directors."

Irene McDermott Brown
Chair of the Remuneration Committee

Committee membership

At the 2024 year end the Remuneration Committee comprised four independent Non-Executive Directors and the Chair of the Board. Philip Broadley was appointed as a member of the Committee on 5 March 2024. Peter Clarke stepped down from the Committee and the Board at the 2024 AGM.

Committee members	Meetings attended
Irene McDermott Brown (Chair)	4/4
Philip Broadley	3/3
Peter Clarke	2/2
Michael Dawson	4/4
Jack Gressier	4/4
Robert Lusardi	4/4

Principal responsibilities of the Committee

- Sets the Remuneration Policy for all Directors and determines the total individual remuneration packages of the Company's Chair, the Executive Directors, Company Secretary and other designated senior executives;
- Recommends to the Board the financial and personal objectives for each Executive Director and monitors the performance against these objectives for the annual bonus;
- Determines each year whether awards will be made under the Group's RSS and, if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives, and the performance targets to be used;
- Ensures that contractual terms on termination or retirement, and any payments subsequently made, are fair to the individual and the Company; and
- Oversees any major changes in employee reward and benefit structures throughout the Group.

How the Committee discharged its responsibilities

Throughout the year, the Committee kept under review the Group's performance and remuneration structures, giving due consideration to investor and stakeholder interests and guidance.

The Chair of the Remuneration Committee led a shareholder advisory exercise with the Group's largest shareholders regarding the Board's remuneration plans during early 2024. Constructive feedback from shareholders was taken into account when finalising these remuneration plans, and the Remuneration Report received a vote in favour of 91.2% at the 2024 AGM.

Given the strong shareholder support for the pre-existing Remuneration Policy and the due consideration given to it during the year with support from PwC as the Group's external remuneration advisor, the Committee concluded the existing Policy continues to remain suitable and no changes are currently proposed at the 2025 AGM. The Committee will be reviewing the Policy during 2025 ahead of the triennial Policy review at the 2026 AGM.

Details of the metrics for the annual bonus for Executive Directors and for the longer-term RSS equity-linked awards for Executive Directors are set out in the Directors' Remuneration report on page 93. The Committee monitored the financial performance of the business throughout the year.

The Committee received remuneration advisory services from PwC who were appointed in 2023 as the Group's independent remuneration advisers. PwC attended the Committee's meetings during 2024.

During 2024, the Committee reviewed the Group's incentive packages for Executive Directors, including for Paul Gregory, who was appointed to the Board as an Executive Director from 1 May 2024, and for other designated senior executives within the agreed remuneration framework and more generally for the staff population, to ensure that remuneration is structured appropriately to promote the long-term success of the Company. The Committee reviewed industry benchmarking data for the Group's most senior executive roles. In considering the salary and bonus awards for the Executive Directors, as well as other designated senior executives, the Committee had regard to remuneration levels and practices across the workforce. The Committee and the Board noted and discussed the outcomes of the Group's gender pay gap data analysis and developments in succession planning.

The Committee also approved the grant of long-term incentive awards under the Company's RSS, considering a range of factors, including the Company's share price movement. The Committee reviewed Executive Directors' shareholdings in the context of the Company's share ownership guidelines for executives. Share ownership targets have either been met, or acceptable progress made, in accordance with guideline requirements.

In considering remuneration outcomes, the Committee made enquiries with respect to the effective operation of the Group's risk and control framework and sought input from the Audit Committee Chair and the Group's Chief Risk Officer. The Committee was satisfied that there were no circumstances which required the application of risk adjustment, malus or clawback to remuneration.

At the November 2024 meeting, the Committee and all Directors received a presentation from PwC on developments in remuneration practice. Discussion covered developments in law, regulation, best practice and reporting obligations, as well as the remuneration guidance from leading shareholder advisory groups. Following the election of a new UK Government during 2024 the Directors considered the impact of potential changes to the UK legislative, regulatory and tax environment and associated implications for the workforce and the operation of the business. The Committee also noted the remuneration practice changes that will arise from the publication of the 2024 Code, which will take effect from 2025.

The Committee reviewed and recommended to the Board for approval the Group's Solvency II remuneration policy relevant to the management population of staff within the Group's UK regulated entities.

For detail of the Committee' s discussion of the linkage between performance and remuneration outcomes, please see Irene McDermott Brown's introduction to the Directors' Remuneration Report on pages 92 to 93. The Report also sets out in greater detail 2024 remuneration for Executive Directors and the Committee's work in reviewing performance and outcomes and in determining appropriate implementation of the Policy for 2025 (see pages 98 to 108 for the full report).

Priorities for 2025

- To ensure the appropriateness and relevance of the Group's remuneration structures and alignment with the Board's business strategy and objectives, effective risk management and the interests of stakeholders;
- To ensure that remuneration across the wider Group is appropriate to retain and reward employees and remains competitive and appropriate to meet the skills and resourcing needs of the business;
- To work with the Group's independent remuneration advisers to review the Directors' Remuneration Policy in anticipation of a shareholder Remuneration Policy vote at the Group's 2026 AGM;
- To keep abreast of compensation levels amongst the Group's London, Bermudian and other international peers, and appropriately reflect good market practices; and
- To adopt requirements in line with the 2024 UK Corporate Governance Code.

Annual Statement

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the 2024 Directors' Remuneration Report to shareholders.

Business performance for 2024

2024 has been another extremely strong year where excellent operational and financial results have been delivered. For the third year in succession, the business has achieved growth in excess of the rates of growth in premium pricing, generating comprehensive income of $321.3 million, the second highest since 2010. The growth and diversification in the Group's underwriting has shown that the strategy of the past five years has been effective. Whilst 2024 was an active year in terms of the loss environment, it has been demonstrated that our underwriting capabilities mean that Lancashire can absorb losses such as the MV Dali Baltimore Bridge collision, and weather-related events, and still generate excellent returns for shareholders. In addition, our investment portfolio has also delivered strong returns, and investment performance has made a significant contribution to Group returns during 2024.

The Board has been pleased with the strong result in the annual Change in DBVS of 23.4%, and with an undiscounted combined ratio of 89.1%. The Group's Simple RoE has been similarly strong at 21.4% (see Glossary for further details).

The business has reinforced its long-standing commitment to active capital management during 2024 and, in light of the strong returns generated in the year, the Board was able to declare a special dividend of $0.75 per share in November 2024 (paid in December 2024). Overall, as we enter 2025, the Group is in a position to continue to maximise attractive underwriting opportunities in what we expect will be a positive pricing environment (see page 7 for further details in the CEO's Review). The Board is confident that the business has the required capital and resilience to support its underwriting and growth plan for 2025 and the foreseeable future.

Against this background, total remuneration for our Executive Directors has increased in comparison to 2023. The principal driver for this change is the strong performance delivery on the financial metrics of the RSS and on the outturn of both the financial and personal elements of the annual bonus. The financial element of the annual bonus has exceeded maximum target levels in 2023 and 2024 (see the comparison table for single figure remuneration on page 98).

During 2024, Paul Gregory, who has led the underwriting operations of the Group since May 2014, was appointed to the Board as an Executive Director from 1 May 2024. No changes were made to Paul's salary of £700,000 on appointment to the Board. The rest of the remuneration package is in line with the Policy - in particular, his maximum bonus and RSS opportunities being 300% of salary respectively.

In 2024, the Directors' Remuneration Policy operated in line with the intentions set out in the 2023 Annual Report on Remuneration.

2024 AGM voting outcomes

Shareholders will recall that in early 2024, I led an advisory exercise with major shareholders and agencies, regarding a proposed adjustment to Performance RSS award levels and an increase to salary for the Group CEO (both adjustments being within Policy) to address concerns related to international competitive pressure. These were productive conversations and as is noted in the Remuneration Committee Report (see page 90), the Committee was very pleased with the levels of shareholder support at the 2024 AGM for the report on remuneration, which received 91.2% of votes cast.

The Board and management continue to believe that there is a strong link between the Remuneration Policy and business strategy. The Policy is geared towards providing a level of remuneration which attracts, retains and motivates Executive Directors of the highest calibre to further the Company's interests and optimise long-term shareholder value creation, within appropriate risk parameters.

The Committee keeps the Remuneration Policy and performance metrics under regular review to ensure appropriate focus and alignment of our management team with the interests of our stakeholders. During 2024, it was again considered whether any element of the Remuneration Policy could conceivably encourage Executive Directors to take inappropriate risks, and the Committee has concluded that this is not the case, given the following:

- there is an appropriate balance between fixed and variable pay, and therefore Executive Directors are not required to earn performance-related pay to meet their day-to-day living expenses;
- there is a blend of short-term and long-term performance metrics with an appropriate mix of performance conditions: meaning that there is no undue focus on any one particular metric;
- in the case of Alex Maloney, the Group CEO, and Paul Gregory, the Group CUO, there is a high level of share ownership, and in the case of Natalie Kershaw, who assumed the role of Group CFO and Executive Director during 2020, there is an appropriate opportunity to acquire a longer-term equity holding on a measured basis, meaning that there is a strong focus on sustainable long-term shareholder value; and
- the Company has the power to claw back bonuses (including the deferred element of the annual bonus) and long-term incentive payments made to Executive Directors in the event of material misstatements in the Group's consolidated financial statements, errors in the calculation of any performance condition, corporate failure and material damage to the Group's business or reputation; or the Executive Director ceasing to be a Director and/or employee due to gross misconduct (see pages 94 to 96 for a summary of the Policy).

The Committee and Board consider that the three-year Directors' Remuneration Policy, which was set out in full in the 2022 Annual Report and approved at the 2023 AGM, remains fit for purpose, and no changes to the Policy are proposed at the 2025 AGM. The Committee will be reviewing the Policy ahead of the triennial Policy review at the 2026 AGM.

Remuneration outcomes for 2024

The Executive Directors' 2024 annual bonus performance targets for both financial and personal elements, were stretching. The financial element made up 75% of the annual bonus opportunity and was linked to the Company's Simple RoE. The 2024 Simple RoE performance of 21.4% (equivalent to the risk-free rate plus 16.3%) exceeded the maximum level set by the Committee at the start of the year (the risk-free rate plus 14%, being 19.1%), resulting in a 2024 annual bonus payout for the financial performance element at the maximum level. This was considered by the Committee and Board to be an appropriate outcome for 2024 and therefore no discretion was exercised by the Committee.

The Committee noted the exceptional personal performance of the Executive Directors during the year, commensurate with strong financial performance. Performance against the personal objectives was assessed at 94% of maximum for the Group CEO, Group CFO and Group CUO (see pages 100 and 101 for further details of personal performance). The overall 2024 bonus outcome was 98.6% of maximum for each Executive Director.

In relation to long-term incentives, the 2022 Performance RSS awards were 85% based on annual Change in DBVS targets and 15% on compound annual growth TSR targets over the three-year period to 31 December 2024. The Change in DBVS performance over the three-year performance period was assessed based on the result for each of the three separate financial years as disclosed on page 102, resulting in nil vesting in respect of the 2022 year for this element, and maximum vesting in respect of the 2023 and 2024 years, resulting in 66.7% vesting for this element of the 2022 Performance RSS awards. The Company's TSR (calculated in US dollars) for the three-year performance period resulted in a compound annual rate of 15.1%, resulting in 100% vesting for the TSR component. Therefore overall, the 2022 Performance RSS awards will vest at 71.7% of maximum.

The Committee noted, the outcome of the 2022 Performance RSS award is high, and reflects strong performance in 2023 and 2024 and the challenging loss environment faced by insurance markets in 2022. The Committee is satisfied that there has been sufficient linkage between longer-term performance and reward for Executive Directors. The Committee also considers that the Executive Directors will not benefit from any windfall gains and, as a result, no discretion was applied to the formulaic outcome. The Committee will continue to ensure that there is appropriate alignment between executive remuneration and Company performance in line with the Group's cross-cycle return expectations and is satisfied that the Policy operated as intended for 2024.

Wider workforce pay considerations and engagement

The Remuneration Committee takes into account levels of pay elsewhere in the Group when determining the pay levels for Executive Directors.

The remuneration policy for all staff is, in principle, broadly the same as that for Executive Directors in that any of the Group's employees may be offered similarly structured packages, with participation in annual bonus and long-term incentive plans, although award types (restricted cash, restricted stock or performance shares) and size may vary between different categories of staff. For Executive Directors, with higher remuneration levels, a higher proportion of the compensation package is subject to performance, share-based remuneration and deferral. This ensures that there is a strong link between remuneration, Company performance and the interests of shareholders.

Reflecting good practice in this area, Executive Directors' pension provision is the same as the standard pension contributions made to employees in the Group (in percentage of salary terms). Whilst the Company does not expressly consult with employees on Executive Directors' remuneration, the Board and the Committee, through the structured arrangements for regular workforce engagement, do receive employee feedback, including where relevant on matters of remuneration. During the year, the Committee also engaged with management on matters of broader employee engagement and remuneration. As a Committee, we value the opportunity to hear the views of employees and to support management in gathering and considering feedback and implementing changes. The Board and Committee received feedback during the year by taking part in town hall sessions and operated various forums to discuss opportunities and challenges with the input of senior leaders.

As in previous years, one of our Non-Executive Directors routinely joins Alex in the Group CEO's quarterly staff town hall meetings. These are a forum for the presentation and discussion with staff of the performance and operation of the business and the activities and operation of the Board. They also afford Alex and the Board the opportunity to address employee questions and receive feedback. The Committee also reviews and approves the size of any annual bonus pot to be distributed to employees and the allocation of RSS awards or other LTI structures, and its practice in this regard is well aligned with the expectations introduced within the Code.

The percentage change in remuneration table on page 107 shows that wider employee pay outcomes are broadly aligned to those of senior executives, albeit with a less dramatic impact from financial performance due to active management decisions in previous years to soften the effect of more challenging years and the larger proportion of variable components in senior executive pay.

Application of Remuneration Policy for 2025

The Committee has reviewed Executive Directors salaries for 2025 and determined that an increase of 3.6% is appropriate with effect from 1 January 2025. This is below the average uplift for the workforce for 2025, which is 4.1%.

No changes to the opportunity levels, performance metrics or weighting are proposed for the 2025 annual bonus and Performance RSS awards. Further details of the implementation of the Policy for 2025 can be found on pages 103 and 104.

The full Policy can be reviewed in the 2022 Annual Report, which can be found in the Results, Reports & Presentations section on the Group's web site www.lancashiregroup.com.

The disclosures provide our shareholders with the information necessary to form a judgement as to the link between Company performance and how the Executive Directors are paid. This Annual Statement, together with the Annual Report on Remuneration, will be subject to an advisory vote, and I hope that you will be able to support this resolution at the forthcoming 2025 AGM. The Committee is dedicated to maintaining an open and constructive dialogue with our shareholders on remuneration matters and I welcome any feedback you may have.

Irene McDermott Brown
Chair of the Remuneration Committee

5 March 2025

Directors' Remuneration Policy

As a Company incorporated in Bermuda, LHL is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of the Company's listing on the LSE in the Equity Shares (Commercial Companies) category, and for the purposes of explaining its compliance against the requirements of the Code, the Board is committed to providing full information on Directors' remuneration to shareholders.

The Company's current Remuneration Policy was approved by shareholders at the 2023 AGM on 26 April 2023 and came into effect on that date with 92.9% of votes cast in favour.

The Remuneration Policy addresses the following principles as set out in the Code:

Principle	Description
Clarity	• The Committee regularly engages with shareholders to take into account shareholder feedback (as it did when developing the current Policy) and with the workforce, as described in the Annual Statement on pages 92 and 93, to ensure there is transparency on the Remuneration Policy and its implementation. The Remuneration Policy has a clear objective: to enable the Group to attract, retain and motivate Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters.
Simplicity	• The Remuneration Policy is designed such that the arrangements are considered easy to communicate to all stakeholders. This includes variable pay, which operates as an annual bonus plan and a single LTIP. The Committee reviews the appropriateness of targets annually, being mindful of alignment with strategy. The objective and rationale for each element of the Remuneration Policy is clearly explained in the Policy table.
Risk	• The Committee considers that the structure of remuneration does not encourage inappropriate risk-taking. The performance metrics used ensure remuneration aligns to the Board's strategic objective, which is to achieve attractive returns appropriate to overall risk levels across the (re)insurance market cycle. There is a mixture of short-term and long-term performance metrics with an appropriate mix of performance conditions. Malus and clawback provisions are in place across all incentive plans, and the Committee has the ability to use its discretion to override formulaic outcomes. The Committee receives a report from the Group Chief Risk Officer with regard to risk management developments which may be relevant to remuneration outcomes, and also makes inquiry with the Group Head of Internal Audit.
Predictability	• The range of possible reward outcomes is shown in the 'Illustrations of annual application of Remuneration Policy' (see page 105 for full details), which demonstrates the potential threshold, on-target and maximum scenarios of performance and the resulting pay outcomes which could be expected. The 2024 bonus and LTIP award opportunities were in line with the maximum opportunity in the Policy.
Proportionality	• A significant proportion of pay is delivered through variable remuneration. No variable remuneration will be delivered for below-threshold performance, with incentives only paying out if strong performance has been delivered by the Executive Directors. The Committee has the discretion to override outcomes if they are deemed inappropriate to ensure a robust link between reward and performance.
Alignment to culture	• The Policy has been designed to support the delivery of the Group's long-term strategy and the interests of its shareholders and employees. Annual bonus performance metrics include an assessment of whether each Executive Director's contribution aligns to the Group values. The Policy seeks to appropriately motivate Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders.

Remuneration Policy Summary

The following table summarises Lancashire's Remuneration Policy

Component	Operation/Key Features	Maximum Potential Opportunity	Applicable Performance Measures
Salary	• Typically reviewed annually with regard to market conditions, role, experience and peer group • Percentage increases aligned with workforce other than in exceptional circumstances	• No maximum	• None
Pension and other benefits	• Money purchase pension arrangement or cash alternative • Benefits offered in line with wider workforce • Additional benefits can be offered to support relocation or local practice • Reasonable business-related expenses	• Maximum employer pension contribution of 10% in line with wider workforce	• None
Annual Bonus	• One third of annual bonus deferred into Lancashire shares vesting in three equal tranches over three years • Dividend equivalent is earned on deferred portion • Cash and deferred elements are subject to malus and clawback	• Target: Up to 200% of salary • Maximum: Up to 400% of salary (2x target) • The current implementation is 300% of salary (2x target)	• At least 75% based on Financial Performance, for example growth in DBVS, profit, comprehensive income, combined ratio, investment return, Simple RoE or any other financial KPI • No more than 25% based on strategic/personal objectives
Long Term Incentives (LTI)	• Normally awarded annually as nil-cost options or conditional awards • Vesting after three years with a two-year holding period • Dividend equivalent accrues in cash or shares • All awards are subject to malus and clawback	• Up to 350% of salary	• Performance measures that reflect the long-term strategy of the business at the time of grant • May include TSR, growth in DBVS, Company profitability or any other relevant financial or strategic measure

Directors' Remuneration Report *continued*

Component	Operation/Key Features
Shareholding requirements	• Executive Directors are expected to maintain an interest equivalent in value to no less than two times salary • To be achieved within five years of appointment, with 50% of the shares (net of tax) from vesting RSS to be retained until the required level is achieved • Requirement to retain minimum shareholding level for two years post termination
Chair and Non-Executive Director fees	• Chair receives a single fee for all responsibilities which is reviewed periodically by the Committee and Group CEO • Non-Executive Directors receive a single fee for all responsibilities with the option to pay supplemental fees where additional responsibilities are undertaken • Any reasonable business expenses can be reimbursed
Committee discretion	• The Committee has discretion within the Policy over a number of areas of bonus and LTI operation including, but not limited to, participants, award timing, award size and vesting proportion, change of control arrangements, leaver treatment, special circumstances including rights issues, corporate restructuring, special dividends and adjustments to performance metrics, outcomes and deferral • Any use of exceptional discretion to override formulaic outcomes would, where relevant, be explained in the Annual Report on Remuneration, as appropriate
Approach to recruitment	• Remuneration packages for new Executive Directors would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment, taking into account the skills and experience of the individual • The Committee may offer to compensate a new Executive Director for deferred or incentive pay deemed forfeit on leaving a previous employer, ensuring, where possible, that value, timing and performance requirements are consistent with the forfeit awards • The Committee may also agree that the Company should meet appropriate relocation and expatriate expenses
Service contracts and loss of office payments	• Notice periods for Executive Directors will normally be limited to six months and will not exceed 12 months • Base salary and benefits will continue for the notice period, in the event that a proportion of the notice period is not worked, the Executive Director would have no contractual right to bonus for this proportion • Depending on the leaver classification, an Executive Director may be eligible for certain payments or benefits to continue after cessation of employment
Leaver arrangements	• If an Executive Director leaves on agreed terms, there may be payments after cessation of employment, and, subject to performance, the Committee has discretion to approve a bonus payment for the portion of the year worked with or without a deferral requirement. The Committee also has discretion to treat unvested RSS awards in line with the Good Leaver provisions contained within the plan rules • If an Executive Director resigns or is summarily dismissed, all payments will cease on the last day of employment
Non-Executive Director terms of appointment	• Non-Executive Directors are appointed subject to re-election at the AGM, and are terminable in accordance with the Bye-laws • Non-Executive Directors typically serve for up to six years, but can be invited to serve for an additional period
Legacy arrangements	• Authority is given to the Company to honour commitments paid, promised to be paid, or awarded prior to commencement of this Policy, either under a previous Policy or made prior to appointment as a Director
Unexpired terms	• The Executive Directors are employed under service contracts with no fixed duration • Non-Executive Directors have letters of appointment rather than service contracts

Remuneration at a glance

Remuneration in the Group

Group CEO pay ratio to the median colleagues

48:1

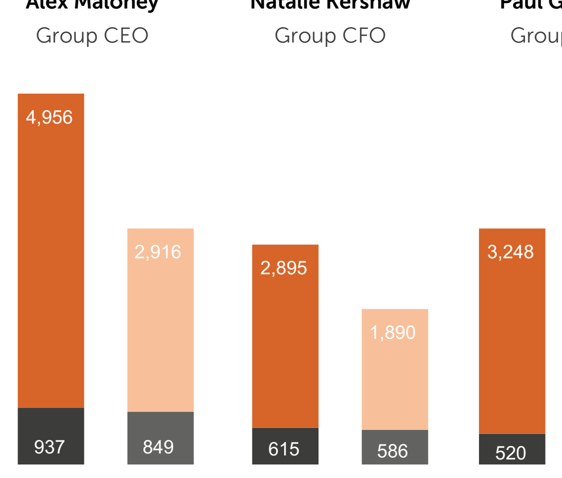
2023 31:1

Total spend on pay

$150.7m

2023 $135.1m

2024 Total single figure remuneration



	Alex Maloney 2024 (£'000)	Alex Maloney 2023 (£'000)	Natalie Kershaw 2024 (£'000)	Natalie Kershaw 2023 (£'000)	Paul Gregory 2024 (£'000)	Paul Gregory 2023 (£'000)
Salary	**840**	764	**551**	525	**467**	—
Benefits	**13**	9	**9**	8	**6**	—
Pension	**84**	76	**55**	53	**47**	—
Bonus paid in cash	**1,657**	1,503	**1,087**	1,034	**920**	—
Bonus deferred in shares	**828**	751	**543**	517	**460**	—
Long-term Incentive Plan (LTIP)	**2,471**	662	**1,265**	339	**1,868**	—
Total	**5,893**	3,765	**3,510**	2,476	**3,768**	—

Fixed Pay | Variable Pay | 2023 Fixed Pay | 2023 Variable Pay

1. Paul Gregory was appointed to the Board on 1 May 2024. In accordance with the UK remuneration reporting regulations, the fixed pay and annual bonus amounts for Paul Gregory relate to his services as a Director from 1 May 2024 onwards, but the amount in relation to the RSS reflects the full award (without pro-rating for time on the Board).

2024 Performance RSS awards granted

On 13 March 2024, RSS nil cost option awards were granted to the Executive Directors. Details are set out below:

Director	Basis of award % salary	Number of options granted
Alex Maloney	350	454,967
Natalie Kershaw	275	234,592
Paul Gregory	300	324,976

Annual Report on Remuneration

This Annual Report on Remuneration, together with the Chair's statement, as detailed on pages 92 and 93 and 98 to 108, will be subject to an advisory vote at the 2025 AGM. The following sections in respect of Directors' emoluments have been audited by KPMG LLP:

- Single figure of remuneration;
- Non-Executive Director fees;
- Annual bonus payments in respect of 2024 performance;
- Long-term share awards with performance periods ending in the year – 2022 Performance RSS awards;
- Scheme interests awarded during the year;
  - Long-term Performance RSS;
  - Deferred bonus RSS awards; and
- Directors' shareholdings and share interests.

Single figure of remuneration

The following table presents the Executive Directors' emoluments in GBP in respect of the years ended 31 December 2024 and 31 December 2023 for time served as an Executive Director:

Executive Director		Salary £'000	Pension £'000	Taxable benefits[5] £'000	Total fixed pay £'000	Annual bonus[2] £'000	Long-term incentives (RSS)[3,4] £'000	Total variable pay £'000	Total £'000
Alex Maloney, Group CEO	**2024**	**840**	**84**	**13**	**937**	**2,485**	**2,471**	**4,956**	**5,893**
	2023	764	76	9	849	2,254	662	2,916	3,765
Natalie Kershaw, Group CFO	**2024**	**551**	**55**	**9**	**615**	**1,630**	**1,265**	**2,895**	**3,510**
	2023	525	53	8	586	1,551	339	1,890	2,476
Paul Gregory, Group CUO[1]	**2024**	**467**	**47**	**6**	**520**	**1,380**	**1,868**	**3,248**	**3,768**
	2023	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. Paul Gregory was appointed to the Board on 1 May 2024. In accordance with the UK remuneration reporting regulations, the fixed pay and annual bonus amounts for Paul Gregory relate to his services as a Director from 1 May 2024 onwards, but the amount in relation to the RSS reflects the full award (without pro-rating for time on the Board).
2. The 2024 bonus earned by Executive Directors is 98.6% of the maximum for the Executive Directors, further details are set out on pages 99 to 101. One-third of the Executive Directors' annual bonus is deferred into RSS awards without performance conditions, vesting at 33.3% per year over a three-year period.
3. For 2024, the long-term incentive values are based on the 2022 Performance RSS awards which will vest at 71.7% and are based on a three-year performance period that ended on 31 December 2024. The values above are based on the average share price for the final quarter of 2024, being £6.49, and include the value of dividend equivalents accrued up to 31 December 2024.
4. For 2023, the long-term incentive values are based on the 2021 Performance RSS awards which vested at 28.3%, and have been restated using the share price as at the date of vesting (6 March 2024) which was £6.70. The figures reflect the final number of shares that vested on 6 March 2024.
5. The benefits value shown reflects taxable benefits provided (private medical, travel insurance, critical illness, dental and gym reimbursement).

Each Executive Director has confirmed they have not received any other form of remuneration, other than that already disclosed in the single figure table.

The following charts set out the above disclosed 2024 total remuneration received by serving Executive Directors as a percentage of their total 2024 remuneration:

Alex Maloney

LTI awards (RSS):41.9%
Fixed Pay:15.9%
Annual Bonus:42.2%

Natalie Kershaw

LTI awards (RSS):36.0%
Fixed Pay:17.5%
Annual Bonus:46.5%

Paul Gregory

LTI awards (RSS):49.6%
Fixed Pay:13.8%
Annual Bonus:36.6%

Non-Executive Director fees

The following table presents the Non-Executive Directors' fees in respect of the years ended 31 December 2024 and 31 December 2023 for time served as a Non-Executive Director:

Current Non-Executive Directors		Fee $'000	Other $'000[7]	Total $'000
Philip Broadley[1]	**2024**	**292**	**-**	**292**
	2023	26	–	26
Peter Clarke[2]	**2024**	**117**	**–**	**117**
	2023	350	–	350
Michael Dawson	**2024**	**175**	**–**	**175**
	2023	175	–	175
Jack Gressier	**2024**	**175**	**–**	**175**
	2023	175	–	175
Bryan Joseph[3]	**2024**	**175**	**100**	**275**
	2023	119	41	161
Robert Lusardi	**2024**	**175**	**–**	**175**
	2023	175	–	175
Irene McDermott Brown	**2024**	**175**	**–**	**175**
	2023	175	–	175
Natalie Rachou[4]	**2024**	**27**	**–**	**27**
	2023	–	–	–
Linda Ventresca[5]	**2024**	**70**	**–**	**70**
	2023	–	–	–
Sally Williams[6]	**2024**	**175**	**70**	**245**
	2023	175	67	242

1. Philip Broadley was appointed to the Board on 8 November 2023, and assumed the role of Chair on 1 May 2024. His fees for 2023 represent his time as a Director. His fees for 2024 represent his time as a Director and Chair.
2. Peter Clarke stepped down from the Board on 1 May 2024 and his fees represent his 2024 tenure.
3. Bryan Joseph was appointed to the Board on 26 April 2023 and to the LSL Board on 1 August 2023. His fees for 2023 represent his time as a Director.
4. Nathalie Rachou was appointed to the Board on 5 November 2024 and her fees represent her time as a Director.
5. Linda Ventresca was appointed to the Board on 7 August 2024 and her fees represent her time as a Director.
6. Sally Williams is also a member of the LUK Board.
7. LSL and LUK fees are paid in GBP at the average exchange rate for the month of payment.

Annual bonus payments in respect of 2024 performance

As detailed in the Remuneration Policy, each Executive Director participates in the annual bonus plan, under which performance is measured over a single financial year.

Bonus targets were set at the beginning of 2024 and based on a clear split between Company financial performance and personal performance on a 75:25 basis. The target value of bonus was 150% of salary for the Group CEO, Group CFO and Group CUO respectively, and the maximum payable was two times the target value.

Financial performance

75% of the 2024 bonus was based on Company performance conditions and the extent to which these were achieved, is as follows:

Performance measure	Financial performance weighting (of total bonus) %	Threshold %	Target %	Max %	Actual performance %
Simple RoE	75	RFR +5% (10.1%)	RFR +8% (13.1%)	RFR +14% (19.1%)	RFR +16.3% (21.4%)
Payout	% of Target	25%	100%	200%	200%

2024 is the second year in which financial performance has been measured using Simple RoE. The RoE outturn was calculated using profit after tax divided by average shareholders' equity. Average equity was calculated as the average of the opening and closing shareholders' equity position. The RFR was 5.1%, calculated with reference to the average 13 week UST rates for the year.

Personal performance

25% of the 2024 bonus was based on performance against clearly defined personal objectives set at the start of the year.

The table below sets out a summary of the 2024 personal objectives for each Executive Director and some of the factors the Board has considered to determine whether the objectives have been met:

Executive Director	Personal strategic objectives	Factors relevant to the Board's determination for the 2024 performance year
Alex Maloney	• Business management and leadership, including executive talent and succession and oversight of the Lloyd's relationship	• Led by example and maintained strong relationships with shareholders and regulators, employee satisfaction remains high. • The value of the COO structure has been demonstrated and succession planning and management has been shown to be robust. • Strategy of diversification executed and delivering strong financial returns.
	• Growth strategy including identification of sustainable opportunities to diversify, oversight of capital management to support growth and external engagement	• Growth has come principally from the US business with the commencement of underwriting activity. • Capital management and the diversification strategy have been shown to be effective and have facilitated capital returns despite claims activity. • Positive communication with shareholders and employees continues.
	• ESG, providing leadership and direction supporting an inclusive culture, ensuring the business maintains appropriate focus on environmental considerations and support the Chair with Board development	• Lancashire continues to address environmental considerations. • Succession planning has evolved and continued to recruit talent, being an employer of choice, demonstrating support of management actions. Evidenced via an open and meritocratic culture. • Launched The Lancashire Way during 2024, being a set of core behaviours and expectations to capture how to operate. • Board succession has been managed effectively, actively supported by Management.
Natalie Kershaw	• Business management and leadership, including financial reporting and internal and external stakeholders	• A powerful advocate of The Lancashire Way, a strong communicator able to convey complex concepts to a wide audience whilst maintaining commercial focus. • Strong oversight and delivery, including high-quality financial reporting in a changing regulatory environment (including IFRS 17 implementation), targeted data and MI, effective communications that convey the Lancashire culture and a commercially focused HR team. • Continual emphasis on developing relationships with external stakeholders, in particular rating agencies and investors, including active engagement where required.
	• Strategic finance, including capital management, business planning, expenditure management and oversight of investment portfolio	• Diligent oversight of the capital management process has resulted in the ability to pay special dividends during the year while ensuring sufficient capital to support continued growth in 2025. Strong returns generated by investment portfolio. • Excellent management of the rating agency process and focus on effective capital management have resulted in an upgrade to positive watch by S&P. • Business plan and expenses management have further evolved throughout the year to support the Group's strategic objectives and provide improved data and monitoring.
	• ESG, with a focus on environmental considerations in the investment portfolio, strategic talent development and succession and financial governance	• Leading financial governance and oversight is exemplary, resulting in high-quality reporting delivering clarity and transparency to ensure confidence from internal and external audiences. • The investment portfolio continues to perform strongly, delivering attractive returns, whilst maintaining a responsible approach to carbon intensity via prudent management and oversight. • With HR function and senior leaders, executed a high performance/high potential identification and training strategy for the business, allowing it to attract and retain the best talent in the sector. This initiative was a strong driver in identifying the key priority employees.

Paul Gregory	• Business management and leadership, including the development of the underwriting strategy and function	• Growth was delivered at the right point in the cycle, as a result of an effective underwriting strategy. Emphasis on quality and disciplined underwriting, demonstrating a resilient underwriting portfolio. • Championing the talent identification and development process, taking the lead in organisational decision and succession management to invest in talent, and broaden the underwriting bench. • A confident leader and a strong player and actively lives and reinforces The Lancashire Way, where challenge is welcomed and encouraged.
	• Delivery and progression of Group underwriting in line with the strategy and risk tolerance framework	• Delivered an underwriting platform to withstand volatility, as a result of the strategy of diversification and appropriate growth which allowed Lancashire to grow ahead of rate increases during the hard market and set up a US operation that commenced underwriting in 2024. • This has been delivered whilst ensuring risk levels remain within preference and tolerance. • Strong hiring decisions, and finding opportunities to advance talent, have added to the resilience and skills base of the underwriting function.
	• ESG, with a focus on underwriting talent development, environmental considerations in underwriting, and risk management and controls	• Fostered an entrepreneurial, collaborative culture being a driving force behind articulating and continually embedding The Lancashire Way. • Environmental and broader ESG considerations, as contained within the insurance underwriting guidelines have been fully adhered to. • Managed succession planning, including senior appointments to the US business.

The personal targets were tailored to each of the Executive Directors, according to their respective roles and areas of personal development.

During the 2024 annual performance reviews of each Executive Director, a performance rating, determined following an evaluation process and discussion and agreement of the outcomes with the Chair and members of the Board, was assigned to determine the level of bonus earned for delivery versus personal strategic objectives. The bonus earned by the Executive Directors in relation to 2024 personal strategic objectives assessment is 71% of salary (being 94% of the maximum available for this element) for each of the Executive Directors.

A table of performance measures and total 2024 bonus achievement is set out below:

Executive Director	Financial performance (max % of total bonus)	Personal performance (max % of total bonus)	Bonus % of maximum awarded	Total bonus value £'000	Value of bonus paid in cash (2/3 of total bonus) £'000	Value of bonus deferred into RSS awards (1/3 of total bonus)[1] £'000
Alex Maloney[1]	75% (of 75%)	23.6% (of 25%)	98.6 %	2,485	1,657	828
Natalie Kershaw[1]	75% (of 75%)	23.6% (of 25%)	98.6 %	1,630	1,087	543
Paul Gregory[1,2]	75% (of 75%)	23.6% (of 25%)	98.6 %	1,380	920	460

1. In line with the Remuneration Policy, one-third of total bonus award will be deferred into RSS awards with one-third of the award vesting annually over a three-year period with the first third becoming exercisable in March 2026, subject to the Company not being in a closed period. No additional performance conditions apply. Vesting is subject to continued employment.
2. The 2024 bonus achievement for Paul Gregory is based on the period from 1 May 2024, when he was appointed to the Board. His bonus has been pro-rated accordingly for this period. Paul's full bonus for 2024, including the element prior to his appointment to the Board, is subject to the deferral approach set out above.

Long-term share awards with performance periods ending in the year – 2022 Performance RSS awards

The 2022 Performance RSS awards were based on a three-year performance period ending on 31 December 2024 and vest following the determination of performance outcomes by the Committee. The tables below set out the achievement against the performance conditions attached to the award and the resulting vesting:

	Absolute compound annual growth in TSR (relevant to 15% of the 2022 RSS awards)		Annual Change in DBVS (within the three year performance period) (relevant to 85% of the 2022 RSS awards)[1]	
Performance level	**Performance required (%)**	**% vesting**	**Performance required (%)**	**% vesting**
Below threshold	Below 8	–	Below 6	–
Threshold	8	25	6	25
Stretch or above	12 or above	100	13 or above	100
Actual achieved	**15.1**	**100**	**see note 1**	**66.7**

Note 1.	2022	2023	**2024**
Annual Change in DBVS	(6.7%)	24.7%	**23.4%**
Vesting % of one third by performance year	0.0%	100%	**100%**
Vesting % of Annual Change in DBVS element	0.0%	33.3%	**33.3%**

The overall vesting outcome for the 2022 Performance RSS awards is therefore 71.7%. The detailed vesting for each Executive Director is shown below:

Executive Director	Number of shares at grant	Number of shares to vest	Dividend accrual on vested shares value[1] £	Value of shares including dividend accrual[2] £
Alex Maloney	415,078	297,485	539,374	2,471,260
Natalie Kershaw	212,434	152,251	276,048	1,264,776
Paul Gregory	313,748	224,862	407,700	1,867,968

1. Dividend equivalents accrue on awards at the record date of a dividend payment, and upon exercise, the cash value of the accrued dividend equivalent is paid to the employee on the number of vested awards net of tax required.
2. The value of vested shares is based on the 2022 RSS awards which will vest at 71.7% and is based on a three-year performance period that ended on 31 December 2024. The average share price rate for the final quarter of 2024 (£6.49) is used for this calculation.

There is a two-year post-vesting holding requirement for the 2022 RSS Performance awards for the Group CEO and Group CFO.

Scheme interests awarded during the year

Long-term performance RSS awards granted during the year

The table below sets out the Performance RSS awards that were granted to the serving Executive Directors as nil-cost options on 13 March 2024:

Executive Director	Grant date[3]	Number of awards granted during the year	Face value of awards granted during the year[1] £	% vesting at threshold performance
Alex Maloney	13-Mar-24	454,967	2,940,000	25
Natalie Kershaw	13-Mar-24	234,592	1,515,938	25
Paul Gregory[2]	13-Mar-24	324,976	2,100,000	25

1. The awards were based on the five-day average closing share price following announcement of the 2023 results, being £6.46 and the awards were granted as nil-cost options.
2. The RSS award granted to Paul Gregory was made before he was an Executive Director.
3. These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2026. There is a two-year post vesting holding requirement and they will become exercisable in the first open period following the release of the Company's 2028 year-end results.

The table below sets out the performance conditions attached to 2024 RSS Awards:

	Weighting	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
Annual internal rate of return of the Change in DBVS targets[1]	85%	<6%	6%	13%
Absolute compound annual growth in TSR targets[2]	15%	<8%	8%	12%

1. Within the three-year performance period, each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the Performance RSS awards.
2. Absolute TSR will be measured for compound annual growth over the full three-year performance period rather than looking at each year separately.

Deferred bonus RSS awards granted during the year

The table below sets out the deferred bonus RSS awards in respect of 33.3% of the 2023 bonus that were granted to the serving Executive Directors as nil-cost options on 13 March 2024. Awards will vest in three equal tranches over three years.

Executive Director	Award type	Grant date	Number of awards granted during the year	Face value of awards granted during the year[1] £	% vesting annually (without specific performance conditions)
Alex Maloney	Deferred bonus	13-Mar-24	116,290	751,466	33.3
Natalie Kershaw	Deferred bonus	13-Mar-24	80,025	517,122	33.3
Paul Gregory[2]	Deferred bonus	13-Mar-24	97,493	630,000	33.3

1. The awards were based on the five-day average closing share price following the announcement of the 2023 results, being £6.46, and the awards were granted as nil-cost options.
2. The deferred bonus RSS award made to Paul Gregory was made before he was an Executive Director.

Implementation of Remuneration Policy for 2025

Base salary and fees

Executive Directors

Salaries effective from 1 January 2025 are set out below:

- Group CEO – £870,000, a 3.6% increase;
- Group CFO – £571,000, a 3.6% increase; and
- Group CUO – £725,000, a 3.6% increase.

Salary uplifts for Group employees varied across the workforce skewed towards the lowest paid cohort, with an average of 5.1%, and an overall average uplift for Group employees of 4.1% for 2024.

Non-Executive Directors

The Chair's and Non-Executive Directors' fees are as follows for 2025:

- the fee for the Board Chair will remain at $350,000 per annum; and
- the Non-Executive Director fee will remain at $175,000 per annum.

Other fees

- Sally Williams is a Non-Executive Director of LUK in which capacity she will receive a fee of $70,000 per annum.
- Bryan Joseph is a Non-Executive Director of LSL in which capacity he will receive a fee of $100,000 per annum.

Annual bonus

For 2025, the Group CEO, the Group CFO and Group CUO will have a target bonus of 150% of salary and a maximum opportunity of 300% of salary. This is within the approved Policy limit and is in line with last year's opportunity, and represents a maximum bonus opportunity which is 100% of salary less than the maximum Policy limit. The financial and personal portions of the annual bonus will remain unchanged, with 75% on financial performance and 25% on personal performance.

Financial performance (75%)

Financial performance for bonus purposes will be measured on the basis of Simple RoE (being profit after tax, divided by average equity). The Committee considers that the specific performance targets are commercially sensitive and will therefore be disclosed retrospectively in the 2025 report.

Personal performance (25%)

This element of the bonus plan is based upon the individual achievement of clearly articulated objectives created at the beginning of each year. The 2025 personal objectives for each Executive Director are set under the following three headings:

- Business management, including oversight of change, relationship management and values;
- Business development, implementation of the long-term business strategy; and
- Leadership & Culture, with specific objectives related to leadership, talent and succession, and governance

Due to their close link to business strategy detail, personal objectives for Executive Directors are considered commercially sensitive at the present time. Detailed objectives have been presented to and approved by the Committee, and will be described in the 2025 Annual Report.

Restricted Share Scheme

Award levels

2025 Performance RSS award levels are as follows:

- Group CEO – RSS awards in respect of shares to the value of £3,045,000 (being 350% of salary);
- Group CFO – RSS awards in respect of shares to the value of £1,570,250 (being 275% of salary); and
- Group CUO - RSS awards in respect to the value of £2,175,000 (being 300% of salary).

The number of shares subject to the awards shall be determined based on the closing average share price for a period of five trading days immediately prior to the date of the award.

Weighting

For 2025, the weighting is 85% on annual Change in DBVS and 15% on absolute compound annual growth in TSR.

Target ranges

The annual Change in DBVS target range for 2025 awards is:

- threshold – 6%; and
- maximum – 13%.

Within the three-year performance period, each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the Performance RSS award. In each year, performance will be measured against the target range to determine the ultimate level of vesting in respect of one-third of the Performance RSS award. Vesting will only occur after completion of the full three-year performance period, and continued employment of the Executive Director at the time of vesting.

The relevant elements of the RSS award will not vest if the annual Change in DBVS is below threshold, 25% of the relevant element of the Performance RSS award will vest at threshold, and 100% of the relevant element of the RSS award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

The TSR target range for 2025 awards is:

- threshold – 8% compound annual growth; and
- maximum – 12% compound annual growth.

Absolute TSR will be measured for compound annual growth over the full three-year performance period rather than looking at each year separately.

None of the relevant elements of the award will vest if compound annual growth in TSR is below threshold, 25% of the award will vest at threshold, and 100% of the award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

Post-vesting holding period

It is a requirement that Executive Directors hold vested Performance RSS awards (or the resultant net of tax shares) for a two-year period after vesting.

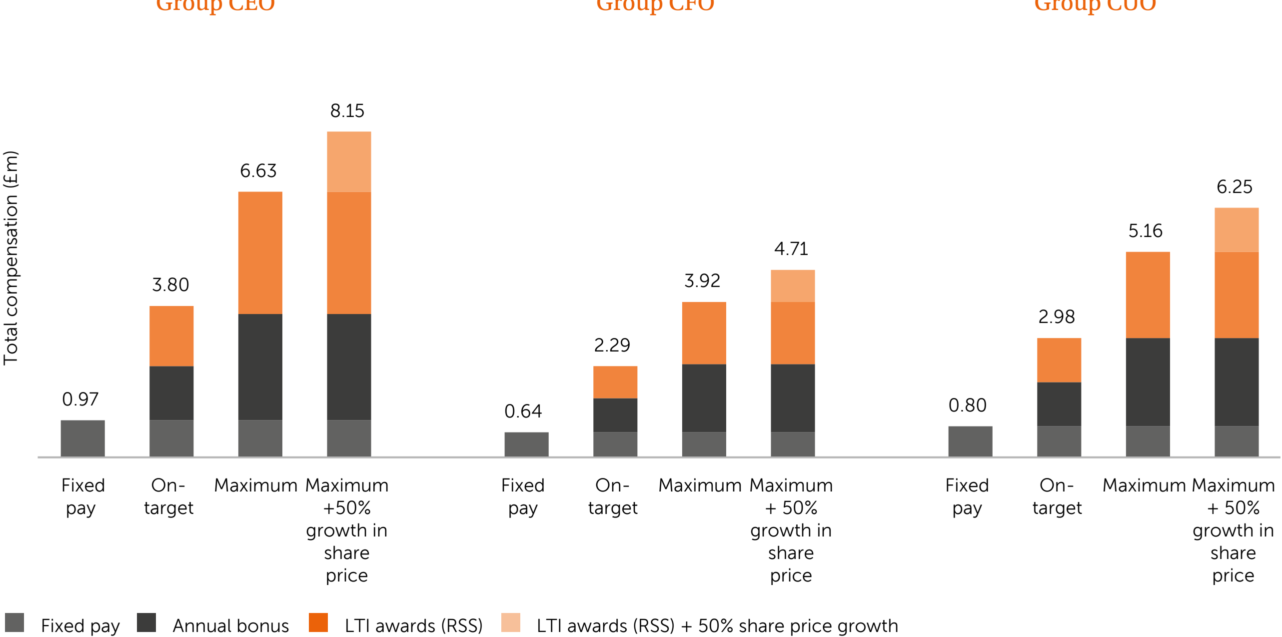
Shareholding requirements

In respect of RSS awards made after 1 January 2020, Executive Directors are subject to a shareholding requirement equal to 200% of salary. Until this requirement is met, following exercise of an award, a Director is required to retain at least 50% of the net of tax shares.

In addition, Executive Directors must continue to maintain a shareholding of 200% of salary for a period of two years following cessation of employment.

Illustrations of annual application of Remuneration Policy

The charts below show the potential total remuneration opportunities for the Executive Directors in 2025 at different levels of performance under the Directors' Remuneration Policy:



- Fixed pay = 2025 Salary + Actual Value of 2024 Benefits + 2025 Pension Contribution.
- On-target = Fixed Pay + Target Bonus (being half the Maximum Bonus Opportunity) + Target Value of 2025 RSS grant (assuming 50% vesting with the face values of grant).
- Maximum = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2025 RSS grant (assuming 100% vesting with the face values of grant).
- Maximum + 50% growth over performance period = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2025 RSS grant + 50% share price appreciation (assuming 100% vesting with the face values of grant).

Directors' shareholdings and share interests

The guidelines require the Group Executive Directors to build and maintain a shareholding in the Company worth two times annual salary as set out in the Policy Report. Details of the Directors' interests in shares are shown in the table below:

	Number of common shares and nil cost option share interests							
	Total as at 1 January 2024	As at 31 December 2024						
As at		Legally owned	Subject to deferral under the RSS	Subject to performance conditions under the RSS	Unvested and not subject to performance conditions under the RSS	Vested but unexercised awards under other share-based plans	Total[2]	Shareholding guideline achieved
Alex Maloney	1,959,963	869,961	135,696	1,243,944	N/A	N/A	2,249,601	Yes
Natalie Kershaw	530,543	104,841	92,520	682,549	N/A	N/A	879,910	No
Paul Gregory[1]	N/A	513,548	113,486	921,351	N/A	N/A	1,548,385	Yes
Philip Broadley	-	51,615	N/A	N/A	N/A	N/A	51,615	N/A
Michael Dawson	20,000	35,000	N/A	N/A	N/A	N/A	35,000	N/A
Jack Gressier	-	-	N/A	N/A	N/A	N/A	-	N/A
Robert Lusardi	48,000	48,000	N/A	N/A	N/A	N/A	48,000	N/A
Irene McDermott Brown	8,663	8,663	N/A	N/A	N/A	N/A	8,663	N/A
Sally Williams	11,082	11,082	N/A	N/A	N/A	N/A	11,082	N/A
Bryan Joseph	4,076	12,246	N/A	N/A	N/A	N/A	12,246	N/A
Nathalie Rachou[1]	N/A	-	N/A	N/A	N/A	N/A	-	N/A
Linda Ventresca[1]	N/A	-	N/A	N/A	N/A	N/A	-	N/A

1. For Paul Gregory, Nathalie Rachou and Linda Ventresca, who were appointed to the Board during the year, there is no comparison to prior year.
2. Share ownership interest equivalent is defined as wholly owned shares or the net of taxes value of Performance RSS awards which have vested, but are unexercised, and the net of tax value of deferred bonus and/or non-performance RSS awards. Shares include those owned by persons closely associated with the relevant Executive Director.

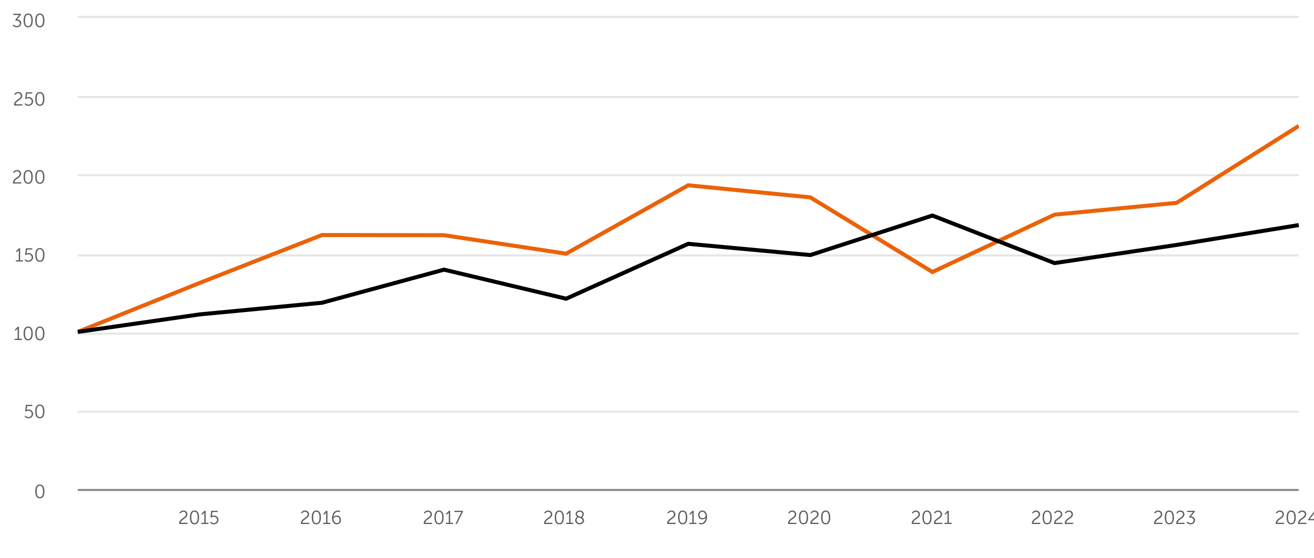
On 8 March 2024, Alex Maloney, Group CEO, exercised 116,126 RSS nil-cost options with an exercise price of £6.28. The total gain on exercise of the awards was £729,620, of which shares to the value of £358,533 were sold to cover applicable taxes and fees. The balance of the amount was held.

On 8 March 2024 Natalie Kershaw, Group CFO, exercised 102,244 RSS nil-cost options with an exercise price of £6.29. The total gain on exercise of the awards was £643,410, of which shares to the value of £316,174 were sold to cover applicable taxes and fees. The balance of the amount was held.

On 7 March 2024, prior to his appointment to the Board, Paul Gregory, Group CUO, exercised 89,530 RSS nil-cost options with an exercise price of £6.51. The total gain on exercise of the awards was £582,561, of which shares to the value of £286,270 were sold to cover applicable taxes and fees. The balance of the amount was held.

Performance graph and total remuneration history for Group CEO

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index. The Company's common shares commenced trading on the main market of the LSE on 16 March 2009. The Company joined the FTSE 250 Index on 22 June 2009, and is currently a constituent of this:



This graph shows the value, by 31 December 2024, of £100 invested in LHL on 31 December 2014 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year-ends.

The table below sets out the total single figure of remuneration for the Group CEOs over the last 10 years, with the annual bonus paid as a percentage of the maximum and the percentage of long-term share awards vesting in each year:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total remuneration (£000s[1])	2,511	2,758	1,517	1,067	2,398	3,193	2,033	1,628	3,709	**5,893**
Annual bonus (% of maximum)	72	76	17	19	80	60	19	22	98	**99**
LTI vesting (% of maximum)	75	67	22.5	–	–	48.2	48.2	19.8	28.3	**71.7**

1. For the years 2015 – 2020 these figures were converted to GBP using the average exchange rate for the relevant year.

Group Chief Executive Pay Ratio

	Method	25th percentile Total Pay Ratio	Median Total Pay Ratio	75th percentile Total Pay Ratio
2024	**A**	**78:1**	**48:1**	**26:1**
2023	A	54:1	31:1	18:1
2022	A	24:1	15:1	8:1

Financial performance in 2024 is similar to that of 2023, so the impact on short-term incentive outcomes for the CEO is also similar. The principal driver for the change in CEO pay ratio from 2023 to 2024, is the improvement in long-term incentive outcomes. Only Executive Directors and a small number of other very senior employees have performance conditions attached to long-term incentive outcomes. All other permanent employees are eligible to participate in the long-term incentive, but receive awards that are only conditional on continuous service. The table above sets out how the single total figure of remuneration (STFR) for the Group Chief Executive compares to the STFR of the UK employees at the 25th percentile, median and 75th percentile in 2024, 2023 and 2022. The table below sets out the split between total remuneration (fixed and variable pay and benefits) and the salary component of that total for the relevant 2024 employees. Lancashire has chosen to use methodology A (as defined in the applicable regulations) to calculate the figures in the tables above and below.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)
2024	75,598	51,125	121,799	85,500	225,016	139,500
	78:1	16:1	48:1	10:1	26:1	6:1

Percentage change in Directors' remuneration[1]

The following table sets out the percentage change in the aggregate value of salary, benefits and bonus for the Directors from the preceding year, and the average percentage change in respect of the employees of the Group taken as a whole:

As at	2024			2023			2022			2021			2020		
	Base salary/ fees	Benefits[2]	Bonus	Base salary/ fees	Benefits[2]	Bonus	Base salary/ fees	Benefits[2]	Bonus	Base salary/ fees	Benefits[2]	Bonus	Base salary/ fees	Benefits[2]	Bonus
Executive Directors															
Alex Maloney	**10.0**	**13.6**	**10.2**	5	5	365.5	4.0	4.3	23.1	(0.2)	(0.5)	(223.1)	3.1	–	(27.9)
Natalie Kershaw[3]	**5.0**	**6.1**	**5.1**	15.9	16	407.2	16.0	13.4	16.0	16.2	11.1	(197.0)	N/A	N/A	N/A
Paul Gregory[4]	**N/A**	**N/A**	**N/A**												
Non-Executive Directors[5]															
Philip Broadley[6]	**1026.5**	**N/A**	**N/A**	N/A	N/A	N/A									
Peter Clarke[7]	**(67.7)**	**-**	**N/A**	-	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A
Michael Dawson	**-**	**-**	**N/A**	-	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A
Jack Gressier[8]	**-**	**-**	**N/A**	134	-	N/A	N/A	N/A	N/A						
Bryan Joseph[9]	**70.1**	**N/A**	**N/A**	N/A	N/A	N/A									
Robert Lusardi	**-**	**-**	**N/A**	-	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A
Irene McDermott Brown	**-**	**-**	**N/A**	-	-	N/A	-	-	N/A	N/A	N/A	N/A	-	-	N/A
Nathalie Rachou[4]	**N/A**	**N/A**	**N/A**												
Linda Ventresca[4]	**N/A**	**N/A**	**N/A**												
Sally Williams	**0.3**	**N/A**	**N/A**	13.5	N/A	N/A	34.1	N/A	N/A	-	N/A	N/A	-	N/A	N/A
Employees of the parent company[10]															
Employees of the Group	**8.3**	**11.8**	**5.6**	10.4	14.1	168.5	7.5	7.9	105.0	15.2	27.5	(57.9)	8.7	17.5	4.3

1. The change in remuneration is based on employees employed in the year ended 31 December 2024 and the year ended 31 December 2023.
2. Benefits include pension and all taxable benefits as reported on page 98 in the Single Figure on Remuneration table. For Executive Directors and employees, there were no changes in benefits provision between 2023 and 2024.
3. For Natalie Kershaw, there was no change in her salary from 2020 to 2021. The apparent increase has arisen due to her 2020 salary shown being pro-rata following her appointment as Group CFO on 1 March 2020. The change in salary in 2022 and 2023 reflects a mid-year adjustment during 2022.
4. For Paul Gregory, Nathalie Rachou and Linda Ventresca, who were appointed to the Board during the year, there is no comparison to prior year.
5. Non-Executive Director fee levels were unchanged between 2023 and 2024.
6. Philip Broadley was appointed to the Board on 8 November 2023. His fees for 2023 represent his time as a Director. He assumed the role of Chair on 1 May 2024. His fees for 2024 represent his time as a Director and Chair.
7. Peter Clarke stepped down from the Board on 1 May 2024, and his fees represent his 2024 tenure.
8. Jack Gressier was appointed to the Board on 26 July 2022, and his 2022 fees represent his time as a Director.
9. Bryan Joseph was appointed to the Board on 26 April 2023, and to the LSL Board on 1 August 2023. His fees for 2023 represent his time as a Director.
10. As the parent company does not have any employees, it is not possible to provide a percentage change in their pay and therefore the comparison is to the Group as a whole.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the year ended 31 December 2024, compared with the year ended 31 December 2023:

	2024 $m	2023 $m	Percentage change %
Total employee benefits	150.7	135.1	11.5%
Dividends	354.2	155.3	128.1%

Committee members, attendees and advice

For Remuneration Committee membership and attendance at meetings through 2024, please refer to page 90 of this Annual Report & Accounts. The Group CEO and other senior executives may attend Remuneration Committee meetings where appropriate, noting that no one is involved in decisions regarding their own remuneration.

The Remuneration Committee's responsibilities are contained in its Terms of Reference, a copy of which is available on the Company's web site.

These responsibilities include determining the framework for the remuneration, including pension arrangements, for all Executive Directors, the Chair and senior executives. The Committee is also responsible for approving employment contracts for senior executives.

Remuneration Committee adviser

The Remuneration Committee is advised by the Executive Compensation practice at PwC since their appointment in July 2023. Advisers hold discussions with the Remuneration Committee Chair regularly on Committee processes and topics which are of particular relevance to the Company.

The primary role of the Committee adviser is to provide independent and objective advice and support to the Committee's Chair and members. The Committee is satisfied that the advice that it receives is objective and independent, noting that PwC is a signatory to the Remuneration Consultants Group ('RCG') Code of Conduct which sets out guidelines for managing conflicts of interest, and has confirmed to the Committee their compliance with the RCG Code.

The total fees paid to PwC in respect of its services to the Committee for the year ended 31 December 2024 were $126,277. Fees are predominantly charged on a fixed feed basis for a core scope of activities, with additional fees for items outside of this scope charged on a 'time spent' basis.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report, are shown below, along with the votes to approve the 2023 Remuneration Policy, any matters discussed with shareholders during the year, are provided in the Annual Statement for 2023, starting on page 101. Details on the 2023 AGM vote are also outlined in the statement.

	Vote to approve 2023 Annual Report on Remuneration (at the 2024 AGM)		Vote to approve 2023-2025 Remuneration Policy (at the 2023 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	157,786,939	91.2	166,150,636	92.9
Against	15,202,624	8.8	12,769,776	7.1
Total	172,989,563	100.0	178,920,412	100.0
Abstentions	13,885,168		1,213,622	

Please see page 92 for the Chair's discussion of the 2024 AGM Remuneration vote outcomes.

Approved by the Board of Directors and signed on behalf of the Board.

Irene McDermott Brown
Chair of the Remuneration Committee

5 March 2025

Directors' Report

Overview of the Group

LHL is a Bermuda incorporated company (Registered Company No. 37415) with operating subsidiaries in Bermuda, London, the US, and Australia, and two syndicates at Lloyd's.

The Company's common shares were admitted to trading on AIM in December 2005 and were subsequently moved up to the Official List and to trading on the main market of the LSE on 16 March 2009. The shares have been included in the FTSE 250 Index since 22 June 2009, and are categorised as Equity Shares (Commercial Companies).

Principal activities

The Company's principal activity, through its wholly-owned subsidiaries, is the provision of global specialty, catastrophe and casualty insurance and reinsurance products. An analysis of the Group's business performance can be found in the underwriting and business review starting on page 16.

Dividends

During the year ended 31 December 2024, the following dividends were declared:

- a special dividend of $0.50 per common share was declared on 6 March 2024 and paid on 12 April 2024 in pounds sterling at the pound/US dollar exchange rate of 1.2755 or £0.3920 per common share.
- a final dividend of $0.15 per common share was declared on 6 March 2024 subject to shareholder approval, which was received at the 2024 AGM. The final dividend was paid on 7 June 2024 in pounds sterling at the pound/US dollar exchange rate of 1.2531 or £0.1197 per common share;
- an interim dividend of $0.075 per common share was declared on 8 August 2024 and paid on 13 September 2024 in pounds sterling at the pound/US dollar exchange rate of 1.29075 or £0.0581 per common share; and
- a special dividend of $0.75 per common share was declared on 6 November 2024 and paid on 13 December 2024 in pounds sterling at the pound/US dollar exchange rate of 1.26880 or £1.5911 per common share.

Dividend policy

On 6 March 2024, the Company announced a 50% increase to its dividend policy which reflects the benefits of a more diversified business model and the resultant improvement on the resilience of returns. The final ordinary dividend increased from $0.10 per common share to $0.15 per common share, whilst the interim ordinary dividend increased from $0.05 per common share to $0.075 per common share.

The Group intends to maintain a strong balance sheet at all times, while generating an attractive risk-adjusted total return for shareholders. We actively manage capital to achieve those aims. Capital management is expected to include the payment of a sustainable annual (interim and final) ordinary dividend, supplemented by special dividends from time to time. Dividends will be linked to past performance and future prospects.

Under most scenarios, the annual ordinary dividend is not expected to reduce from one year to the next. Special dividends are expected to vary substantially in size and in timing. The Board may cancel the payment of any dividend between declaration and payment for purposes of compliance with regulatory requirements or for exceptional business reasons.

Current Directors

- Philip Broadley (Non-Executive Chair)
- Alex Maloney (Group Chief Executive Officer)
- Natalie Kershaw (Group Chief Financial Officer)
- Paul Gregory (Group Chief Underwriting Officer)
- Bob Cox (Non-Executive Director)
- Michael Dawson (Non-Executive Director)
- Jack Gressier (Non-Executive Director)
- Bryan Joseph (Non-Executive Director)
- Robert Lusardi (Senior Independent Non-Executive Director)
- Irene McDermott Brown (Non-Executive Director)
- Nathalie Rachou (Non-Executive Director)
- Linda Ventresca (Non-Executive Director)
- Sally Williams (Non-Executive Director)

Directors' report *continued*

Directors' interests

The Directors' beneficial interests in the Company's common shares as at 31 December 2024 and 2023, including interests held by family members, (but excluding any interests of Bob Cox, who was not a Non-Executive Director until 1 January 2025) were as follows (share prices rounded to two decimal places):

Directors	Common shares held as at 31 December 2024	Common shares held as at 31 December 2023
Philip Broadley[1]	**51,615**	—
Peter Clarke[2]	**—**	82,500
Michael Dawson[3]	**35,000**	20,000
Paul Gregory[4]	**513,548**	—
Jack Gressier	**—**	—
Bryan Joseph[5]	**12,246**	4,076
Natalie Kershaw[6]	**104,841**	52,840
Robert Lusardi	**48,000**	48,000
Alex Maloney[7]	**869,961**	810,899
Irene McDermott Brown	**8,663**	8,663
Nathalie Rachou[8]	**—**	—
Linda Ventresca[9]	**—**	—
Sally Williams	**11,082**	11,082

1. Philip Broadley conducted the following transactions in the Company's shares during 2024:
   - 15 May 2024 - purchase of 47,200 shares at a price of £6.33 per share, costing £298,776.00.
   - 13 December 2024 – purchased 4,415 shares at a price of £6.79 per share, costing £30,004.83.
2. Peter Clarke ceased being a Director on 1 May 2024. Mr Clarke held 82,500 shares in the Company as at 1 May 2024
3. Michael Dawson conducted the following transactions in the Company's shares during 2024:
   - 15 March 2024 - purchase of 5,000 shares at a price of £6.10 per share, costing £30,500.00.
   - 8 August 2024 - purchase of 10,000 shares at a price of £6.10 per share, costing £61,000.00.
4. Paul Gregory was appointed to the Board with effect from 1 May 2024. Mr Gregory held the 513,548 shares in the Company at the time of his appointment. Includes 458,575 owned by his spouse Helen Gregory.
5. Bryan Joseph conducted the following transactions in the Company's shares during 2024:
   - 20 March 2024 - purchase of 800 shares at a price of £6.50 per share, costing £5,196.17.
   - 29 August 2024 - purchase of 7,370 shares at a price of £6.78 per share, costing £49.998.08.
6. Natalie Kershaw conducted the following transactions in the Company's shares during 2024:
   - 8 March 2024 – exercise of 102,244 RSS awards and related sale of 50,243 shares at a price of £6.29 per share, realising £316,173.79.
7. Includes 181,819 shares owned by his spouse, Amanda Maloney. Alex Maloney conducted the following transactions in the Company's shares during 2024:
   - 8 March 2024 – exercise of 116,126 RSS awards and related sale of 57,064 shares at a price of £6.28 per share, realising £358,533.17.
8. Nathalie Rachou was appointed to the Board with effect from 5 November 2024.
9. Linda Ventresca was appointed to the Board with effect from 7 August 2024.

Share capital and transactions in own shares

Details of the Company's share capital and other reserves are set out in note 19 on page 171. The Company did not repurchase any of its own common shares during 2024. Pursuant to the authority granted at the AGM held on 26 April 2023, the Company announced on 22 November 2023 that it would commence a share repurchase programme that expired on 29 February 2024. No shares were repurchased under the programme due to market conditions.

The authority to repurchase shares, for an amount of up to 10% of the then issued common share capital, was renewed at the 2024 AGM, and it is expected that the Company will seek approval for that same authority to be renewed at the 2025 AGM.

Directors' remuneration and loss of office

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. Details of the Directors' remuneration, including arrangements relating to loss of office, are set out in the Directors' Remuneration Report starting on page 92.

Substantial shareholders

The Company was aware of the following interests of 5% or more in the Company's issued share capital:

Shareholders	Holding as at 31 Jan 2025	% of ISC as at 31 Jan 2025
Man GLG	**17,118,151**	7.02 %
Baillie Gifford	**15,983,716**	6.55 %
Polar Capital	**15,600,000**	6.39 %
Blackrock	**14,923,127**	6.12 %
Setanta Asset Management	**14,798,444**	6.06 %
Vanguard Group	**13,140,051**	5.39 %

As at 5 March 2025, no further material changes have been notified to the Company.

Corporate governance – compliance statement

The Company's compliance with the Code is detailed in the Chair's introduction to the ESG report on page 39. The Company's own annual report and the Group's consolidated annual report are presented as a single report.

The Board considers, and the Company confirms, in accordance with the principle of 'comply or explain', that the Company has applied the principles and complied with the provisions and guidance set out in the Code throughout the year ended 31 December 2024. This is subject to the exceptions that the Board has decided to defer an externally facilitated evaluation of the Board and its Committees beyond three years to the end of 2025 (provision 21) and that Peter Clarke, as the outgoing Chair, stepped down at the 2024 AGM during his 10th year of service on the Board (provision 19). See the Corporate Governance report on page 69 for further discussion.

The Company's internal control and risk management systems in relation to the financial reporting process, and, more widely, are summarised in the Enterprise Risk Management report starting on page 24, in the Corporate Governance report on page 71, and in the Audit Committee report on page 80.

Political and charitable donations

The Group made no political donations during the year. For information concerning the Group's charitable contributions and activities, please see pages 42 to 45.

Health and safety

The Group considers the health and safety of its employees to be a management responsibility equal to that of any other function. The Group operates in compliance with health and safety legislative requirements.

Greenhouse gas emissions and TCFD reporting

The Group's greenhouse gas emissions are detailed on page 62. The Group's TCFD Report is included in this Annual Report and Accounts, starting on page 46.

Employees

The Group is an equal opportunities employer and does not tolerate discrimination of any kind in any area of employment or corporate life. The Group believes that education and training for employees is a continuous process, and employees are encouraged to discuss training needs with their managers. The Group's health and safety, equal opportunities, training and other employment policies are available to all employees in the staff handbook, which is located on the Group's Employee HR portal. See pages 58 to 60.

Creditor payment policy

The Group aims to pay all creditors promptly and in accordance with contractual and legal obligations.

Financial instruments and risk exposures

Information regarding the Group's risk exposures is included in the ERM report starting on page 24, and in the risk disclosures section starting on page 136 of the consolidated financial statements. The Group's use of derivative financial instruments can be found on page 132.

Listing rule disclosures

Details of required disclosures under LR 6.6.1R(9) regarding contracts of significance are detailed in note 22 "Related party disclosures" on page 174.

Accounting standards

The consolidated financial statements of the Group have been prepared on a going concern basis in compliance with the IFRS accounting standards, as adopted by the EU.

Annual General Meeting

The Notice of the 2025 AGM, to be held on 30 April 2025 at the Company's head office, Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda, is contained in a separate circular to shareholders which is made available to shareholders at the same time as this Annual Report and Accounts. The Notice of the AGM is also available on the Company's website.

Electronic and website communications

Provisions of the Bermuda Companies Act 1981 enable companies to communicate with shareholders by electronic and/or website communications.

The Company will notify shareholders (either in writing or by other permitted means) when a relevant document or other information is placed on the website and a shareholder may request a hard copy version of the document or information.

Going concern and viability statement

The performance review section starting on page 14 sets out details of the Group's financial performance, capital management, business environment and outlook. In addition, further discussion of the principal risks and material uncertainties affecting the Group can be found on pages 29 to 32. Starting on page 136, the risk disclosures section of the consolidated financial statements sets out the principal risks to which the Group is exposed, including insurance, market, liquidity, credit, operational and strategic, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks. Where relevant, the above principal risks make reference to the risk in respect of climate change. Further details of the Group's scenario testing and resilience to climate change risk can be found in the TCFD Report starting on page 46.

The Board considers annually and on a rolling basis, a strategic plan for the business which the Group implements. The strategic plan approved by the Board at its meeting on 7 August 2024 covers the period to the year 2030. The Board also approved at its meeting on 5 November 2024 a detailed three-year business forecast covering 2025 to 2027, which will be revised and reviewed by the Board at each of its quarterly meetings throughout 2025. The three-year business plan period aligns to the predominantly short-tail nature of the Group's liabilities and the Group's ability to re-price and reposition its risk exposures within its business model, allowing the Group to both hold and utilise capital and solvency effectively and efficiently in response to market cycles, events and opportunities. This is consistent with the outlook period in the Group's ORSA report. The Board receives quarterly reports from the Group CRO and sets, approves, and monitors risk tolerances for the business.

During 2024, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. As part of this assessment, the business plan was stressed for a number of severe but plausible scenarios and the impact on capital evaluated. As we note in the Audit Committee report on page 77 and throughout this Annual Report and Accounts, the Board continues to monitor Group reserves for a number of loss events including various natural catastrophe and specialty market loss events, including those related to various evolving geopolitical conflicts. The Board also continued to monitor the conditions within the global investment markets. The Audit Committee also considered a formal and thorough 'going concern' analysis from management at both its August 2024 and March 2025 meetings, including appropriate stress and sensitivity analysis in respect of capital, climate change and financial results (for further details see page 77 in the Audit Committee report). The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. Accordingly, the Board has a reasonable expectation that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2027, being the period considered under the Group's current three-year business plan.

Going concern

Based on the going concern assessment performed as at 31 December 2024, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern and to adopt the going concern basis of accounting. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence as a going concern in the foreseeable future, for a period of at least 12 months from the date of signing the Group's consolidated financial statements.

Auditors

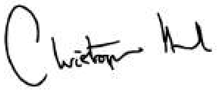
Resolutions will be proposed at the Company's 2025 AGM to re-appoint KPMG LLP as the Company's auditors and to authorise the Directors to set the auditors' remuneration. As detailed in the Audit Committee report on page 79, the Board intends to initiate an audit tender process during the course of 2025.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board.



Christopher Head
Company Secretary

5 March 2025

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts and the Group's consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they are required to prepare the consolidated financial statements in accordance with IFRS accounting standards, adopted by the EU.

In preparing each of the consolidated financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with the IFRS standards;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements;
- provide additional disclosures where compliance with the specific requirements of IFRS standards are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its consolidated financial statements comply with applicable laws and regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with the IFRS accounting standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- the strategy report including the business review section of this Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions. In addition, the rights of shareholders under Bermuda law may differ from those for shareholders of companies incorporated in other jurisdictions.

By order of the Board
5 March 2025

Independent Auditor's Report to the Members of Lancashire Holdings Limited

1 Our opinion is unmodified

We have audited the consolidated financial statements of Lancashire Holdings Limited ("the Company" or "the Group") for the year ended 31 December 2024 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows, and the related notes, including the accounting policies on pages 125 to 135 of this Annual Report and Accounts.

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2024 and of the Group's profit for the year then ended; and
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters (unchanged from 2023), in decreasing order of audit significance, in arriving at our audit opinion above. These matters were addressed, in the context of, our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of incurred but not reported element of both liability for incurred claims and asset for incurred claims

(Claims incurred but not reported is an element of both the liability for incurred claims and the asset for incurred claims at 31 December 2024: $2,237.7 million liability for incurred claims, $608.5 million asset for incurred claims; 31 December 2023: $1,765.9 million liability for incurred claims, $430.3 million asset for incurred claims)

Refer to pages 76 to 81 (Audit Committee report), pages 128 to 131 (accounting policy) and pages 162 to 167 (financial disclosures)

Risk vs 2023: <>

The risk

The Group maintains liabilities (and related reinsurance assets) for incurred claims to cover the estimated ultimate cost of settling all losses and loss adjustment expenses arising from events which have occurred up to the balance sheet date, regardless of whether those losses have been reported to the Group. Incurred but not reported (IBNR) claims is the most subjective component of the liability for incurred claims and the asset for incurred claims.

There is high level of uncertainty within the IBNR portion of the liability (and asset) for incurred claims related to the estimate of the fulfilment cash flows for IBNR.

Subjective valuation:

The liability for incurred claims represents the single largest liability for the Group and the estimation of the IBNR element is the most subjective. Valuation of the fulfilment cash flows related to incurred but not reported liabilities is highly judgemental because it requires a number of assumptions to be made with high estimation uncertainty such as initial expected loss ratios, large loss assumptions and claim development patterns. The selection of the methodology is judgemental and the application of selected methods and assumptions is complex. These calculations are also used along with net to gross ratio assumptions to derive the valuation of the related reinsurance asset for incurred claims.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of the liability and asset for incurred claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.

Our response

We have used our own actuarial specialists to assist us in performing our procedures in this area:

Our procedures included:

Controls design and implementation

Evaluating and testing the design and implementation of key controls over the appropriateness of selection and application of the methodology and actuarial assumptions used in the valuation process of the portion of the liability (and asset) for incurred claims related to undiscounted IBNR fulfilment cash flows.

Assessment of assumptions and methodology

Assessing and challenging the reserving assumptions and methodology (on a gross and net of outwards reinsurance basis) based on our understanding of the reserving policy within the Group. This has also involved comparing the Group's reserving methodology for the calculation of the IBNR fulfilment cash flows with industry practice and understanding the rationale for any key differences.

Historical experience

Evaluating the reliability of the Group's reserving estimates by monitoring the development of losses against initial estimates.

Independent re-projections

Applying our own assumptions, across all attritional classes of business, to perform re-projections on the liability for incurred claims (fulfilment cash flows) and asset for incurred claims and comparing these to the Group's projected results. Where there were significant variances in the results, we have challenged the Group's assumptions with respect to the selected initial expected loss ratios or development patterns.

Sector experience and benchmarking of large losses

Assessing and challenging the reserving assumptions by comparing the Group's loss experience to peers in the market, on a gross and net of outwards reinsurance basis, including on a contract by contract basis for selected large loss and catastrophe events.

Assessing transparency

Considering the adequacy of the Group's disclosures in respect of the valuation of the liability (and asset) for incurred claims.

We performed the tests above over the valuation rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Eligibility for the Premium Allocation Approach ("PAA")

Refer to pages 76 to 81 (Audit Committee report), page 128 (accounting policy)

Risk vs 2023: <>

The risk

IFRS 17 requires the Group to measure its groups of insurance (and reinsurance) contracts using the General Measurement Model ("GMM") unless the criteria for measuring contracts using a simplified Premium Allocation Approach ("PAA") is met.

The Group has applied PAA to simplify the measurement of groups of insurance (and reinsurance) contracts.

Insurance (and reinsurance) contracts are eligible for the PAA if the coverage period is one year or less. If the coverage period for any insurance (or reinsurance) contract in a group of contracts is more than one year, the Group is only eligible to apply PAA to the group of contracts if it reasonably expects that the PAA and GMM would not produce measurements of the liability (and asset) for remaining coverage that differ materially.

The Group has to consider and apply judgement to assess whether significant variability in the fulfilment cash flows is expected. This includes evaluating factors such as duration of contracts, claims payment patterns and stability of the interest rate environment. If significant variability is expected at the inception of the group of insurance (and reinsurance) contracts, then PAA is not allowed.

The qualitative factors relevant to the determination of significant variability in fulfilment cashflows is subjective. Additionally, the calculation for liability (and asset) for remaining coverage using GMM is complex and requires the Group to perform a forecast based assessment. As part of this assessment the Group has calculated the liability (and asset) for remaining coverage at inception for certain groups of insurance contracts based on their own risk assessment using the GMM approach and compared this with the same output under the PAA over the coverage period of the group of contracts. The Group has then modelled a series of plausible scenarios to test the extent of variability and assess whether the eligibility test is met.

There are a number of subjective assumptions used in this assessment such as budgeted loss and expense ratios, cash flow patterns and estimates of ultimate premium. There is also subjectivity and judgement involved in concluding whether the difference between the liability (or asset) for remaining coverage calculated using the GMM differ materially from the PAA under what are considered reasonable scenarios.

Our response

We have used our own actuarial specialists to assist us in performing our procedures in this area.

Our procedures included:

Control design and implementation

Evaluating and testing the design and implementation of key controls over the assessment of PAA eligibility for groups of insurance and reinsurance contracts.

Assessment of assumptions and methodology

Assessing the appropriateness of the methodology used, including qualitative factors such as duration of contracts, claims payment patterns and stability of the interest rate environment. Evaluating appropriateness of key assumptions such as budgeted loss and expense ratios, cash flow patterns and estimates of ultimate premiums.

Independent recalculation

Independently recalculating the liability (and asset) for remaining coverage under the General Measurement Model (GMM) for groups of insurance (and reinsurance) contracts where we assessed the risk of the two measurement models generating LRC that differ materially to be highest based on qualitative and quantitative factors.

Stress testing

Assessing the appropriateness of stresses applied on key assumptions by management, independently performing stress tests on key assumptions and evaluating whether groups of insurance and reinsurance contracts continue to be eligible for PAA under various scenarios.

Data reconciliations

Assessing the completeness and accuracy of the data used within the PAA eligibility assessment by reconciling to forecasts approved by the Board.

Assessing transparency

Considering the adequacy of the Group's disclosures in respect of key judgements within PAA eligibility assessment performed by the Group.

We performed the tests above over the eligibility for the PAA rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

3 Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the consolidated financial statements as a whole was set at $15.8 million (2023: $14.0 million), determined with reference to a benchmark of Group insurance revenue of which it represents 0.9% (2023: 0.9%). We consider insurance revenue to be the most appropriate benchmark given the size and complexity of the business as it provides a stable measure year on year.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances aggregate to a material amount across the consolidated financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the consolidated financial statements as a whole, which equates to $11.8 million (2023: $10.5 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.8 million (2023: $0.7 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group’s components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified twelve components, having considered our evaluation of the Group’s legal structure and our ability to perform audit procedures centrally.

Of those, we identified three quantitatively significant components which contained the largest percentages of either total insurance revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected two components with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on five components, of which we involved component auditors in performing the audit work on two components.

We set the component materialities, ranging from $3.5 million to $12.2 million, having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 100.0% of Group insurance revenue. We performed audit procedures in relation to components that accounted for 99.8% of Group profit before tax and 99.9% of Group total assets.

The Group auditor instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

Group auditor oversight

In working with component auditors, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit.
- Issued Group audit instructions to component auditors on the scope and nature of their work.
- While we did not visit component auditors in person, as the audit progressed, to understand and evaluate their work, we organised video conferences with the component auditors. At these video conferences, the results of the planned procedures and further audit procedures communicated to us were discussed in more detail and any further work required by us was then performed by the component auditors.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistency between communicated findings and work performed with a particular focus on testing of valuation of liability (asset) for incurred claims, eligibility for Premium Allocation Approach and management override of controls.

Impact of controls on our Group audit

We identified the following key IT systems which were relevant to the audit:

- the general ledger system used across all components of the Group to record journal entries; and
- the IT systems used to record the underlying transactions in relation to premium, claims and reinsurance for three components.

We used IT specialists to assist us in evaluating the design and operating effectiveness of the IT general controls and automated controls over the above IT systems, which are managed centrally from the UK. Following our testing, including testing mitigating controls where relevant, we relied on the IT general controls for these systems in determining the work to be performed in the audit.

We also tested the operating effectiveness of automated and key manual controls for in-scope components in the premiums, claims and reinsurance processes and placed reliance on these controls. This reduced the amount of substantive testing performed in the audit of these areas.

We relied on automated controls to reduce our substantive testing over automated journal entries. However, we were unable to rely on the controls over manual journal entries which resulted in our audit approach over manual journal entries being fully substantive. Following incremental risk assessment procedures, we assessed that no significant changes were required to our planned audit approach.

4 The impact of climate change on our audit

In planning our audit, we performed a risk assessment, including enquiries of management, to determine how the impact of commitments made by the Group in respect of the transition to net-zero carbon emissions, as well as the physical risks of climate change, and transition risks faced by the Group's customer base, could impact on the financial statements and our audit. Through the procedures we performed, we did not identify any material impact of climate change on the Group's material accounting estimates and there was no significant impact of this assessment on our key audit matters.

The Group underwrites short-tail catastrophe risks. Climate change may result in an increase in the frequency and severity of climate-related catastrophe events, leading to higher insurance pay-outs. However, the short-term nature of the Group's insurance contracts means that the impact of losses from catastrophes for the year ended 31 December 2024 is already recorded within the Group's liability for incurred claims at the balance sheet date. The Group considers this loss experience in evaluating individual risk exposures, and the setting of insurance premium rates for both new policies and the periodic renewal of its existing insurance underwriting portfolio. The Group expects any increase in the frequency and severity of climate-related catastrophe events to be reflected in future market premium rates. These considerations are factored into the Group's going concern assessments, in the assessment of which the Group performed a specific climate change stress scenario.

The Group also holds investments and assesses climate risk exposure within the portfolio. Given the predominantly short-term nature of these investments, we have assessed that there is no significant risk related to climate with regards to the valuation of these investments at the balance sheet date.

Taking into account the extent of the headroom of the recoverable amount over the carrying amount of the cash generating units including the Group's intangible assets with indefinite useful lives, we assessed the risk of climate change to the carrying amount of these assets at the balance sheet date to be not significant.

We have read the disclosures of climate related information in the Annual Report and Accounts and considered their consistency with the consolidated financial statements and our audit knowledge.

5 Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was the valuation of the liability for incurred claims given the estimation and judgement involved in setting these reserves.

We also considered less predictable but realistic second order impacts that could affect demand in the Group's markets, such as the impact of climate change on the Group's results and operations, the performance of the investment portfolio, credit ratings for key insurance subsidiaries, solvency and capital adequacy.

We considered whether these risks could plausibly affect the liquidity and solvency in the going concern period by comparing severe, but plausible downside scenarios and the degree of downside changes in assumptions that, individually and collectively, could result in a liquidity and solvency issue taking into account the Group's current and projected financial resources (a reverse stress test).

We considered whether the going concern disclosure on page 125 of the consolidated financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in page 111 of the consolidated financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's use of that basis for the going concern period, and we found the going concern disclosure in page 125 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors, the Audit Committee, Internal Audit, the Risk function, Head of Group Legal and the Company Secretary, together with inspection of policy documentation, as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes and performance conditions for management remuneration which includes the annual change in diluted book value per share and return on equity.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communications from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and requests to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of liability and asset for incurred claims. On this audit we do not believe there is a fraud risk related to revenue recognition because insurance revenue is recognised based on standard non-complex revenue earning patterns.

We also identified a fraud risk in relation to the following area:

- The valuation of liability and asset for incurred claims due to the estimation required in setting these liabilities (and associated reinsurance asset) and the ability for changes in the valuation to be used to impact profit.

In order to address the risk of fraud specifically as it relates to the valuation of liability and asset for incurred claims, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

Further detail in respect of our procedures around the valuation of liability (and asset) for incurred claims is set out in the key audit matter disclosures in section 2 of this independent auditor's report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls. The Audit Committee report on pages 76 to 81 also references the entity level controls in operation across the Group.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash, insurance revenue and post-closing journals meeting certain criteria.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As certain entities within the Group are regulated, our assessment of risks involved gaining an understanding of the control environment including an entity's procedures for complying with regulatory requirements. This was achieved through the procedures noted above.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the consolidated financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and regulatory capital, solvency and liquidity regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines, litigation or loss of regulatory approval to write insurance contracts. We identified the following areas as those most likely to have such an effect: anti-bribery and certain aspects of company legislation, recognising the financial and regulated nature of certain of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report and Accounts together with the consolidated financial statements. Our opinion on the consolidated financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our consolidated financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' remuneration report

In addition to our audit of the consolidated financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the Company was required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 111 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the emerging and principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our consolidated financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the consolidated financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and accounts taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report and accounts describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the consolidated financial statements, and how these issues were addressed; and
- the section of the annual report and accounts that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 112, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group'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 they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Group is required to include these consolidated financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and the terms of our engagement, by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

Salim Tharani
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

5 March 2025

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Notes	2024 $m	2023 $m
Insurance revenue	2, 13	**1,765.1**	1,519.9
Insurance service expenses	2, 3, 6,13	**(1,186.1)**	(696.2)
Insurance service result before reinsurance contracts held		**579.0**	823.7
Allocation of reinsurance premium	2, 13	**(439.4)**	(424.8)
Amounts recoverable from reinsurers	2, 3, 13	**240.3**	(16.8)
Net expense from reinsurance contracts held		**(199.1)**	(441.6)
Insurance service result		**379.9**	382.1
Net investment return	2, 4	**162.2**	160.5
Finance expense from insurance contracts issued	2, 3	**(77.9)**	(98.3)
Finance income from reinsurance contracts held	2, 3	**24.0**	31.7
Net insurance and investment result		**488.2**	476.0
Share of profit of associate	15	**8.6**	12.1
Other income	5	**10.4**	2.9
Net foreign exchange losses		**(2.6)**	(4.1)
Other operating expenses	2, 6	**(115.9)**	(107.4)
Equity based compensation	7	**(19.0)**	(15.2)
Financing costs	8	**(33.0)**	(31.6)
Profit before tax		**336.7**	332.7
Tax charge	9	**(15.4)**	(11.2)
Profit after tax		**321.3**	321.5
Earnings per share			
Basic	20	**$1.34**	$1.35
Diluted	20	**$1.30**	$1.32

Consolidated statement of financial position

As at 31 December 2024

	Notes	2024 $m	2023 $m
Assets			
Cash and cash equivalents	10, 18	**684.3**	756.9
Accrued interest receivable		**22.0**	16.7
Investments	11, 12, 18	**2,864.9**	2,455.5
Reinsurance contract assets	13	**557.2**	387.8
Other receivables		**20.5**	58.4
Investment in associate	12, 15	**9.1**	16.2
Right-of-use assets	16	**16.2**	19.3
Property, plant and equipment		**8.7**	9.8
Intangible assets	17	**197.0**	181.1
Total assets		**4,379.9**	3,901.7
Liabilities			
Insurance contract liabilities	13	**2,300.4**	1,823.7
Other payables		**91.9**	80.6
Corporation tax payable		**2.7**	2.0
Deferred tax liability	14	**22.3**	16.2
Lease liabilities	16	**22.3**	24.7
Long-term debt	18	**447.0**	446.6
Total liabilities		**2,886.6**	2,393.8
Shareholders' equity			
Share capital	19	**122.0**	122.0
Own shares	19	**(20.5)**	(29.7)
Other reserves	19	**1,242.3**	1,233.2
Retained earnings		**149.5**	182.4
Total shareholders' equity		**1,493.3**	1,507.9
Total liabilities and shareholders' equity		**4,379.9**	3,901.7

The consolidated financial statements were approved by the Board of Directors on 5 March 2025 and signed on its behalf by:

Philip Broadley
Director/Chair

Natalie Kershaw
Director/CFO

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2024

	Notes	Share capital $m	Own shares $m	Other reserves $m	Retained earnings $m	Total shareholders' equity $m
Balance as at 31 December 2022		122.0	(34.0)	1,221.9	16.2	1,326.1
Profit for the year		—	—	—	321.5	321.5
Distributed by the trust	19	—	4.3	(4.8)	—	(0.5)
Dividends on common shares	19	—	—	—	(155.3)	(155.3)
Net deferred tax	14	—	—	0.4	—	0.4
Equity based compensation		—	—	15.7	—	15.7
Balance as at 31 December 2023		122.0	(29.7)	1,233.2	182.4	1,507.9
Profit for the year		**—**	**—**	**—**	**321.3**	**321.3**
Distributed by the trust	19	**—**	**9.2**	**(11.3)**	**—**	**(2.1)**
Dividends on common shares	19	**—**	**—**	**—**	**(354.2)**	**(354.2)**
Net deferred tax	14	**—**	**—**	**0.8**	**—**	**0.8**
Equity based compensation		**—**	**—**	**19.6**	**—**	**19.6**
Balance as at 31 December 2024		**122.0**	**(20.5)**	**1,242.3**	**149.5**	**1,493.3**

Consolidated statement of cash flows

For the year ended 31 December 2024

	Notes	2024 $m	2023 $m
Cash flows from operating activities			
Profit before tax		**336.7**	332.7
Adjustments for:			
Tax paid		**(7.7)**	(1.9)
Depreciation		**6.3**	4.3
Amortisation on intangible assets	17	**1.2**	0.2
Impairment of intangible assets	17	**—**	1.4
Interest expense on long-term debt	8, 18	**25.8**	25.8
Interest expense on lease liabilities	16	**1.3**	1.5
Interest income		**(131.5)**	(95.4)
Dividend income		**(16.6)**	(11.3)
Net unrealised gains on investments	4	**(20.4)**	(53.4)
Net realised gains on investments	4	**(2.7)**	(3.9)
Equity based compensation		**19.0**	15.2
Foreign exchange losses		**1.2**	3.9
Share of profit of associate	15	**(8.6)**	(12.1)
Changes in operational assets and liabilities			
• Insurance and reinsurance contracts		**316.9**	220.4
• Other assets and liabilities		**52.9**	14.5
Net cash flows from operating activities		**573.8**	441.9
Cash flows used in investing activities			
Interest income received		**126.2**	90.0
Dividend income received		**16.6**	11.3
Purchase of property, plant and equipment		**(1.5)**	(9.6)
Purchase of syndicate participation rights	17	**(11.2)**	(3.3)
Internally generated intangible assets	17	**(5.9)**	(7.0)
Investment in associate	22	**15.7**	55.6
Purchase of investments		**(1,785.8)**	(1,057.4)
Proceeds on sale of investments		**1,394.0**	866.1
Net cash flows used in investing activities		**(251.9)**	(54.3)
Cash flows used in financing activities			
Interest paid		**(25.8)**	(25.8)
Lease liabilities paid	16	**(4.0)**	(3.8)
Dividends paid	19	**(354.2)**	(155.3)
Distributions by trust		**(2.1)**	(0.5)
Net cash flows used in financing activities		**(386.1)**	(185.4)
Net (decrease) increase in cash and cash equivalents		**(64.2)**	202.2
Cash and cash equivalents at beginning of year		**756.9**	548.8
Effect of exchange rate movements on cash and cash equivalents		**(8.4)**	5.9
Cash and cash equivalents at end of year		**684.3**	756.9

Accounting policies

For the year ended 31 December 2024

Summary of material accounting policies

The basis of preparation, use of judgements, estimates and assumptions, consolidation principles, and material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS (as issued by the International Accounting Standards Board), as adopted by the EU.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis. In assessing the Group's going concern position as at 31 December 2024, the Directors have considered a number of factors. These include:

- the current balance sheet and liquidity position;
- the level and composition of the Group's capital and solvency ratios;
- the Group's ability to service its long-term debt financing arrangements;
- the current performance against the Group's strategic and financial business plan;
- the Group's dividend distribution policy; and
- the current market environment, including consideration of climate change.

In addition, the ORSA report is a key document informing the Group's going concern assessment that is submitted to the Board.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these consolidated financial statements. To assess the Group's going concern, the financial stability of the Group was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included a best estimate forecast, and incorporated different magnitudes of reserve releases and attritional, large and catastrophe loss events, plus optimistic and pessimistic investment return scenarios.

To further stress the financial stability of the Group, additional stress testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the Group's exposure to climate change-related risks, and a combination of large losses and catastrophe losses, which would result in a net loss for the Group, and finally a reverse stress test scenario designed to render the business model unviable. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

Based on the going concern assessment performed, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future, being a period of at least 12 months from the date of signing these consolidated financial statements.

Currency and liquidity

All amounts presented, excluding share data, or where otherwise stated, are in millions of US dollars ($m), with amounts rounded to the nearest $0.1 million where appropriate. The consolidated statement of financial position is presented in order of decreasing liquidity.

Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Assumptions and estimates are based on information, knowledge and data available when the consolidated financial statements are prepared. However, existing circumstances and assumptions about future developments may change, or circumstances may arise that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur, and are recognised prospectively. It is considered impracticable to determine the effect that changes in these assumptions and estimates are expected to have on future periods.

Key assumptions concerning the future, and sources of estimation uncertainty

The Group has considered both key assumptions concerning the future, and sources of estimation uncertainty, that may be expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in a subsequent financial year.

Insurance contracts issued and reinsurance contracts held

The Group has determined that its most significant area of estimation uncertainty is in relation to the measurement of insurance contracts issued and reinsurance contracts held. Changes in assumptions made may materially change the FCF that make up these balances. The FCF are the current estimates of the future cash flows within the contract boundary of a group of insurance or reinsurance contracts that we expect to collect premiums from, and pay out for claims, benefits and expenses, adjusted to reflect the timing and uncertainty of those amounts. Changes in the following key assumptions may change the FCF materially:

- assumptions about the amount and timing of future cash flows;
- assumptions about claims development;
- assumptions about discount rates, including any illiquidity premiums; and
- assumptions about the risk adjustment for non-financial risk.

The estimation of the FCF is a complex actuarial process which incorporates a significant amount of judgement, in particular in relation to the estimation of the LIC and AIC. Delays in reporting losses to the Group, together with unforeseen loss development, increase uncertainty over the accuracy of loss reserves. A significant portion of the Group's business is in classes with high attachment points of coverage and therefore a low frequency but high severity of claims. This adds further complexity to the reserving process due to the limited volume of industry data available from which to reliably predict ultimate losses following a loss event. Volatility for the majority of losses is limited on a net basis by the reinsurance protection purchased.

Information about these key assumptions and estimates are included in our risk disclosures and in note 13.

Level (iii) investments

The Group holds a relatively straightforward investment portfolio consisting mainly of standard fixed maturity products. Level (iii) investments are securities for which valuation techniques are not based on observable market data, and therefore require significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include private investment funds, hedge funds and loans made to the Lloyd's central fund. The estimation of fair value, specifically for Level (iii) investments, is discussed within the risk disclosures and note 11.

Management judgements, other than those involving estimations

Lancashire is an insurance group whose primary focus is on underwriting and actively balancing risk and return. In doing so it focuses on ensuring premium revenue and investment return exceeds the cost of claims, outwards reinsurance and operating expenses. The main areas in which judgement is applied are therefore in the measurement and recognition of insurance contracts and financial assets.

Simplified premium allocation measurement model

Management applies judgement to determine if the Group is eligible to apply the simplified PAA measurement model under IFRS 17.

The Group considers that it is eligible to apply the PAA measurement model to its portfolios and groups of insurance contracts on the basis that the measurement of the LRC is not reasonably expected to differ materially from that calculated under the GMM. The Group applies the PAA to simplify the measurement of all its insurance contracts issued and reinsurance contracts held.

In the years prior to IFRS 17 adoption, and in the initial year of adoption, this assessment was made through detailed quantitative modelling of all portfolios and groups of insurance contracts. Given consistency in the Group’s business mix, together with relatively stable economic factors, the PAA eligibility assessment has been undertaken through a combination of qualitative and quantitative analysis for the year ended 31 December 2024. Detailed quantitative testing was performed on a small number of portfolios and groups of contracts where the LRC and ARC were judged to be most likely to differ materially under the different models. This testing confirmed that the PAA measurement model remained appropriate.

Level of aggregation

Judgement is required to determine the level of aggregation under IFRS 17. Insurance contracts issued that are subject to similar risks and that are managed together, are classified into a portfolio of insurance contracts.

The following considerations have been given most weight in the definition of similar risks:

- risk aggregations used for other business purposes such as reserving;
- segmentations used for underwriting; and
- perils covered and incidence of risk over time.

Each portfolio of insurance contracts is then further disaggregated into annual cohorts, and each annual cohort is classified into a maximum of three groups of contracts for recognition and measurement purposes based on their expected profitability. See accounting policies and note 13.

Onerous contract assessment

Management applies judgement to assess whether facts and circumstances indicate that a group of insurance contracts is onerous at initial recognition, and subsequently assesses whether facts and circumstances indicate any changes in the onerous group's profitability, and whether any loss component remeasurement is required. See accounting policies and note 13.

Classification of investment portfolio

The classification of the Group's investment portfolio requires judgement in assessing the business model within which assets are held. The Group has established that all investment classes are managed, and their performance evaluated, on a fair value basis and therefore they are classified at FVTPL. See risk disclosures and note 11.

Annual impairment assessments

The syndicate participation rights and goodwill are intangible assets with an indefinite life and subject to an annual impairment assessment. The Group applies judgement when determining the input assumptions for the value in use calculation. The input assumptions and their sensitivity are disclosed in note 17.

Current and deferred tax

The Group is exposed to changes in tax legislation which are complex to interpret and evolve over time. The Group applies management expertise and judgement to interpret and assess the impact of these changes in tax legislation. Third party specialists provide tax guidance and tax opinions at the request of management. Recent changes in tax legislation are disclosed in note 14.

Changes in accounting policies

IFRS 18, Presentation and Disclosure in Financial Statements

On 9 April 2024, the IASB published IFRS 18, Presentation and Disclosure in Financial Statements. The standard will be effective from 1 January 2027, replacing IAS 1, Presentation of Financial Statements. The Group is monitoring the endorsement process and undertaking an initial assessment into the potential impact of adopting IFRS 18.

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2024. These are not currently relevant for the Group and do not impact the consolidated financial statements of the Group.

Consolidation principles

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2024. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary.

The Group participates in two syndicates at Lloyd's, which are managed by the Group's Lloyd's managing agent subsidiary. In view of the several liability of underwriting members at Lloyd's, the Group recognises its proportion of all the transactions undertaken by the syndicates in which it participates within its consolidated statement of comprehensive income. Similarly, the Group's proportion of the syndicates' assets and liabilities has been reflected in its consolidated statement of financial position. This proportion is calculated by reference to the Group's participation as a percentage of each syndicate's total capacity for each underwriting year of account.

Subsidiaries' accounting policies are generally consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring the subsidiaries' accounting policies in line with that of the Group.

Associates

Investments in which the Group has significant influence over the operational and financial policies of the investee, are recognised at cost and thereafter accounted for using the equity method. Under this method, the Group records its proportionate share of income or loss from such investments in its consolidated statement of comprehensive income for the period. Adjustments are made to the associate's accounting policies, where necessary, to be consistent with the Group's accounting policies.

Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities' operations are conducted (the 'functional currency'). The functional currency is US dollars for all of the Group's entities, other than the Group's Australian entities, which have a functional currency of Australian dollars. The Group's consolidated financial statements are presented in US dollars (the 'presentation currency').

Transactions and balances

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting exchange differences on revaluation are recorded in profit or loss within net foreign exchange gains (losses) in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate on the date that the estimated fair value was determined.

Foreign operations

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the period end date;
- income and expenses are translated at the average exchange rates for the period; and
- all resulting foreign exchange differences are recognised in other comprehensive income, and as a separate component of shareholders' equity.

On disposal of foreign operations, cumulative exchange differences previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on disposal.

Insurance contracts issued and reinsurance contracts held

Classification

Insurance contracts issued under IFRS 17 are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. Contracts that have a legal form of insurance risk but do not transfer significant insurance risk are classified as investment contracts and follow financial instrument accounting under IFRS 9. The Group does not issue any contracts with direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant insurance risk if it transfers substantially all the insurance risk resulting from the insured or reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Level of aggregation of insurance contracts issued and reinsurance contracts held

Insurance contracts issued and reinsurance contracts held that are subject to similar risks and managed together are classified into portfolios of contracts. These are disaggregated into annual cohorts and then further classified into groups based on their expected profitability. The groups are:

- insurance contracts issued that are onerous at initial recognition, or reinsurance contracts held for which there is a net gain at initial recognition;
- insurance contracts issued that at initial recognition have no significant possibility of becoming onerous, or reinsurance contracts held where there is no significant possibility of a net gain arising subsequently; or
- a group of the remaining insurance contracts issued, or reinsurance contracts held.

These groups represent the level of aggregation at which insurance contracts issued are initially recognised and measured, and they are not subsequently reconsidered.

Initial recognition of insurance contracts issued and reinsurance contracts held

An insurance contract issued by the Group is recognised at the earliest of:

- the beginning of the coverage period;
- when the first payment from the policyholder is due, or actually received if there is no due date; or
- the date when facts and circumstances indicate that the group of contracts is onerous.

Groups of reinsurance contracts held are initially recognised at the beginning of the coverage period. In the case of proportional reinsurance contracts held, this may be delayed until the initial recognition date of any underlying insurance contract. Reinsurance contracts held already entered into and covering an underlying onerous group of insurance contracts, are recognised on the same date as the related onerous group of contracts.

Insurance contracts issued are initially added to the relevant groups of insurance contracts in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Measurement applying the PAA measurement model

PAA eligibility

The Group considers that it is eligible to apply the PAA to simplify the measurement of groups of insurance contracts issued and reinsurance contracts held, as the measurement of the LRC and ARC is not reasonably expected to differ materially from that calculated under the GMM. The PAA has been applied to all groups of contracts.

Contract boundary

The measurement of a group of insurance contracts issued or reinsurance contracts held includes all of the cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of each contract if they arise from substantive rights and obligations that exist during the period. In the case of insurance contracts issued, this is where the Group can compel the policyholder to pay premiums, or the Group has substantive obligations to provide the policyholder with insurance coverage or other services. In the case of reinsurance contracts held, this is where the Group is compelled to pay amounts to the reinsurer, or has a substantive right to receive insurance coverage or other services from the reinsurer.

A substantive obligation to provide services ends when:

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

A substantive right to receive services from the reinsurer ceases when the reinsurer:

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

The contract boundary is reassessed at each reporting period to include the effect of change in circumstances on the Group's rights and obligations, and may change over time.

Cash flows not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Fulfilment cash flows within the contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of insurance contracts. These include premiums, claims, acquisition costs and administrative expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows are based on an unbiased probability weighted mean of the full range of possible outcomes. They reflect current estimates, factoring in expected credit losses or non-performance risk of reinsurers, and are determined from the perspective of the Group.

The Group uses assumptions to measure the estimates of the future cash flows for a group of reinsurance contracts held that are consistent with the underlying group of insurance contracts issued. Reinsurance cash flows that are contingent on claims incurred by the underlying insurance contracts issued are therefore included as part of the cash flows that are expected to be reimbursed under the relevant reinsurance contracts held.

Discounting

The FCF within the LIC and AIC are discounted using current discount rates to reflect the time value of money and the financial risks related to those cash flows. The discount rates reflect the characteristics of the cash flows arising from each group of insurance contracts, including the timing, currency, and liquidity of the cash flows. The Group does not discount the LRC or the ARC. This would be required if the LRC or ARC included a significant financing component.

Risk adjustment for non-financial risk

The measurement of the LIC and AIC includes an explicit risk adjustment for non-financial risk. This is estimated separately from the discounted FCF and is applied to the present value of the estimated future cash flows. It reflects the compensation the Group requires, or transfers to a reinsurer, for bearing uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils its insurance contracts issued.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the cost of selling, underwriting, and initiating a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These include:

- contract specific costs, such as brokerage; and
- a systematic and rational allocation of fixed and variable overheads to groups of contracts based on insurance revenue.

Initial measurement of insurance contracts issued applying the PAA

The carrying amount of the LRC is measured with reference to the premiums received on initial recognition from either policyholders or intermediaries, minus any insurance acquisition cash flows allocated to the relevant group at that date, less the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If such evidence exists, the Group determines if the contract will result in a net cash outflow. The Group recognises an insurance service expense for the net cash outflow, and an onerous loss component is added to the LRC.

Subsequent measurement of insurance contracts issued applying the PAA

The carrying amount of a group of insurance contracts issued is the sum of the LRC and the LIC, and is measured at the end of each reporting period. The measurement of the LRC includes:

- any premiums received, less amounts recognised as insurance revenue;
- less insurance acquisition cash flows paid, plus amortisation of any insurance acquisition cash flows recognised as insurance service expense in the period; and
- less any non-distinct investment components paid or transferred to the LIC.

Groups of insurance contracts that were not onerous at initial recognition can subsequently become onerous if facts and circumstances change during the coverage period. Onerous groups of contracts are assessed at the end of each reporting period with changes in the expected net cash outflow recognised in the carrying amount of the LRC and insurance service expenses. The Group amortises the onerous loss component within the LRC based on the passage of time over the remaining coverage period within insurance service expenses. The equivalent basis is also applied to any relevant reinsurance recovery component.

The Group recognises the LIC for a group of insurance contracts as the amount of FCF relating to the incurred claims that have not yet been paid, including claims that have been incurred but not yet reported, together with the associated expenses, including all claims handling expenses that relate to incurred claims which have not yet been paid. The FCF are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Initial and subsequent measurement of reinsurance contracts held applying the PAA

The carrying amount of a group of reinsurance contracts held is the sum of the ARC and the AIC, and is measured at the end of each reporting period. The Group measures a group of reinsurance contracts held on the same basis as a group of insurance contracts issued, with adaptations to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Derecognition and modification under the PAA

The Group derecognises an insurance contract issued or a reinsurance contract held when it is extinguished (that is, when the specified obligations in the contract expire, are discharged, or cancelled), or the contract is modified.

Modifications to a contract are accounted for as a change in the estimate of the FCF. A contract is derecognised and treated as a new contract if the modification to the contract either:

- changes the measurement model;
- brings the contract, or separable component parts of the contract, outside the scope of IFRS 17;
- substantially changes the contract boundary; or
- results in the contract being allocated to a different group.

When an insurance contract is extinguished, transferred to a third party, or modified in such a way that results in derecognition, any adjustments made to the FCF are recorded within the consolidated statement of comprehensive income.

Presentation within the financial statements

Portfolios of insurance contracts issued, and portfolios of reinsurance contracts held, that are assets, and those that are liabilities, are presented separately in the consolidated statement of financial position.

The Group disaggregates amounts recognised in the consolidated statement of comprehensive income into an insurance service result, and insurance finance income and expense.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance services result (which represents the change related to non-financial risk), and insurance finance income or expenses (which represents the effect of the time value of money and changes in the time value of money).

Income and expenses from reinsurance contracts held are presented separately from the income and expenses on insurance contracts issued.

Insurance revenue and insurance service expenses exclude any non-distinct investment components.

Insurance revenue from insurance contracts issued

Insurance revenue from groups of insurance contracts issued is the amount of expected premiums net of ceding commission payable. Expected premiums exclude any investment components.

Insurance revenue is recognised based on the passage of time over the coverage period.

The amount of insurance revenue recognised in the period reflects the provision of insurance services and the corresponding consideration the Group expects to be entitled to in exchange for those services.

Insurance service expenses from insurance contracts issued

Insurance service expenses are recognised as they are incurred, and comprise the following items:

- incurred claims, net of inwards reinstatement premiums, and net of the initial discount on incurred claims;
- adjustments to the LIC (including the risk adjustment) that do not arise from the effects of the time value of money, financial risk and changes therein;
- amortisation of insurance acquisition cash flows based on the passage of time over the relevant coverage period;
- other directly attributable insurance service expenses, including an allocation of fixed and variable overhead costs; and
- losses on onerous contracts and the reversal of such losses.

Expenses not meeting the above criteria are included within other operating expenses in the consolidated statement of comprehensive income.

Allocation of reinsurance premium and amounts recoverable from reinsurers

The allocation of reinsurance premiums is the amount of expected reinsurance premium payments net of commission income receivable for a group of reinsurance contracts held, and is recognised based on the passage of time over the relevant coverage period of the reinsurance contract.

Amounts recoverable from reinsurers are recognised as they are incurred and include reinsurance recovery cash flow assumptions that are consistent with underlying insurance contracts issued, recognition of movements in onerous loss recovery components and the effect of any risk of non-performance by the issuer of the reinsurance contract.

Finance income or expenses from insurance contracts issued and reinsurance contracts held

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued, or reinsurance contracts held, arising from the effect of the time value of money, financial risk and changes therein. These include:

- the unwind of the initial discount (that is, interest accreted on the LIC or AIC); and
- the effect of changes in interest rate assumptions.

The Group has elected to include insurance finance income and expenses within the consolidated statement of comprehensive income and does not disaggregate these between profit and loss and OCI.

Non-distinct investment components

The non-distinct investment component of an insurance contract is the amount that the Group would be required to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The receipt of this investment component and the subsequent repayment do not relate to insurance services. Non-distinct investment components are therefore excluded from insurance revenue and insurance service expenses, and are considered as a settlement of an insurance contract liability.

Financial instruments

Financial assets

On initial recognition, a financial asset is classified as either measured at amortised cost, FVTPL or FVOCI. The classification is dependent on the Group's business model for managing the financial asset, and the contractual terms of the cash flows.

Financial assets are classified as measured at amortised cost if they are held to collect contractual cash flows, and where those cash flows represent solely payments of principal and interest.

Financial assets are classified as measured at FVOCI if they are held to both collect contractual cash flows and sell, and where those cash flows represent solely payments of principal and interest.

All financial assets not classified as measured at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets in this FVTPL category are those that are managed in a fair value business model, or that have been designated as FVTPL by management upon initial recognition.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing those financial assets, in which case the affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at amortised cost and include cash in hand, deposits held on call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised by applying the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Accounting policies *continued*

Investments

The Group's business model emphasises the preservation of capital and the provision of sufficient liquidity for the prompt payment of claims, in conjunction with providing a stable income stream as far as possible. Management reviews the composition, duration and asset allocation of the investment portfolio regularly to respond to changes in interest rates, and other market conditions.

Investments are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of investments are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures financial assets held at FVTPL at their fair value on acquisition. Transaction costs in respect of financial assets carried at FVTPL are expensed within the consolidated statement of comprehensive income as they are incurred. Financial assets held at FVTPL are subsequently measured at their fair value.

The Group's investment portfolio comprising fixed maturity securities, private investment funds and hedge funds, is managed in a fair value business model and are therefore mandatorily classified as FVTPL.

The Group's investment portfolio includes quoted and unquoted investments. The fair values of the investments are determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Unrealised gains or losses from changes in the fair value of investments are presented in profit or loss within net investment return. Interest income is recognised by applying the effective interest rate method and presented in the consolidated statement of comprehensive income within net investment return. The carrying value of accrued interest receivable approximates fair value due to its short-term nature and high liquidity.

Investments are derecognised when the Group has transferred substantially all of the risks and rewards of ownership or when the right to receive cash flows from the asset has expired, with any realised gains or losses recognised in the consolidated statement of comprehensive income within net investment return.

Derivatives

Derivatives are classified as financial assets or liabilities at FVTPL. They are initially recognised at fair value on the date a contract is entered into, the trade date, and are subsequently carried at fair value. Derivative instruments with a positive fair value are recorded as derivative financial assets and those with a negative fair value are recorded as derivative financial liabilities.

Derivative financial instruments may include the use of exchange-traded future and option contracts, forward foreign currency contracts, interest rate swaps, credit default swaps, and interest rate swaptions. They derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity risk, credit risk, and market risk. Estimated fair values are based on exchange or broker-dealer quotations, where available, or discounted cash flow models, which incorporate the pricing of the underlying instrument, yield curves and other factors. Changes in the estimated fair value of derivative instruments are recognised in the consolidated statement of comprehensive income within net investment return. The Group does not currently hold any derivatives classified as hedging instruments. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates, and the discount rate used is an appropriate market rate.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only to the extent there is a legally enforceable right of offset, and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognised when the Group has transferred substantially all of the risks and rewards of ownership, or the liability is discharged, cancelled or expired, with any realised gains or losses recognised in the consolidated statement of comprehensive income within net investment return.

Other receivables

Other receivables includes trade receivables and contract assets. Trade receivables that do not have a significant financing component are measured on initial recognition at their fair value, which is typically their transaction price, and are subsequently measured at amortised cost using the effective interest rate method, less an expected credit loss allowance where applicable. The other receivables held by the Group are short-term in nature.

Impairment

The Group applies the simplified approach to measuring ECL, which uses a lifetime ECL for all receivables and contract assets (other than those recognised under IFRS 17). The lifetime ECL is measured from the date of the initial recognition of trade receivables and contract assets. The Group calculates the lifetime ECL using three main components: a probability of default, a loss given default and the exposure at default (collectively the expected loss rates).

To measure the lifetime ECL, receivables and contract assets are grouped based on shared credit risk characteristics. The expected loss rates are based on the payment profiles over the three years prior to the period end and the corresponding credit losses experienced within this three-year period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability to collect receivables.

Financial liabilities

Other payables

Other payables represent goods and services provided to the Group prior to the financial year end which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition. Other payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

Long-term debt

Long-term debt is recognised initially at fair value, net of transaction costs incurred. Thereafter it is measured at amortised cost using the effective interest method. Derecognition occurs when the obligation has been extinguished. The difference between the carrying amount that has been extinguished and the consideration paid, is recognised within the consolidated statement of comprehensive income.

Intangible assets

The Group's intangible assets comprise indefinite life intangible assets, and internally generated intangible assets.

The Group's indefinite life intangible assets comprise syndicate participation rights and goodwill. The cost of syndicate participation rights and goodwill acquired in a business combination is their fair value as at the date of acquisition. Additional syndicate participation rights may be purchased from time to time and are recorded at the cost on the date of the relevant syndicate capacity auction. As a result of their anticipated ability to continue to generate cash flows for the Group on a long-term basis, goodwill and syndicate participation rights are considered to have an indefinite useful life, and are not amortised. They are carried at cost less any accumulated impairment losses. Intangible assets with an indefinite useful life are tested annually for impairment at the CGU level by comparing the net present value of the future cash flow stream of the CGU to the carrying value of the net assets of the CGU, including the related intangible assets. The useful life of an indefinite life intangible asset is reviewed annually, to determine if the assessment that it has an indefinite life continues to be supportable.

Internally generated intangible assets represent directly attributable costs incurred in the development phase of implementing cloud-based software to support the Group's target operating model. An internally generated intangible asset is recognised if it can be demonstrated that there is an intent, available resources, and technical feasibility to complete the intangible asset so that it is available for use, and that it will generate probable future economic benefits. The costs must be capable of being measured reliably. Such intangible assets are carried at cost less any accumulated impairment losses. Intangible assets not yet available for use are tested annually for impairment at the CGU level by comparing the net present value of the future cash flow stream of the CGU to the carrying value of the net assets of the CGU, including the related intangible assets.

Internally generated intangible assets available for use are considered to have a finite life. Applying the cost model, intangible assets with finite lives are amortised over their estimated useful economic life, and assessed for impairment whenever there are indicators of impairment.

The useful lives and amortisation period of the internally generated intangibles are estimated to be between 5 to 7 years, and will be amortised using the straight-line method with no residual value. The amortisation of these internally generated intangibles is recognised within other operating expenses.

Accounting policies *continued*

Other income

Other income is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties.

Nature of services

The table below details the type of services from which the Group derives its other income.

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
LCM underwriting fees	The Group recognises underwriting fees over the underwriting cycle based on the underlying exposure of the covered contracts. Underwriting fees are received on or before the collateral funding date, which is prior to commencement of the underwriting cycle.
LCM profit commission	The Group recognises profit commission following the end of the underwriting cycle based on the underlying performance of the covered contracts and as collateral is released. Profit commissions may only be received once the profit commission hurdle has been met.
LSL consortium management fees	The Group recognises consortium fees over the risk period based on the underlying exposure of the covered contracts. Consortium fees are received quarterly.
LSL consortium profit commission	The Group recognises profit commission in line with the underlying performance of covered contracts once the year of account closes, which is also when the profit commissions are received.
LSL managing agency fees	The Group recognises managing agency fees in line with the services provided in respect of each underwriting year of account. Managing agency fees are received quarterly.
LSL managing agency profit commission	The Group recognises profit commission on open years of account when measurement is highly probable. Profit commissions are received once the year of account closes.
LSL coverholder fee income	The Group recognises coverholder fee income in line with services provided. Coverholder fee income is received quarterly.

Property, plant and equipment

Property, plant and equipment is carried at historical cost, less accumulated depreciation, and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis as follows:

IT equipment	33% per annum
Office furniture and equipment	20% to 33% per annum
Leasehold improvements	20% per annum

Indicators of impairment, together with the assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant or equipment is derecognised on disposal, or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset, and are included in the consolidated statement of comprehensive income. Costs for repairs and maintenance are charged to the statement of comprehensive income as incurred.

Leases

The Group assesses whether a contract is, or contains, a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date. Lease payments are discounted using the rate implicit in the lease, if readily determinable, or at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the lease; or
- payments in respect of purchase options, lease termination options, or lease extension options that the Group is reasonably certain to exercise.

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest on the lease liability using the effective interest rate method, and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability and the related right-of-use asset whenever:

- the lease term changes as a result of the Group changing its assessment of whether it will exercise a purchase, extension, or termination option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the corresponding lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, and an estimate of any costs to be incurred at expiration of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Straight-line depreciation is calculated from the commencement date of the lease to the earlier of the end date of the lease term, or the useful life of the underlying asset.

The Group applies IAS 36, Impairment of Assets, to determine whether a right-of-use asset is impaired and recognises any identified impairment loss within the consolidated statement of comprehensive income.

Employee benefits

Equity compensation plans

The Group currently operates an RSS under which nil-cost options have been granted. The fair value of the equity instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

At each reporting date, the Group revises its estimate of the number of RSS nil-cost options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as an equity-based compensation expense in the consolidated statement of comprehensive income over the remaining vesting period, and a corresponding adjustment is made to other reserves within shareholders' equity.

Upon exercise, the differences between the expense charged to the consolidated statement of comprehensive income and the actual cost to the Group, if any, are transferred to other reserves within shareholders' equity.

Pensions

The Group operates a defined contribution plan. On payment of contributions to the plan there is no further obligation for the Group. Contributions are recognised as employee benefits in the consolidated statement of comprehensive income in the period when the employee's services are rendered.

Tax

The tax charge or credit represents the sum of the tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period using tax rates and tax laws enacted, or substantively enacted, at the year-end reporting date, and any adjustments to tax payable in respect of prior periods. Taxable profit for the period can differ from that reported in the consolidated statement of comprehensive income due to non-taxable income, and certain items which are not tax deductible, or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the assets and liabilities in the consolidated statement of financial position and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable, and are reassessed each year for recognition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

At the date equity-based compensation awards are exercised, and where the current estimated fair value of an award exceeds the estimated fair value at the date they were granted, corporation tax on this excess amount is recognised within equity. At the period end date, equity-based compensation awards that have not been exercised, and for which the current estimated fair value of an award exceeds the estimated fair value at the date they were granted, have deferred tax on this excess amount recognised within shareholders' equity.

Own shares

Own shares include shares repurchased under share repurchase authorisations and held as treasury shares, plus shares repurchased and held in trust, for the purposes of employee equity-based compensation schemes. Own shares are deducted from shareholders' equity. No gain or loss is recognised on the purchase, sale, cancellation, or issue of own shares, and any consideration paid or received is recognised directly in shareholders' equity.

Risk disclosures

For the year ended 31 December 2024

Risk disclosures: introduction

The Group is exposed to risks from several sources, classified into six primary risk categories. These risks are:

1. Insurance risk;
2. Market risk;
3. Liquidity risk;
4. Credit risk;
5. Operational risk; and
6. Strategic risk.

The most significant risk to the Group is considered to be insurance risk. The primary objective of the Group's ERM framework is to ensure that the capital resources held are matched to the risk profile of the Group, and that the balance between risk and return is considered as part of all key business decisions. The Group has formulated, and keeps under review, a risk appetite which is set by the Board of Directors. The Group's appetite for risk will vary from time to time to reflect the potential risks and returns that present themselves. However, protecting the Group's capital and maximising risk-adjusted returns for investors over the long-term remain constant elements of the Group's strategy. The risk appetite of the Group is central to how the business is run and permeates into the risk appetites that the individual operating entity boards of directors have adopted. These risk appetites are expressed through detailed risk tolerances at both a Group and an operating entity level. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Group and its entities are prepared to expose to certain risks.

The Board of Directors is responsible for setting and monitoring the Group's risk appetite and tolerances, whereas the individual entity boards of directors are responsible for setting and monitoring entity level risk tolerances. All risk tolerances are subject to at least an annual review and consideration by the respective boards of directors. The LHL Board and individual entity boards of directors review actual risk levels versus tolerances, emerging risks, and any risk learning events at least quarterly. In addition, on a monthly basis, management assesses the modelled potential catastrophe losses against the risk tolerances and ensures that risk levels are managed in accordance with them.

Emerging risks

Artificial Intelligence

AI refers to the advancement of computer systems or machines capable of executing tasks that typically necessitate human intelligence. AI broadly encompasses systems that emulate human-like reasoning, decision-making, and problem-solving. Generative AI, a specialised subset of AI, focuses on content creation by leveraging deep learning models to generate new and often creative outputs based on existing data patterns.

While AI and Generative AI offer immense potential for innovation and creativity, they also present significant risks that must be addressed. These emerging risks include the spread of misinformation, threats to data privacy, challenges to intellectual property rights, and ethical concerns. The Group is evaluating the integration of AI capabilities into existing business processes. It is essential to implement measures that mitigate associated risks and ensure the responsible and beneficial use of this transformative technology.

Due to the sensitive nature of the insurance-related data and information held by the Group, the application of Generative AI should be approached with caution to achieve business outcomes while simultaneously protecting client data, adhering to regulatory requirements, and safeguarding the Group’s intellectual property. Given the nature of this technology, the risk management function is working closely with the business, specifically the IT team, to manage AI-related threats and risks, together with identifying, reviewing, and evaluating AI technology and business solutions, and supporting the approved implementation of AI in a safe and responsible manner.

Economic capital models

The Group maintains economic capital models at the LICL, LUK and syndicate levels. These models are primarily focused on insurance risks; however, they are also used to model other risks, including market, credit and operational risks. The syndicate models are reviewed and approved by Lloyd's as part of its own capital and solvency regulations.

The economic capital models produce data in the form of stochastic distributions for all classes, including non-elemental classes. The distributions include the mean outcome and the result at various return periods, including very remote events. Projected financial outcomes for each insurance class are calculated, as well as the overall portfolio, including diversification credit. Diversification credit arises as individual risks are generally not strongly correlated and are unlikely to all produce profits or losses at the same time.

A. Insurance risk

Insurance risk is the risk that the Group's underwriting, reserving, claims management, or reinsurance decisions and judgements result in a detrimental financial impact to the Group. The Group underwrites worldwide insurance and reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes. The Group's exposure in connection with insurance contracts or reinsurance contracts underwritten is whether, in the event of insured losses, premiums will be sufficient to cover the loss payments and expenses. Insurance and reinsurance markets are cyclical and premium rates and terms and conditions vary by line of business depending on market conditions and the stage of the underwriting cycle. Market conditions are impacted by capacity and recent loss events, and broader economic cycle impacts, amongst other factors. The Group's underwriters assess likely losses using their experience and knowledge of past loss experience, industry trends, and current circumstances. This allows them to estimate the premiums sufficient to meet likely losses and expenses and desired levels of profitability.

The Group considers insurance risk at an individual contract level, at a segment level, at a geographic level, and at an aggregate portfolio level. This ensures that careful risk selection, limits on concentration and appropriate portfolio diversification are accomplished. The level of insurance risk tolerance per peril is set by the Board and the boards of directors at individual entity level.

A number of controls are deployed by the Group to manage the amount of insurance exposure assumed:

- a rolling strategic plan that helps establish the business goals that the Board of Directors aims to achieve;
- a detailed three-year business plan is produced annually. The plan is approved by the Board of Directors and is monitored, reviewed and updated on an ongoing basis;
- for LSL, the syndicates' business forecasts and business plans are subject to review and approval by Lloyd's;
- economic capital models are used to model risk levels and capital requirements;
- each authorised class has a predetermined normal maximum line structure;
- each underwriter has a clearly defined limit of underwriting authority;
- the Group and individual operating entities have predetermined tolerances on probabilistic and deterministic losses of capital for certain single events, which are monitored on a regular basis;
- pricing and aggregation models are used to assist with the underwriting process; and
- reinsurance is purchased to mitigate both frequency and severity of losses on a facultative, excess of loss treaty or proportional treaty basis.

Some of the Group's business provides coverage for natural catastrophes (for example, hurricanes, earthquakes, wildfires and floods) and is subject to potential seasonal variation and the effects of climate change. A proportion of the Group's business is exposed to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact the Group's loss experience. The North American and Japanese wind seasons are typically June to November, and the European wind season November to March. The Group also has exposure to large losses arising from other non-seasonal natural catastrophes, such as earthquakes, tsunamis, droughts, floods and tornadoes, from risk losses throughout the year and from war, terrorism and political risk, and other events.

Climate change may expose the Group to the risk of heightened severity and frequency of weather-related losses. Climate-related risks are identified and assessed as part of the usual risk identification and management process, which includes, but is not limited to, discussions with risk owners and subject matter experts across the Group, discussions at the Emerging Risk Forum, and the ESG Committee.

Climate-related risks specific to the (re)insurance portfolios are identified and assessed as part of the day-to-day underwriting process by individual underwriters in their analysis of specific risk information, and more broadly in the context of the wider portfolio during the individual class of business QBR process, and through the RRC meetings. These reviews include: the physical location of assets insured, weather-related perils that have impacted the location and their historical frequency and severity, as well as expected short-term and long-term changes. The insurance and reinsurance underwriting strategy days assess climate-related risks of both current and anticipated future risks, which include but are not limited to transition risk arising from a decline in the value of assets to be insured, changing energy costs, and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified is considered with respect to both magnitude and timescale.

The Group manages climate risk by using stochastic models from third-party vendors that have a long history of data quality governance. We adapt these models based upon our views of climate risk, as well as our clients' exposure data, to create aggregate loss scenarios. Underwriting guidelines support the underwriting process and provide guidance to assist underwriters in their decision making. Performance against guidelines is monitored through the regular meetings, QBRs and related reporting. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our PMLs.

The Group accepts risks for periods primarily of one year, which mitigates the potential short-term impacts of climate risk. The Group has the ability to re-evaluate the portfolio on an annual basis and therefore reprice physical risk and reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events.

Risk disclosures *continued*

Catastrophe management

The Group actively monitors risk levels and manages catastrophe risk accumulations using reinsurance and PML based risk tolerances, which are monitored as part of our climate-related risks. The Group's exposures to certain peak zone elemental losses, as a percentage of tangible capital, including long-term debt, are shown below. Net loss estimates are undiscounted before income tax and net of reinstatement premiums and outwards reinsurance on a first occurrence return period basis.

100 year return period estimated net loss[1]		31 December 2024		31 December 2023	
		$m	% of tangible capital	$m	% of tangible capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**335.8**	**19.3%**	300.5	16.9%
California	Earthquake	**247.6**	**14.2%**	256.0	14.4%
Non-Gulf of Mexico – US	Hurricane	**233.4**	**13.4%**	237.9	13.4%
Pan-European	Windstorm	**129.4**	**7.4%**	161.4	9.1%
Japan	Earthquake	**107.3**	**6.2%**	137.6	7.8%
Japan	Typhoon	**102.3**	**5.9%**	134.0	7.6%
Pacific North West	Earthquake	**34.3**	**2.0%**	31.5	1.8%

250 year return period estimated net loss[1]		31 December 2024		31 December 2023	
		$m	% of tangible capital	$m	% of tangible capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**435.4**	**25.0%**	364.6	20.6%
California	Earthquake	**302.6**	**17.4%**	311.2	17.5%
Non-Gulf of Mexico – US	Hurricane	**525.9**	**30.2%**	448.0	25.3%
Pan-European	Windstorm	**195.9**	**11.2%**	201.2	11.3%
Japan	Earthquake	**189.5**	**10.9%**	244.1	13.8%
Japan	Typhoon	**155.0**	**8.9%**	181.2	10.2%
Pacific North West	Earthquake	**170.9**	**9.8%**	123.0	6.9%

1. Estimated net loss balances presented in the table are unaudited.
2. Landing hurricane from Florida to Texas.

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. In addition, any modelled loss scenario could cause a larger loss to capital than the modelled expectation from the above return periods.

Geopolitical conflict

We continue to monitor our loss exposure with regard to the ongoing conflict between the Ukraine and Russia, which remains a complex and fluid situation. With the ongoing tensions in the Middle East, focus remains on monitoring our exposures in this area, and seeking to ensure that such exposures are within an acceptable risk tolerance. As geopolitical risks can change and evolve rapidly, these are factors that we carefully consider in our underwriting decisions. Where appropriate, thematic reviews are performed to provide a more detailed analysis of the risk and potential impact.

Insurance revenue geographical split and operating segment

The following table provides an analysis of the Group's insurance revenue by operating segment and geographical location:

For the year ended 31 December	2024 Reinsurance $m	2024 Insurance $m	2024 Total $m	2023 Reinsurance $m	2023 Insurance $m	2023 Total $m
US and Canada	**437.7**	**318.7**	**756.4**	339.6	269.4	609.0
Worldwide - multi territory	**314.2**	**311.6**	**625.8**	257.4	276.5	533.9
Europe	**58.8**	**99.2**	**158.0**	62.1	83.2	145.3
Rest of world	**44.4**	**180.5**	**224.9**	55.8	175.9	231.7
Total insurance revenue	**855.1**	**910.0**	**1,765.1**	714.9	805.0	1,519.9

I. Reinsurance segment

The Group's reinsurance segment comprises property reinsurance, specialty reinsurance and casualty reinsurance. The property reinsurance portfolio is predominantly written on an excess of loss basis with the 'catastrophe' portfolio exposed to large natural disasters and the 'risk' portfolio exposed to individual, man-made losses such as fire and explosion. The specialty reinsurance portfolio has a mix of exposure, with natural disasters exposing the retrocession portfolio and large, man-made risks from complex exposures, such as offshore energy platforms, exposing the marine, energy, terror and aviation portfolios. This is underwritten through a combination of excess of loss and proportional reinsurance. Casualty reinsurance is written through quota share reinsurance, assuming a mix of general liability and professional lines exposures, predominantly from within the US.

II. Insurance segment

The Group's insurance segment is usually written on a direct or facultative basis and comprises aviation insurance, casualty insurance, energy and marine insurance, property insurance and specialty insurance. Within aviation, aviation deductible, aviation hull, aviation liability, aviation war, and AV52 are the main exposures. Casualty insurance covers accident and health policies, as well as a small number of consortia arrangements within Lloyd's. Energy insurance covers a variety of energy exposures, from upstream and energy construction, downstream processing and storage risks, power generation, and energy liability. Marine risks include cargo and specie risks, as well as liability, hull and war. The property insurance account contains a worldwide property exposure with a mix of Fortune 500 business and smaller accounts with exposure in an individual location. Specialty insurance includes political risk, terror and credit exposures and is often written on a multi-year basis.

Outwards reinsurance

The Group, in the normal course of business and in accordance with its risk management practices, seeks to reduce certain types of losses that may arise from events that could cause unfavourable underwriting results by entering into external outwards reinsurance arrangements. Reinsurance does not relieve the Group of its obligations to policyholders. Under the Group's reinsurance security policy, reinsurers are assessed and approved based on their financial strength ratings, together with other factors. The Group RSC considers reinsurers that are not rated or do not fall within the predefined rating categories on a case-by-case basis, and may require collateral to be provided to support the reinsurer's obligations. There are specific guidelines for these collateralised contracts. The Group ORIF monitors the Group's reinsurers on an ongoing basis, and formally reviews the Group's reinsurance arrangements as deemed necessary. Exposure to the Group's reinsurance counterparties, compared to the Board-approved tolerances, is reported to the Board of Directors on a quarterly basis.

Reinsurance protection is typically purchased on an excess of loss basis; however, it may also include ILW covers, or proportional treaty arrangements. The mix of reinsurance cover is dependent on the specific loss mitigation requirements, market conditions, and available capacity. Reinsurance may also be purchased to optimise the risk-adjusted return of the underwriting portfolio. The structure varies between types of peril and sub-class. The Group regularly reviews its catastrophe and other exposures and may purchase reinsurance to reduce its net exposure to a large natural catastrophe loss and/or to reduce net exposures to other large losses. The Group can purchase both facultative and treaty reinsurance with varying cover and attachment points. The reinsurance coverage is not intended to be available to meet all potential loss circumstances. The Group will retain some losses, as the cover purchased is unlikely to transfer the totality of the Group’s exposure. Any loss amount which exceeds the Group's reinsurance programme is retained by the Group. Some parts of the reinsurance programme have limited reinstatements, therefore the number of claims which may be recovered from second or subsequent losses in those particular circumstances is restricted.

Reserving

Estimates of future cash flows to fulfil insurance contracts issued

The Group measures the carrying amount of the LIC and the AIC at the end of each reporting period, being the amount of the FCF. The FCF in respect of the LIC and AIC comprises:

- unbiased probability-weighted best estimates of future cash flows within the boundary of each insurance and reinsurance contract;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (see interest rate risk section); and
- a risk adjustment for non-financial risk.

Further detail on each of these is provided in the section below.

Probability-weighted best estimate of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available at the reporting date. The Group uses internal and external information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes.

Cash flows within the boundary of an insurance contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount and timing. These include payments to or on behalf of policyholders, including, where relevant, those made to intermediaries, together with other costs incurred in fulfilling contracts.

Other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Where expenses are contract specific, these costs are taken directly and aggregated, as required, to groups of insurance contracts. Where expenses are not contract specific (for example overheads), these are allocated to groups of insurance contracts in a systematic and rational way.

Risk disclosures *continued*

For the Group's insurance contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates.

The Group estimates the ultimate costs of settling claims incurred but unpaid at the reporting date, and the value of salvage and other expected recoveries, by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques (including the Bornhuetter-Ferguson, loss ratio and chain-ladder methods). Often actuarial techniques assume that historic claims experience is indicative of future claims development patterns, and therefore, the ultimate claims cost. The ultimate cost of settling attritional losses and large claims is estimated separately for each class of business.

The assumptions used, including loss ratios and future claims inflation, are derived from a combination of historical information and judgement where past trends may not apply in the future and future trends are expected to emerge.

For each nominal fulfilment amount, the timing of future cash flows is determined by applying cash flow assumptions based, where available, on the Group's historical experience for the given portfolio of contracts. Where there is insufficient historical experience, reliance may be placed on external benchmarks or portfolios which are believed to exhibit similar cash flow characteristics.

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

The risk adjustment for non-financial risk 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. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Under the PAA, the risk adjustment for non-financial risk is limited to the LIC and the AIC, with the exception of an onerous contract, where it is implicitly considered in determining the required adjustment to the LRC and ARC. The undiscounted risk adjustment within the LIC and AIC is set with reference to the Group's reserve risk appetite and aligns with the management margin, which depends on the prevailing uncertainty in the FCF of the LIC and AIC at each reporting date. The management margin is set through a combination of initial expected loss ratio uplifts for IBNR provisions and on a case-by-case basis for individual reported events. This process is overseen by the Reserve and Audit Committees. Given this granular approach, no further allocation of the risk adjustment to groups of insurance contracts is required. The undiscounted risk adjustment is then discounted to allow for the time value of money alongside the wider FCF within the LIC and AIC. Changes in the risk adjustment for non-financial risk are disaggregated into insurance services and insurance financing components in the same way as the best estimate FCF.

The Group estimates that FCF within the net of reinsurance LIC (including the risk adjustment for non-financial risks) correspond to a confidence level of 86% (31 December 2023 – 88%) on an ultimate time horizon.

The risk adjustment for non-financial risk is subject to discounting, and the confidence level is inferred for the purpose of disclosure. The inference of the confidence level requires assumptions around the perceived volatility of each portfolio and the aggregation to the overall entity level. Volatility parameters are set with reference to historical internal and external data but may be adjusted at each reporting date to reflect the prevailing environment and associated reserve uncertainties. Given the inference of the confidence level, the Group generally expects this to fall within the range of the 80th-90th percentile. Movements within this range between periods are to be expected due to, for example, specific loss events or a change in the mix of business such as an increase in longer tail casualty business written. The Group would expect to remain within this range, unless there is a change in reserving risk appetite. The Group's reserve risk appetite and methods used to determine the risk adjustment for non-financial risk and resulting confidence level were not changed for the current financial year.

Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the Group impact the valuation of the net insurance contract liabilities, profit after tax and shareholders' equity. Under the PAA, and given the current amount of the Group's loss component, only the LIC component of insurance contract liabilities and the AIC component of reinsurance contract assets are considered sensitive to possible changes in insurance risk and interest rate risk variables.

	LIC as at 31 December 2024 $m	**Impact on profit after tax and shareholders' equity $m**	LIC as at 31 December 2023 $m	Impact on profit after tax and shareholders' equity $m
Insurance contract liabilities	**2,237.7**		1,765.9	
Reinsurance contracts assets	**(608.5)**		(430.3)	
Net insurance contract liabilities	**1,629.2**		1,335.6	
20% increase in unpaid claims and expenses				
Insurance contract liabilities	**2,685.2**	**(391.2)**	2,119.1	(307.9)
Reinsurance contract assets	**(730.2)**	**99.6**	(516.4)	72.0
Net insurance contract liabilities	**1,955.0**	**(291.6)**	1,602.7	(235.9)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

B. Market risk

Market risk is the risk that decisions, movements, trends, or other factors in financial markets impact the Group in a way that is financially detrimental. The main market risks include:

I. Insurance market risk;
II. Investment risk;
III. Debt risk; and
IV. Currency risk.

These risks, and the management thereof, are described below.

I. Insurance market risk

Insurance market risk is the risk that factors within either the global insurance market, or the relevant local insurance markets in which the Group operates, have a detrimental financial impact on the Group. The Group is exposed to insurance market risk from several sources, including the following:

- the advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain lines, or across all lines;
- the actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs;
- market events, including unusual inflation in rates, which may result in a limit in the availability of cover, resulting in political intervention or national remedies;
- failure to maintain broker, binding authority and client relationships, leading to a limited or substandard choice of risks which are inconsistent with the Group's risk appetite;
- changes in regulation including capital, governance or licensing requirements; and
- changes in the geopolitical environment.

The most important method to mitigate insurance market risk is to maintain strict underwriting standards. The Group manages insurance market risk in numerous ways, including the following:

- reviews and amends underwriting plans and outlook as necessary;
- reduces exposure to market sectors where conditions have reached unattractive levels;
- purchases appropriate, cost-effective reinsurance cover to mitigate loss exposures;
- closely monitors changes in premium rates and terms and conditions;
- ensures through continuous regulatory capital management that it does not allow surplus capital to unduly influence underwriting appetite;
- has a collegiate approach towards taking risk, with most authority requiring at least 4 eyes and pre-authorisation peer review;
- reviews all new and renewal business post-underwriting for LSL;
- reviews outputs from the economic capital models to assess up-to-date profitability of classes and sectors;
- holds a monthly RRC meeting to discuss risk and reinsurance;
- holds a quarterly UURC meeting to review underwriting strategy; and
- holds regular meetings with regulators.

II. Investment risk

Investment risk is the risk that movements, trends or other factors, within either public or private investment markets, have a detrimental financial impact on the price of securities within the Group's investment portfolio. Movements in investments resulting from changes in prices, interest rates, inflation rates, and currency exchange rates, amongst other factors, may lead to an adverse impact on the value of the Group's investment portfolio.

Investment guidelines are established by the Investment Committee of the Board of Directors to manage this risk. Investment guidelines set parameters within which the Group's external investment managers must operate. All of the Group's fixed income managers and the majority of the private investment managers are signatories of the UNPRI, which approximates to 96.7% (31 December 2023 – 96.7%) of the Group's externally managed assets. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a monthly basis. Any adjustments to the investment guidelines are approved by the Investment Committee and the Board of Directors.

The Group's fixed maturity portfolios are managed by external investment managers. The Group also has a portfolio consisting of a hedge fund, principal protected products, and private investment funds. The performance of the managers is monitored on an ongoing basis.

During the period, the investment portfolio was restructured by merging the core and core plus categories due to their similar risk-return profiles. This consolidation simplifies the investment strategy, enhances portfolio management, and optimises returns without altering the overall risk exposure. The unified 'core' portfolio remains aligned with the company's long-term financial goals and risk tolerance while the 'surplus' portfolio will aim for higher returns and greater diversification by investing in a wider array of assets with higher risk-return profiles, such as high-yield securities, private investment funds, hedge funds, and equities.

Within the Group's investment guidelines are subsets of guidelines for the core portion of funds required to meet near-term obligations and cash flow needs following an extreme event. These guidelines add further requirements, including reducing permitted asset classes, higher credit quality, shorter duration, and higher liquidity. The primary objectives for this portion of assets are capital preservation and providing liquidity to meet insurance and other near-term obligations. Alongside internally managed cash, the core portfolio holds funds specifically allocated to cover potential liabilities, aligning their duration with that of the insurance liabilities within an agreed range. The core portfolio is invested in fixed maturity securities, fixed maturity funds, and cash and cash equivalents. The core portfolio may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

Assets in excess of those required to be held in the core portfolio are typically held in the surplus portfolio. The surplus portfolio is invested in fixed maturity securities, principal protected products, derivative instruments, cash and cash equivalents, private investment funds, and hedge funds. In general, the duration of the surplus portfolio is slightly longer than the core portfolio.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of management's risk tolerance levels, an adjustment to the asset allocation may be made to reduce the risks in the portfolio.

The investment portfolio is currently structured to perform similarly in risk-on and risk-off environments. The Group endeavours to limit losses in risk-on, risk-off, and interest rate hike scenarios. The Group models various periods of significant stress to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur (albeit not in the exact form of the scenarios, which are based on historic periods of volatility). The Group also monitors the portfolio impact of more severe disaster scenarios consisting of extreme shocks.

The Investment Committee oversees a strategic asset allocation study on a bi-annual basis, which assesses the Group's overall strategy and seeks to determine if there is an alternative asset allocation to achieve the highest risk-adjusted return within our risk tolerances. The IRRC meets quarterly to ensure that the Group's strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The IRRC also helps further develop the risk tolerances to be incorporated into the ERM framework.

The investment mix of the Group's investment portfolio is as follows:

As at 31 December 2024	Core $m	Surplus $m	Total $m
• Short-term investments	**27.9**	**4.6**	**32.5**
• Fixed maturity funds	**23.1**	**—**	**23.1**
• US treasuries	**382.8**	**127.1**	**509.9**
• Other government bonds	**31.5**	**33.8**	**65.3**
• US municipal bonds	**9.1**	**6.7**	**15.8**
• US government agency debt	**0.2**	**17.0**	**17.2**
• Asset backed securities	**81.6**	**190.1**	**271.7**
• US government agency mortgage backed securities	**181.3**	**145.2**	**326.5**
• Non-agency mortgage backed securities	**22.5**	**33.0**	**55.5**
• Non-agency commercial mortgage backed securities	**—**	**20.5**	**20.5**
• Bank loans	**—**	**153.4**	**153.4**
• Corporate bonds	**827.9**	**280.1**	**1,108.0**
• Other fixed maturities	**—**	**4.4**	**4.4**
Total fixed maturity securities	**1,587.9**	**1,015.9**	**2,603.8**
Private investment funds	**—**	**253.1**	**253.1**
Hedge funds	**—**	**7.9**	**7.9**
Other investments	**—**	**0.1**	**0.1**
Total investments	**1,587.9**	**1,277.0**	**2,864.9**

As at 31 December 2023	Core $m	Surplus $m	Total $m
• Short-term investments	20.7	53.2	73.9
• Fixed maturity funds	27.1	—	27.1
• US treasuries	479.2	106.7	585.9
• Other government bonds	18.7	28.5	47.2
• US municipal bonds	10.1	3.4	13.5
• US government agency debt	6.3	50.8	57.1
• Asset backed securities	98.5	138.2	236.7
• US government agency mortgage backed securities	80.5	36.9	117.4
• Non-agency mortgage backed securities	0.6	10.9	11.5
• Non-agency commercial mortgage backed securities	—	21.3	21.3
• Bank loans	—	142.6	142.6
• Corporate bonds	675.5	260.9	936.4
• Other fixed maturities	—	9.5	9.5
Total fixed maturity securities	1,417.2	862.9	2,280.1
Private investment funds	—	165.6	165.6
Hedge funds	—	9.9	9.9
Other investments	—	(0.1)	(0.1)
Total investments	1,417.2	1,038.3	2,455.5

Risk disclosures *continued*

The concentration risk of the Group's fixed maturity securities by country and sector is as follows:

As at 31 December 2024	Financials $m	Industrial $m	Utility $m	Government & Government Agencies $m	Structured[1] $m	Other[2] $m	Total $m
United States	**316.3**	**635.5**	**12.6**	**869.3**	**138.5**	**27.3**	**1,999.5**
Cayman Islands	**—**	**1.2**	**—**	**—**	**151.8**	**—**	**153.0**
Canada	**37.0**	**17.4**	**—**	**27.8**	**—**	**—**	**82.2**
United Kingdom	**41.5**	**20.2**	**—**	**2.2**	**—**	**—**	**63.9**
Jersey	**—**	**0.6**	**—**	**—**	**38.0**	**—**	**38.6**
France	**22.9**	**2.7**	**—**	**1.1**	**0.9**	**2.3**	**29.9**
Japan	**11.6**	**8.0**	**—**	**—**	**—**	**—**	**19.6**
Bermuda	**—**	**—**	**—**	**1.7**	**16.7**	**—**	**18.4**
Netherlands	**4.7**	**9.0**	**—**	**0.1**	**—**	**—**	**13.8**
India	**3.1**	**5.1**	**0.5**	**3.5**	**—**	**—**	**12.2**
Germany	**3.2**	**8.5**	**—**	**0.3**	**—**	**—**	**12.0**
Spain	**10.4**	**1.4**	**—**	**—**	**—**	**—**	**11.8**
Chile	**—**	**2.8**	**2.4**	**3.6**	**—**	**—**	**8.8**
Singapore	**0.3**	**7.4**	**0.4**	**0.5**	**—**	**—**	**8.6**
Luxembourg	**0.6**	**7.2**	**—**	**—**	**—**	**—**	**7.8**
Other	**31.1**	**35.6**	**4.6**	**24.6**	**1.8**	**26.0**	**123.7**
Total fixed maturity securities	**482.7**	**762.6**	**20.5**	**934.7**	**347.7**	**55.6**	**2,603.8**

1. Structured products excludes any Government structured products.
2. Other includes Lloyd's overseas deposits and short-term investments.

As at 31 December 2023	Financials $m	Industrial $m	Utility $m	Government & Government Agencies $m	Structured[1] $m	Other[2] $m	Total $m
United States	270.6	523.2	18.7	773.5	123.9	20.3	1,730.2
United Kingdom	35.9	17.5	—	1.6	0.3	50.0	105.3
Cayman Islands	—	1.8	—	—	100.7	—	102.5
Canada	26.0	16.2	0.5	18.0	—	0.5	61.2
Jersey	—	0.8	—	—	32.3	—	33.1
France	25.2	2.5	—	—	2.2	—	29.9
Japan	13.4	10.0	—	—	—	—	23.4
Netherlands	6.7	2.3	3.7	—	—	0.4	13.1
Mexico	3.4	6.8	0.4	1.3	—	—	11.9
Singapore	0.3	10.3	0.4	0.5	—	—	11.5
India	1.8	4.5	—	2.9	—	1.3	10.5
Germany	2.7	7.7	—	—	—	—	10.4
Switzerland	9.3	—	—	—	—	—	9.3
Bermuda	—	—	—	1.7	7.0	—	8.7
Finland	8.3	—	—	—	—	—	8.3
Other	23.8	29.5	4.3	21.6	3.1	28.5	110.8
Total fixed maturity securities	427.4	633.1	28.0	821.1	269.5	101.0	2,280.1

1. Structured products excludes any Government structured products.
2. Other includes Lloyd's overseas deposits and short-term investments.

The Group's net asset value is directly impacted by movements in the fair value of investments held. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook.

Interest rate risk

(i) Investments

Interest rate risk is the risk that movements in market interest rates, which are typically correlated with the interest rates set by central banks, have a detrimental financial impact on the value of the Group's assets and liabilities. The Group's investment portfolio is mainly comprised of fixed maturity securities and cash and cash equivalents. Fixed maturity funds are overseas deposits held by the syndicates in trust for the benefit of the policyholders in those overseas jurisdictions. They consist of high quality, short duration fixed maturity securities. The fair value of the Group's fixed maturity portfolio is generally inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Group's fixed maturity securities would tend to rise, and vice versa.

The sensitivity of the price of fixed maturity securities, and certain derivatives, to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of the Group's fixed maturity investment portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

As at 31 December	2024 $m	2024 %	2023 $m	2023 %
Immediate shift in yield (basis points)				
100	**(62.2)**	**(2.4)**	(39.5)	(1.7)
75	**(46.6)**	**(1.8)**	(29.6)	(1.3)
50	**(31.1)**	**(1.2)**	(19.8)	(0.9)
25	**(15.5)**	**(0.6)**	(9.9)	(0.4)
(25)	**13.7**	**0.5**	10.0	0.4
(50)	**27.5**	**1.1**	20.0	0.9
(75)	**41.2**	**1.6**	29.9	1.3
(100)	**54.9**	**2.1**	39.9	1.8

The Group mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The Group may also manage interest rate risk through the use of interest rate futures and swaptions. The duration of the core portfolio is matched to the modelled duration of the net insurance contract liabilities, within a permitted range. The permitted duration range for the surplus portfolio is between one and five years.

The overall duration for fixed maturity securities, managed cash and cash equivalents is 2.0 years (31 December 2023 – 1.6 years).

In addition to duration management, the Group monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling to capture the cash flows and embedded optionality of the investment portfolio. Securities are valued individually using standard market pricing models. These security valuations serve as the input to risk analytics, including full valuation risk analyses, as well as parametric methods that rely on option-adjusted risk sensitivities to approximate the risk and return profiles of the portfolio.

The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the investment portfolio value is not expected to decrease more than the VaR metric listed in the table below 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Investment Committee on behalf of the Board of Directors on an annual basis.

The Group's annual VaR calculations are as follows:

As at 31 December	2024 $m	2024 % of shareholders' equity	2023 $m	2023 % of shareholders' equity
99th percentile confidence level[1]	**157.8**	**10.6**	110.0	7.3

1. Including the impact of internal foreign exchange hedges.

(ii) Discounting approach on LIC and AIC

The Group's LIC and AIC are discounted on initial recognition and re-measured to current interest rates at each quarter end date, and are therefore sensitive to changes in market interest rates.

The Group applies the bottom-up approach when deriving its rates for discounting the LIC and AIC. This approach requires the use of an appropriate (liquid) risk-free yield curve, plus a specific illiquidity premium above the risk-free yield curve to represent the reduced liquidity of the insurance contract cash flows compared to the observable risk-free rates. The risk-free yields and illiquidity premium are derived using reference data supplied by third parties with management judgement applied where appropriate, in particular in the derivation of the illiquidity premium, which is informed by the implied illiquidity premium of a representative portfolio of corporate bonds determined using the top-down method.

The following table sets out the one, three, five and seven-year yield curves (risk-free rate plus illiquidity premium) used to discount the cash flows of insurance contracts issued and reinsurance contracts held for the Group's major currencies:

	2024				2023			
As at 31 December	**1 year**	**3 years**	**5 years**	**7 years**	1 year	3 years	5 years	7 years
USD	**4.78%**	**4.88%**	**4.98%**	**5.07%**	5.33%	4.40%	4.29%	4.34%
GBP	**5.06%**	**4.98%**	**4.97%**	**5.03%**	5.31%	4.34%	4.14%	4.16%
EUR	**2.93%**	**3.02%**	**3.18%**	**3.31%**	4.03%	3.21%	3.21%	3.33%
CAD	**3.48%**	**3.54%**	**3.68%**	**3.84%**	5.23%	4.51%	4.25%	4.27%
JPY	**1.12%**	**1.52%**	**1.71%**	**1.88%**	0.65%	0.96%	1.24%	1.52%
ZAR	**8.25%**	**8.44%**	**8.97%**	**9.63%**	8.92%	8.63%	9.15%	9.86%
AUD	**4.65%**	**4.74%**	**5.03%**	**5.26%**	4.77%	4.55%	4.76%	4.99%

The following table presents information on how reasonably possible changes in the yield curve could impact the valuation of the net insurance contract liabilities, profit after tax and shareholders' equity. Under the PAA, and given the current amount of the Group's loss component, only the LIC component of insurance contract liabilities and the AIC component of reinsurance contract assets are sensitive to possible changes in insurance risk and interest rate risk variables.

	LIC as at 31 December 2024 $m	**Impact on profit after tax and shareholders' equity $m**	LIC as at 31 December 2023 $m	Impact on profit after tax and shareholders' equity $m
Insurance contract liabilities	**2,237.7**		1,765.9	
Reinsurance contracts assets	**(608.5)**		(430.3)	
Net insurance contract liabilities	**1,629.2**		1,335.6	
1% increase in yield curves				
Insurance contract liabilities	**2,195.6**	**37.9**	1,733.3	28.9
Reinsurance contract assets	**(600.6)**	**(6.7)**	(422.3)	(6.7)
Net insurance contract liabilities	**1,595.0**	**31.2**	1,311.0	22.2

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Price risk

Price risk is the risk that the fair value of the Group's investment portfolio will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual investment or other market factors.

The Group's price risk exposure relates to private investment funds and hedge funds. Listed investments that are quoted in an active market are recognised at quoted bid price, which is deemed to be the approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to note 11). This includes comparison to comparable orderly transactions between active market participants, reference to benchmarks or other indices to assess reasonableness, and other valuation techniques that are commonly used by market participants.

A 10% asset price decrease at 31 December 2024 would reduce the value of our private investment funds and hedge funds by approximately $26.1 million (31 December 2023 – $17.6 million).

Derivative financial instruments

The Group’s investment guidelines permit the investment managers to utilise forward foreign currency contracts to manage foreign currency exposure. These positions are monitored regularly. The Group may also use OTC or exchange-traded managed derivatives to mitigate interest rate risk and foreign currency exposures. The Group principally has exposure to derivatives related to the following types of risks: interest rate risk, foreign currency risk, and credit risk.

Forward foreign currency contracts

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a defined rate. The Group may utilise forward foreign currency contracts to gain exposure to a certain currency or market rate, to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments, debt, insurance-related currency exposures and/or expenses.

Forward contracts expose the Group to credit, market and liquidity risks. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Group is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high volatility and financial stress. These risks are mitigated by requiring a minimum counterparty credit quality, restricting the maximum notional exposure as a percentage of the investment portfolio's estimated fair value, and restricting exposures to foreign currencies, individually and in aggregate, as a percentage of the investment portfolio's estimated fair value.

Where forward foreign currency contracts are within externally managed investment portfolios, they are disclosed as other investments. Where they are managed directly by the Group, they are disclosed as either other receivables, or other payables, as appropriate.

The notional amount of a derivative contract is the underlying quantity upon which payment obligations are calculated. A long position is equivalent to buying the underlying currency, whereas a short position is equivalent to having sold the underlying currency.

The net (losses) gains on the Group's derivative financial instruments recognised in the consolidated statement of comprehensive income are as follows:

For the year ended 31 December	2024 $m	2023 $m
Net foreign exchange (losses) gains on forward foreign currency contracts	**(2.3)**	1.9

The estimated fair values of the Group's derivative instruments are as follows:

As at 31 December	2024			2023		
	Other investments $m	Other receivables $m	Other payables $m	Other investments $m	Other receivables $m	Other payables $m
Forward foreign currency contracts	**0.1**	**0.2**	**(0.4)**	(0.1)	2.0	(0.7)

The Group has the following open forward foreign currency contracts:

As at 31 December	2024			2023		
	Notional long $m	Notional short $m	Net notional long (short) $m	Notional long $m	Notional short $m	Net notional long (short) $m
Canadian Dollar	**—**	**25.3**	**(25.3)**	—	28.7	(28.7)
Euro	**31.6**	**2.3**	**29.3**	49.0	3.6	45.4
Sterling	**—**	**0.5**	**(0.5)**	77.8	0.7	77.1
Danish Krone	**—**	**0.2**	**(0.2)**	—	0.2	(0.2)
Total	**31.6**	**28.3**	**3.3**	126.8	33.2	93.6

III. Debt risk

Debt risk is the risk that the Group will not be able to service either the interest payment, or the principal repayment, amounts on its external borrowings as they fall due. In 2021, the Group issued $450.0 million (in aggregate principal amount) of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041 (see note 18). The fixed interest rate will reset on 18 September 2031 at a rate per annum equal to the prevailing five-year treasury rate, plus a credit spread of 4.08% and a 100 basis point step up.

The Group is exposed to interest rate risk in the future if prevailing rates at the time of reset are materially different from the existing rates on the debt issue.

IV. Currency risk

Currency risk is the risk that movements in currency exchange rates have a detrimental financial impact on the Group. The Group underwrites from multiple locations and risks are assumed on a worldwide basis. Risks assumed are predominantly denominated in US dollars. The Group is exposed to currency risk to the extent its assets and liabilities are denominated in different currencies to its US dollar reporting currency. The exchange gains and losses which arise on these assets and liabilities impact the consolidated statement of comprehensive income.

The Group hedges monetary non-US dollar liabilities primarily with non-US dollar assets, but may also use derivatives to mitigate foreign currency exposures. The Group's main foreign currency exposure relates to its insurance contract liabilities and reinsurance contract assets, investments and cash and cash equivalents, and other monetary assets and liabilities. The Group uses forward foreign currency contracts for the purposes of managing currency exposures. The Group's assets and liabilities, categorised by currency at their translated carrying amount, are as follows:

Assets	US $ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Cash and cash equivalents	**449.8**	**141.0**	**21.5**	**17.9**	**54.1**	**684.3**
Accrued interest receivable	**21.3**	**—**	**0.4**	**—**	**0.3**	**22.0**
Investments	**2,721.4**	**27.0**	**59.1**	**—**	**57.4**	**2,864.9**
Reinsurance contract assets	**497.9**	**25.3**	**36.4**	**(0.2)**	**(2.2)**	**557.2**
Other receivables	**8.9**	**10.5**	**—**	**—**	**1.1**	**20.5**
Investment in associate	**9.1**	**—**	**—**	**—**	**—**	**9.1**
Right-of-use assets	**1.4**	**14.8**	**—**	**—**	**—**	**16.2**
Property, plant and equipment	**0.8**	**7.9**	**—**	**—**	**—**	**8.7**
Intangible assets	**153.8**	**43.2**	**—**	**—**	**—**	**197.0**
Total assets as at 31 December 2024	**3,864.4**	**269.7**	**117.4**	**17.7**	**110.7**	**4,379.9**

Liabilities	US $ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Insurance contract liabilities	**1,948.7**	**117.5**	**129.0**	**15.6**	**89.6**	**2,300.4**
Other payables	**43.8**	**46.2**	**—**	**—**	**1.9**	**91.9**
Corporation tax payable	**(0.3)**	**3.0**	**—**	**—**	**—**	**2.7**
Deferred tax liability	**11.3**	**11.2**	**—**	**—**	**(0.2)**	**22.3**
Lease liabilities	**1.4**	**20.8**	**—**	**—**	**0.1**	**22.3**
Long-term debt	**447.0**	**—**	**—**	**—**	**—**	**447.0**
Total liabilities as at 31 December 2024	**2,451.9**	**198.7**	**129.0**	**15.6**	**91.4**	**2,886.6**

Assets	US $ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Cash and cash equivalents	504.4	88.5	65.6	25.9	72.5	756.9
Accrued interest receivable	16.6	—	—	—	0.1	16.7
Investments	2,404.9	3.1	0.2	—	47.3	2,455.5
Reinsurance contract assets	340.6	20.8	27.2	—	(0.8)	387.8
Other receivables	44.7	12.6	—	—	1.1	58.4
Investment in associate	16.2	—	—	—	—	16.2
Right-of-use assets	2.4	16.8	—	—	0.1	19.3
Property, plant and equipment	0.6	9.2	—	—	—	9.8
Intangible assets	153.8	27.3	—	—	—	181.1
Total assets as at 31 December 2023	3,484.2	178.3	93.0	25.9	120.3	3,901.7

Liabilities	US $ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Insurance contract liabilities	1,504.9	96.0	135.3	18.5	69.0	1,823.7
Other payables	28.7	50.6	—	—	1.3	80.6
Corporation tax payable	—	2.0	—	—	—	2.0
Deferred tax liability	9.9	6.3	—	—	—	16.2
Lease liabilities	2.4	22.2	—	—	0.1	24.7
Long-term debt	446.6	—	—	—	—	446.6
Total liabilities as at 31 December 2023	1,992.5	177.1	135.3	18.5	70.4	2,393.8

The impact on net income of a proportional foreign exchange movement of 10.0% up and 10.0% down for the aggregated total of all non-US dollar currencies against the US dollar, taken at the year-end spot rates, would be an increase or decrease of $1.5 million (31 December 2023 – $3.1 million).

C. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Group's main exposures to liquidity risk are with respect to its insurance, investment, and operational activities. The Group is exposed to such risk if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts issued. The Group can be exposed to daily calls on its available investment assets, principally to settle insurance claims and to fund trust accounts following a large catastrophe loss.

Exposures in relation to insurance activities are as follows:

- large catastrophic events, or multiple medium-sized events in quick succession, resulting in a requirement to pay a large value of claims within a relatively short time frame, or to fund trust accounts;
- failure of insureds or cedants to meet their contractual obligations with respect to the payment of premiums in a timely manner; and
- failure of reinsurers to meet their contractual obligations with respect to the payment of claims in a timely manner.

Exposures in relation to investment activities are as follows:

- adverse market movements and/or a duration mismatch to obligations, resulting in investments being disposed of at a significant realised loss; and
- an inability to liquidate investments due to market conditions.

The maturity dates of the Group's fixed maturity portfolio are as follows:

As at 31 December	2024 Core $m	2024 Surplus $m	2024 Total $m	2023 Core $m	2023 Surplus $m	2023 Total $m
Less than one year	**255.3**	**39.7**	**295.0**	377.5	116.4	493.9
Between one and two years	**346.1**	**77.3**	**423.4**	295.7	123.5	419.2
Between two and three years	**263.7**	**67.9**	**331.6**	285.1	106.9	392.0
Between three and four years	**195.5**	**120.4**	**315.9**	90.7	73.3	164.0
Between four and five years	**80.7**	**88.9**	**169.6**	139.2	105.1	244.3
Over five years	**161.2**	**232.9**	**394.1**	49.4	130.4	179.8
Asset backed and mortgage backed securities	**285.4**	**388.8**	**674.2**	179.6	207.3	386.9
Total fixed maturity securities	**1,587.9**	**1,015.9**	**2,603.8**	1,417.2	862.9	2,280.1

The maturity profile of the insurance contracts issued and financial liabilities of the Group is as follows:

	Years until liability becomes due - undiscounted values					
As at 31 December 2024	**Statement of financial position $m**	**Less than one $m**	**One to three $m**	**Three to five $m**	**Over five $m**	**Total $m**
Liabilities						
Insurance contract liabilities[1]	**2,300.4**	**1,017.5**	**861.4**	**342.0**	**248.8**	**2,469.7**
Other payables	**91.9**	**91.9**	**—**	**—**	**—**	**91.9**
Lease liabilities	**22.3**	**5.8**	**7.4**	**7.2**	**5.8**	**26.2**
Long-term debt[2]	**447.0**	**25.3**	**50.6**	**50.6**	**500.6**	**627.1**
Total	**2,861.6**	**1,140.5**	**919.4**	**399.8**	**755.2**	**3,214.9**

1. Since the Group applies the PAA model for all insurance contracts issued, the maturity profile represents only the liability for incurred claims, and has been presented on an undiscounted basis.
2. The maturity profile of long-term debt includes accrued interest.

	Years until liability becomes due - undiscounted values					
As at 31 December 2023	Statement of financial position $m	Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Liabilities						
Insurance contract liabilities[1]	1,823.7	795.3	705.7	263.5	166.9	1,931.4
Other payables	80.6	80.6	—	—	—	80.6
Lease liabilities	24.7	4.5	8.7	7.2	9.5	29.9
Long-term debt[2]	446.6	25.3	50.6	50.6	525.9	652.4
Total	2,375.6	905.7	765.0	321.3	702.3	2,694.3

1. Since the Group applies the PAA model for all insurance contracts issued, the maturity profile represents only the liability for incurred claims, and has been presented on an undiscounted basis.
2. The maturity profile of long-term debt includes accrued interest.

Within the tables shown above, the insurance contract liabilities balance discloses the period when the claims in respect of insurance contracts issued by the Group are expected to be settled. All other liability balances within the table disclose the earliest period in which the relevant counterparty could contractually require the Group to make payment. Actual maturities of the above may differ from contractual maturities because certain counterparties have the right to call or prepay certain obligations with or without call or prepayment penalties.

While the estimation of future cash flows in relation to ultimate claims settlement is complex and incorporates a significant amount of judgement, the timing of the payment of claims is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience, and management's judgement have been used to determine a likely settlement pattern based on the earliest period in which the Group could be required by the relevant counterparty to make payment. There are no amounts contained within the insurance contract liabilities or reinsurance contract assets as at 31 December 2024 (31 December 2023 – none) that are payable on demand.

As at 31 December 2024, cash and cash equivalents were $684.3 million (31 December 2023 – $756.9 million). The Group manages its liquidity risks through its investment strategy to hold high quality, liquid securities, sufficient to meet its insurance liabilities and other near-term liquidity requirements. The core portfolio, with its subset of guidelines, aims to ensure funds are readily available to meet potential insurance liabilities, plus other liquidity requirements, in an extreme event. In addition, the Group has established asset allocation and duration parameters within the investment guidelines, such that the majority of the investments are in high-quality assets which could be converted into cash promptly and at minimal expense. The Group monitors market changes and outlook, and reallocates assets as deemed necessary.

As at 31 December 2024, the Group considers that it has more than adequate liquidity to pay its obligations as they fall due.

D. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation.

The Group is exposed to credit risk in respect of its fixed maturity investment portfolio, cash and cash equivalents, accrued interest receivable, derivative financial instruments, amounts recoverable from reinsurers within reinsurance contract assets, amounts receivable from insureds and cedants included within insurance contract liabilities, and other receivables.

Credit risk on the fixed maturity portfolio is mitigated through the Group's policy to invest in instruments of high credit quality issuers, and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB-/Baa3 may comprise no more than 15.0% of total market value of the fixed maturity portfolio. In addition, no one issuer, with the exception of US government and agency securities, other G10 government guaranteed securities (excluding Italy), and Australian sovereign debt, should exceed 5.0% of total market value of the fixed maturity portfolio. The Group is therefore not exposed to any significant credit concentration risk on either its fixed maturity investment portfolio, or cash and cash equivalents, except for fixed maturity securities issued by the US government and government agencies, and other highly-rated governments.

Credit risk on insurance contract cash flows from insureds and cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Binding authorities are subject to standard market controls, including credit control. Credit risk from reinsurance contract cash flows is primarily managed by the review and approval of reinsurer security, as discussed on page 139.

Reinsurance contracts held in the table below represent the credit exposed components of reinsurance contract assets. These have been presented on an undiscounted basis, and represent the maximum exposure to credit risk considering the Group's ability to offset balances, where applicable, under the relevant reinsurance contracts held.

The table below presents an analysis of the Group's maximum exposures to counterparty credit risk, based on their rating:

	2024			2023		
As at 31 December	Cash and cash equivalents $m	Fixed maturity securities $m	Credit exposed component of reinsurance contracts held $m	Cash and cash equivalents $m	Fixed maturity securities $m	Credit exposed component of reinsurance contracts held $m
AAA	**487.9**	**265.0**	**—**	463.2	246.9	—
AA+, AA, AA-	**—**	**1,073.0**	**1.8**	2.9	931.8	3.6
A+, A, A-	**195.9**	**748.8**	**593.7**	285.7	587.1	410.3
BBB+, BBB, BBB-	**0.5**	**360.2**	**1.0**	5.1	372.4	2.2
Other[1]	**—**	**156.8**	**41.6**	—	141.9	51.9
Total	**684.3**	**2,603.8**	**638.1**	756.9	2,280.1	468.0

1. Reinsurance contracts held classified as 'other' include $32.1 million as at 31 December 2024 (2023 – $43.4 million) which are fully collateralised.

Reinsurance is ceded across all geographic regions in which the Group operates. The Group does not have a significant concentration of credit risk with any single reinsurer.

The Group's maximum exposure to credit risk arising from insurance contracts issued is $777.5 million (31 December 2023 – $747.1 million), which relates to the elements of the insurance contract liabilities balance which are considered to be exposed to credit risk, specifically, premium receivables and reinstatement premium receivables, net of profit commissions payable on inwards reinsurance business.

ECL have been determined to be immaterial as at 31 December 2024 and 31 December 2023.

E. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems, or non-insurance external events. The Group and its subsidiaries have identified and evaluated their key operational risks, and these are incorporated in the risk registers and modelled within the subsidiaries' capital models. The Group has also established, and monitors compliance with, internal operational risk tolerances. The RRC reviews operational risk on at least an annual basis and operational risk is covered in the Group CRO's quarterly ORSA report to the LHL Board of Directors, entity level boards, and in the LSL RCC reporting.

To manage operational risks, the Group has implemented a robust governance framework. Policies and procedures are documented and identify the key risks and controls within processes. Key risk indicators have been established and are monitored on a regular basis, and a formal loss event and near-miss reporting process has been implemented. The risk management function facilitates a quarterly risk and control affirmation process and performs detailed control testing, the outcomes of which inform the CRO's quarterly opinion of the overall control environment. The Group's internal audit function provides independent feedback with regard to the accuracy and completeness of key risks and controls, and independently verifies the effective operation of these through sample testing. All higher risk areas are subject to an annual audit, while compliance with tax operating guidelines is reviewed quarterly. Frequency of consideration for audit for all other areas varies from quarterly at the most frequent, to a minimum of once every four years, on a rotational basis.

It is widely recognised that the current increasing geopolitical risks have also increased the risk of cyber attacks. Whilst the Group does not write standalone cyber as a separate class of business, it does have some limited exposure within broader policy coverage of existing classes of business. The Group's main exposure comes from the operational risk of suffering a cyber attack on its systems, the resultant downtime of systems, the expense in getting back up and running and the potential for missed business opportunities during the downtime.

To mitigate this risk, the Group has established an information security function which works with a specialist third-party to identify, assess, monitor and manage cyber risk. A robust cyber risk framework has been developed, this includes a range of key risk and performance indicators which are monitored and reported against regularly. A cyber incident response plan has been developed and is tested on an annual basis.

The operational cyber risk that comes with employees working from home is managed through enhanced monitoring of network activity, targeted staff training, a quarterly risk and control affirmation process, annual testing of business continuity plans and disaster recovery plans, and a cyber security incident response plan. The risk is monitored on an ongoing basis through the use of a series of quantitative key risk indicators, which are the aggregate of key performance indicators monitored by the Group’s information security function.

Management continue to closely monitor the progress of the legislative process in the jurisdictions in which it operates as it relates to OECD global minimum tax and Bermuda corporate income tax. Further details are outlined in note 14.

F. Strategic risk

Strategic risk is the risk that the Group does not develop and implement an appropriate long-term strategy to meet its business goals. The Group has identified several strategic risks. These include: i) business planning risk, ii) inflation risk, iii) capital management risk, iv) retention risk, v) growth risk and vi) climate change risk.

I. Business planning risk

Business planning risk is the risk that either the poor execution of the business plan or an inappropriate business plan, results in a strategy that fails to adequately consider and reflect the current trading environment, resulting in an inability of the Group to optimise performance, increasing reputational risk. The Group addresses the risks associated with the planning and execution of the business plan through a combination of the following:

- an iterative annual forward-looking business planning process with cross departmental involvement;
- evaluation and approval of the annual business plan by the Board of Directors;
- regular monitoring of actual versus planned results;
- periodic review and re-forecasting as market conditions change; and
- evaluation of climate change and the potential short, medium and long-term implications/considerations for the business.

The forward-looking business planning process covers a three-year period from 2025 to 2027, and applies a number of sensitivity, stress and scenario tests. These tests include consideration of climate change risks. The sensitivity and stress testing has confirmed that even under the more extreme stress scenarios, the Group had more than adequate liquidity and regulatory solvency capital headroom.

II. Inflation risk

Both UK and worldwide inflation measures have increased significantly in recent years. Whilst the Group has already been monitoring inflation, macro-economic factors, together with the actions of central banks and the views of economists, indicate that a period of sustained high inflation may be likely. On this basis, inflation is now an increased focus for management and those charged with governance at both the Board of Directors and the appropriate committees.

III. Capital management risk

Capital management risk is the risk of the Group failing to maintain adequate capital, accessing capital at an inflated cost, or the inability to access capital. This includes unanticipated changes in vendor, regulatory and/or rating agency models, that could result in an increase in capital requirements, or a change in the type of capital required. The total capital of the Group is as follows:

As at 31 December	2024 $m	2023 $m
Shareholders' equity	**1,493.3**	1,507.9
Long-term debt	**447.0**	446.6
Total capital	**1,940.3**	1,954.5
Less: intangible assets	**197.0**	181.1
Total tangible capital	**1,743.3**	1,773.4

Risks associated with the effectiveness of the Group's capital management are mitigated as follows:

- regular monitoring of current and prospective regulatory and rating agency capital requirements;
- regular discussion with the LSL management team regarding Lloyd's capital requirements;
- oversight of capital requirements by the Board of Directors, including regulatory capital requirements;
- ability to purchase sufficient, cost-effective reinsurance;
- maintaining contact with vendors, regulators and rating agencies to stay abreast of upcoming developments; and
- participation in industry groups such as the International Underwriters Association, the Association of Bermuda Insurers and Reinsurers and the Lloyd's Market Association.

The Group reviews the level and composition of capital on an ongoing basis with a view to:

- maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and
- meeting internal, rating agency and regulatory capital requirements.

Increases in the Group's capital are held within the Group, invested, or returned to shareholders as appropriate. The retention of earnings generated by the Group leads to an increase in capital. Capital raising can include debt or equity, and returns of capital may be made through dividends, share repurchases, a redemption of debt, or any combination thereof. All capital actions require approval by the Board of Directors.

Internal methods have been developed to review the profitability of classes of business and their estimated capital requirements, and the capital requirements of the combination of a wide range of other business activities. These approaches are used by management in decision making.

The Group's long-term debt held is approved as 'Tier 2 Ancillary Capital' by the BMA.

The Group's aim is to maximise risk-adjusted returns for its shareholders across the cycle. The return is measured by management in terms of the change in DBVS in the period. This aim is a long-term goal, acknowledging that management expects both higher and lower results in the shorter term. The cyclicality and volatility of the insurance market is expected to be the largest driver of this pattern. Management monitors these peaks and troughs by adjusting the Group's insurance portfolio to make the most effective use of available capital and seeking to maximise the risk-adjusted return.

The source of capital used by the Group is equity shareholders' funds and borrowings. As a holding company, LHL relies on dividends from its operating entities to provide the cash flow required for debt service and dividends to shareholders. The operating entities' ability to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdictions in which they operate.

Both the Group and LICL are regulated by the BMA, and are required to monitor their enhanced capital requirement under the BMA's regulatory framework, which has been assessed as equivalent to the Solvency II regime. Bermuda is also recognised as a qualified and reciprocal jurisdiction by the US NAIC, and LICL is approved as a reciprocal reinsurer. The Group and LICL's capital requirements are calculated using the BSCR standard formula model. For the years ended 31 December 2024 and 31 December 2023, both the Group and LICL were more than adequately capitalised under the BMA's regulatory regime.

The Group's UK-regulated insurance companies are required to comply with the Solvency II regime and are regulated by the PRA and FCA. LSL is also regulated by Lloyd's. Under Solvency II, the basis for assessing regulatory capital and solvency comprises a market-consistent economic balance sheet and a SCR, determined using either an internal model or the standard formula.

LUK calculates its SCR using the standard formula. LUK's Solvency II own funds that comprise Tier 1 items for the years ended 31 December 2024 and 31 December 2023. Tier 1 capital is the highest-quality capital under Solvency II with the greatest loss-absorbing capacity, comprising share capital and retained earnings. For the years ended 31 December 2024 and 31 December 2023, LUK was more than adequately capitalised under the Solvency II regime.

The Group's underwriting capacity in its Lloyd's syndicates must be supported by providing a deposit in the form of cash, investment securities, or LOCs, which are referred to as FAL. The capital framework at Lloyd's requires each managing agent to calculate the capital requirement for each syndicate they manage. Solvency II internal models are used to determine capital requirements for Syndicate 2010 and Syndicate 3010 based on the uSCR. Lloyd's has the discretion to take into account other factors at syndicate or member level to uplift the calculated uSCR. This may include perceived deficiencies in the internal model result, as well as the need to maintain Lloyd's overall security rating. Currently, as a minimum, Lloyd's applies a 35.0% uplift to each syndicate's uSCR to arrive at the ECA.

Lloyd's then uses each syndicate's ECA as a basis for determining member level capital requirements, which is backed by FAL. For the 2025 calendar year, the Group's corporate member's FAL requirement was set at 66.6% (2024 – 67.0%) of underwriting capacity. Further solvency adjustments are made to allow for open-year profits and losses of the syndicates on which the corporate member participates. The Group has a FAL requirement of £478.7 million as at 31 December 2024 (31 December 2023 – £461.2 million).

For the years ended 31 December 2024 and 31 December 2023, the regulatory capital requirements of all the Group's regulatory jurisdictions were met.

IV. Retention risk

Retention risk is the risk of inappropriate succession planning, poor staff retention in key roles, and poor management of key person risks. Risks associated with succession planning, staff retention and key person risks are mitigated through a combination of resource planning processes and controls, including:

- the identification of key personnel, together with appropriate succession plans;
- documented recruitment procedures, position descriptions and employment contracts;
- resource monitoring and the provision of appropriate compensation, including equity based compensation which vests over a defined time horizon;
- the use of KRIs for the voluntary turnover of members of staff; and
- training schemes.

V. Growth risk

Growth risk is the risk of organisational stretch as the Group grows, in terms of volume of business written and number of employees, as well as from transformation programmes to ensure the Group has appropriate systems, infrastructure and data in place to support business activities. Growth risk is mitigated through continuous monitoring of the Group's current state against the Group's business plan and goals, together with engagement with individual management teams within the Group to validate that they have the resources they require to deliver their own business objectives.

VI. Climate change risk

The Group is exposed to both climate change-related risks and opportunities. The two major categories of risk being transition risk and physical risk.

Transition risks are those risks relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate-related events) or chronic (due to longer-term shifts in climate patterns). As a (re)insurance company, the Group is more significantly affected by physical risk through its potential exposure to acute and chronic climate change. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. A risk radar has been prepared to illustrate the risks identified and the likelihood and magnitude of these risks; this diagram can be found on page 53. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy. A table summarising potential opportunities, their time frame, likelihood and magnitude is included on page 50. The Group's current assessment of risk in relation to climate change is discussed in more detail within the TCFD report on pages 46 to 57.

The Group's process in identifying, assessing and managing climate risk with respect to insurance risk, investment risk (a component of market risk) and business plan risk (a component of strategic risk) is discussed further within the relevant sections above.

Notes to the accounts
For the year ended 31 December 2024

1. General information

The Group is a provider of global specialty (re)insurance products with operations in London, Bermuda, the US, and Australia. LHL (registered number 37415) was incorporated under the laws of Bermuda and its common shares trade on the main market of the LSE. LHL's head office and registered office is Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The consolidated financial statements for the year ended 31 December 2024 include LHL's subsidiary companies, the Group's investment in associate, and the Group's share of the syndicates' assets and liabilities, and income and expenses. A full listing of the Group's related parties can be found in note 22.

2. Segmental reporting

Management and the Board of Directors review the Group's business primarily by its two principal segments: reinsurance and insurance. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Lines of business are underwritten within each operating segment. These lines of business are written primarily, but not exclusively, on a reinsurance or insurance basis.

Operating segment performance is measured by the insurance service result and net insurance ratio. The performance of the overall Group is measured by the combined ratio on both an undiscounted and discounted basis.

All amounts reported are transactions with external parties and the Group's associate, see note 15. There are no significant inter-segmental transactions, and there are no significant insurance or reinsurance contracts that insure or reinsure risks located in Bermuda, the Group's country of domicile.

	2024			2023		
For the year ended 31 December	**Reinsurance $m**	**Insurance $m**	**Total $m**	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	**855.1**	**910.0**	**1,765.1**	714.9	805.0	1,519.9
Insurance service expenses	**(420.0)**	**(766.1)**	**(1,186.1)**	(254.2)	(442.0)	(696.2)
Insurance service result before reinsurance contracts held	**435.1**	**143.9**	**579.0**	460.7	363.0	823.7
Allocation of reinsurance premium	**(168.2)**	**(271.2)**	**(439.4)**	(174.6)	(250.2)	(424.8)
Amounts recoverable from reinsurers	**(2.8)**	**243.1**	**240.3**	(78.2)	61.4	(16.8)
Net expense from reinsurance contracts held	**(171.0)**	**(28.1)**	**(199.1)**	(252.8)	(188.8)	(441.6)
Insurance service result	**264.1**	**115.8**	**379.9**	207.9	174.2	382.1
Finance expense from insurance contracts issued	**(41.0)**	**(36.9)**	**(77.9)**	(56.6)	(41.7)	(98.3)
Finance income from reinsurance contracts held	**11.9**	**12.1**	**24.0**	16.8	14.9	31.7
Net insurance financing result	**(29.1)**	**(24.8)**	**(53.9)**	(39.8)	(26.8)	(66.6)
Net investment return			**162.2**			160.5
Other operating expenses			**(115.9)**			(107.4)
Net other unallocated (expenses) and income			**(35.6)**			(35.9)
Profit before tax			**336.7**			332.7
Net insurance ratio	**61.6%**	**81.9%**	**71.3%**	61.5%	68.6%	65.1%
Net operating expense ratio			**8.7%**			9.8%
Combined ratio (discounted)			**80.0%**			74.9%
Discounting impact on combined ratio			**9.1%**			7.7%
Combined ratio (undiscounted)			**89.1%**			82.6%

3. Net insurance financing result

IFRS 17 requires insurance contracts issued and reinsurance contracts held to be accounted for on a discounted basis. The table below shows the total impact of discounting recognised in the consolidated statement of comprehensive income for the years ended 31 December 2024 and 31 December 2023:

For the year ended 31 December	2024 Insurance contracts issued $m	2024 Reinsurance contracts held $m	2024 Total $m	2023 Insurance contracts issued $m	2023 Reinsurance contracts held $m	2023 Total $m
Initial discount included in insurance service result	**144.4**	**(24.1)**	**120.3**	101.9	(17.2)	84.7
Unwind of discount	**(95.5)**	**26.9**	**(68.6)**	(84.2)	28.4	(55.8)
Impact of change in assumptions	**17.6**	**(2.9)**	**14.7**	(14.1)	3.3	(10.8)
Finance (expense) income	**(77.9)**	**24.0**	**(53.9)**	(98.3)	31.7	(66.6)
Total net discounting income (expense)	**66.5**	**(0.1)**	**66.4**	3.6	14.5	18.1

The discounting approach and the yield curves used to discount the cash flows of insurance contracts issued and reinsurance contracts held for our major currencies are provided in the interest rate risk disclosures.

The relationship between the Group's total finance income and expense from insurance contracts issued, and reinsurance contracts held, is not typically expected to correlate directly with the Group's net investment return since:

- the Group's investment portfolio is of greater magnitude than its insurance contract liabilities, net of its reinsurance contract assets;
- in accordance with the requirements of IFRS 17, the discount rates used in respect of the Group's insurance contract liabilities, and reinsurance contract assets, are set with specific reference to the Group's insurance contracts, and not its investment portfolio; and
- there are a mixture of securities within the Group's investment portfolio, certain of which do not have their valuation directly or primarily affected by changes in interest rates.

4. Net investment return

For the year ended 31 December	2024 $m	2023 $m
Interest and dividend income on financial investments	**115.3**	85.9
Interest on cash and cash equivalents	**29.5**	22.6
Net realised gains	**2.7**	3.9
Net unrealised gains	**20.4**	53.4
Investment income	**167.9**	165.8
Investment management fees	**(5.7)**	(5.3)
Total net investment return	**162.2**	160.5

5. Other income

For the year ended 31 December	2024 $m	2023 $m
Lancashire Capital Management		
Profit commission	**0.8**	–
Lancashire Syndicates		
Managing agency fees	**1.0**	1.0
Consortium fees	**2.0**	1.3
Consortium profit commission	**1.0**	0.3
Coverholder commission income	**0.2**	0.3
Managing agency profit commission	**5.4**	–
Total other income	**10.4**	2.9

As at 31 December 2024, contract assets in relation to other income amounted to $6.4 million (31 December 2023 – $2.1 million). These contract assets are presented within other receivables in the consolidated statement of financial position.

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For the year ended 31 December 2024

6. Expenses

Expenses incurred by the Group in the reporting period are outlined in the table below:

For the year ended 31 December	2024 Other operating expenses $m	2024 Directly attributable expenses $m	2024 Total expenses $m	2023 Other operating expenses $m	2023 Directly attributable expenses $m	2023 Total expenses $m
Employee remuneration costs	**70.5**	**61.2**	**131.7**	70.5	49.4	119.9
Operating expenses	**45.4**	**44.1**	**89.5**	36.9	32.8	69.7
Total	**115.9**	**105.3**	**221.2**	107.4	82.2	189.6

Directly attributable expenses comprise fixed and variable expenses incurred by the Group in the reporting period that relate directly to fulfilling insurance contracts issued, and have been allocated to insurance service expenses within the consolidated statement of comprehensive income.

Auditor's remuneration included within other operating expenses incurred by the Group in the reporting period is outlined in the table below:

For the year ended 31 December	2024 $m	2023 $m
Group audit fees	**4.4**	4.9
Other services	**0.6**	0.6
Total	**5.0**	5.5

During the years ended 31 December 2024 and 31 December 2023, KPMG LLP provided non-audit services in relation to the Group's half-year reporting review, Solvency II reporting and regulatory reporting. Fees for non-audit services provided in 2024 totalled $0.6 million (2023 – $0.6 million).

7. Employee benefits

For the year ended 31 December	2024 Other operating expenses $m	2024 Directly attributable expenses $m	2024 Total expenses $m	2023 Other operating expenses $m	2023 Directly attributable expenses $m	2023 Total expenses $m
Employee remuneration costs	**70.5**	**61.2**	**131.7**	70.5	49.4	119.9
Total cash compensation	**70.5**	**61.2**	**131.7**	70.5	49.4	119.9
RSS – performance	**5.4**	**—**	**5.4**	4.3	—	4.3
RSS – ordinary	**11.7**	**—**	**11.7**	10.5	—	10.5
RSS – bonus deferral	**1.9**	**—**	**1.9**	0.4	—	0.4
Total equity based compensation	**19.0**	**—**	**19.0**	15.2	—	15.2
Total employee benefits	**89.5**	**61.2**	**150.7**	85.7	49.4	135.1

Equity based compensation

The Group's equity based compensation scheme is its RSS. All outstanding and future RSS grants have an exercise price of $nil, and an exercise period of ten years from the grant date.

The fair value of any TSR component of the nil-cost options is estimated using a stochastic model. For all other components, the Black-Scholes model is used to estimate the fair value. The following table lists the assumptions used in the stochastic model for the RSS awards granted during the years ended 31 December 2024 and 31 December 2023:

Assumptions	2024	2023
Expected volatility[1]	**31.2%**	33.5%
Risk-free interest rate[2]	**4.1%**	3.3%
Expected average life of options	**2.9 years**	3.0 years
Share price	**$8.29**	$7.48

1. The expected volatility of the LHL share prices are calculated based on the movement in the share prices over a period prior to the grant date, equal in length to the expected life of the award.
2. The risk-free interest rate is consistent with three-year UK government bond yields on the date of grant.

The calculation of the equity based compensation expense assumes forfeitures due to employee turnover of 10.0% (2023 – 10.0%) per annum prior to vesting, with subsequent adjustments to reflect actual experience.

RSS – Performance

The performance RSS options vest after a three-year period and are dependent on certain performance criteria. A maximum of 85.0% (2023 – 85.0%) of the performance RSS options will vest only on the achievement of a change in DBVS in excess of a required amount. A maximum of 15.0% (2023 – 15.0%) of the performance RSS options will vest only on the achievement of an absolute TSR in excess of a required amount. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

	2024	2023
Opening total number of restricted shares as of 31 December	**3,502,144**	3,397,559
Granted	**1,014,535**	892,049
Exercised	**(432,310)**	(102,529)
Forfeited	**(43,565)**	(19,846)
Lapsed	**(861,910)**	(665,089)
Closing total number of restricted shares as of 31 December	**3,178,894**	3,502,144
Exercisable	**102,053**	197,203
Weighted average remaining contractual life	**8.0 years**	7.9 years
Weighted average fair value at date of grant during the year	**$7.02**	$6.12
Weighted average share price at date of exercise during the year	**$8.04**	$7.31

RSS – Ordinary

The ordinary RSS options vest three years from the date of grant and do not have associated performance criteria. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise.

	2024	2023
Opening total number of restricted shares	**5,502,042**	4,176,965
Granted	**2,220,400**	1,989,850
Exercised	**(981,396)**	(487,050)
Forfeited	**(393,932)**	(177,723)
Closing total number of restricted shares	**6,347,114**	5,502,042
Exercisable	**892,331**	834,085
Weighted average remaining contractual life	**7.9 years**	7.8 years
Weighted average fair value at date of grant during the year	**$8.29**	$7.48
Weighted average share price at date of exercise during the year	**$8.12**	$7.49

RSS – Bonus deferral

The vesting periods of the bonus deferral RSS options range from one to three years from the date of grant and do not have associated performance criteria. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise.

	2024	2023
Opening total number of restricted shares	**230,672**	268,548
Granted	**395,179**	48,515
Exercised	**(141,478)**	(86,391)
Forfeited	**—**	—
Closing total number of restricted shares	**484,373**	230,672
Exercisable	**41,300**	103,377
Weighted average remaining contractual life	**8.8 years**	6.7 years
Weighted average fair value at date of grant during the year	**$8.29**	$6.58
Weighted average share price at date of exercise during the year	**$7.99**	$7.31

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For the year ended 31 December 2024

RSS – Lancashire Syndicates Limited acquisition

The vesting periods of the LSL acquisition RSS options ranged from three to five years and were dependent on certain performance criteria. These options vested in full on 31 December 2018. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise, pro-rata according to the number of RSS options that vested. In the year ended 31 December 2023, a total of 28,437 of LSL acquisition RSS options were exercised and 2,918 forfeited. There were no remaining LSL acquisition RSS options outstanding or exercisable as at 31 December 2023.

8. Financing costs

For the year ended 31 December	2024 $m	2023 $m
Interest expense on long-term debt	**25.8**	25.8
Interest expense on lease liabilities	**1.3**	1.5
Other financing costs	**5.9**	4.3
Total financing costs	**33.0**	31.6

Refer to note 18 for details of long-term debt and financing arrangements, and to note 16 for details of lease liabilities.

9. Tax

For the year ended 31 December	2024 $m	2023 $m
Corporation tax charge for the period	**9.0**	5.8
Adjustments in respect of prior period corporation tax	**(0.5)**	(0.9)
Deferred tax charge for the period (see note 14)	**5.8**	3.8
Adjustment in respect of prior period deferred tax (see note 14)	**1.1**	2.5
Total tax charge	**15.4**	11.2

Tax reconciliation[1]	2024 $m	2023 $m
Profit before tax	**336.7**	332.7
Tax calculated at the standard corporation tax rate applicable in Bermuda 0%	**—**	—
Non-taxable income		
Effect of income taxed at a higher rate	**14.1**	10.0
Adjustments in respect of prior period	**0.6**	1.6
Differences related to equity based compensation	**0.1**	(0.7)
Other expense permanent differences	**0.6**	0.3
Total tax charge	**15.4**	11.2

1. All tax reconciling balances have been classified as recurring items.

The current tax charge as a percentage of the Group's profit before tax is 4.6% (2023 – 3.4%).

United Kingdom

The UK subsidiaries of LHL are subject to normal UK corporation tax on all their taxable profits.

Bermuda

Refer to note 14 for details of recent OECD global minimum tax and Bermuda corporate income tax developments.

10. Cash and cash equivalents

As at 31 December	2024 $m	2023 $m
Cash at bank and in hand	**267.5**	324.0
Cash equivalents	**416.8**	432.9
Total cash and cash equivalents	**684.3**	756.9

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 18 for the cash and cash equivalent balances on deposit as collateral. Cash and cash equivalents include managed cash of $294.4 million (31 December 2023 – $263.8 million).

11. Investments

As at 31 December	2024 Cost $m	2024 Unrealised gains $m	2024 Unrealised losses $m	2024 Fair value $m	2023 Cost $m	2023 Unrealised gains $m	2023 Unrealised losses $m	2023 Fair value $m
Fixed maturity securities[1]	**2,626.6**	**20.0**	**(42.8)**	**2,603.8**	2,314.1	22.6	(56.6)	2,280.1
Private investment funds	**259.0**	**10.4**	**(16.3)**	**253.1**	174.4	4.2	(13.0)	165.6
Hedge funds	**5.8**	**2.1**	**—**	**7.9**	8.5	1.4	—	9.9
Other investments	**—**	**0.1**	**—**	**0.1**	—	—	(0.1)	(0.1)
Total investments	**2,891.4**	**32.6**	**(59.1)**	**2,864.9**	2,497.0	28.2	(69.7)	2,455.5

1. The nature of our fixed maturity securities are presented in the investment risk disclosures.

The Group determines the fair value of each individual security utilising the highest-level inputs of the fair value hierarchy, as defined below. The fair value of fixed maturity investments is determined from quotations received from third-party recognised pricing services. The Group receives independence assurance reports to assess the design and operating effectiveness of controls over these processes. The fair value of private investment funds is estimated based on the most recently available NAV as advised by the external fund manager or third-party administrator.

The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' own pricing.

During the year, the Group has changed its independent pricing services provider of the fixed maturity investments. The valuation of fixed maturity investments is still estimated in accordance with the fair value hierarchy. The Group has not made any adjustments to the pricing provided by its third-party investment managers for either the year ending 31 December 2024 or the year ending 31 December 2023.

The fair values of securities within the Group's investment portfolio are estimated using the following valuation techniques in accordance with the fair value hierarchy:

Level (i)

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

Level (ii)

Level (ii) investments are securities with quoted prices in active markets for similar assets or liabilities, or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued through independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically of an industry-accepted standard and include broker-dealer quotes and pricing models, including present values and future cash flows, together with inputs such as yield curves, interest rates, prepayment profiles, and default rates.

Level (iii)

Level (iii) investments are securities for which valuation techniques are not based on observable market data, and therefore require significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include private investment funds, hedge funds and loans made by the Group's Lloyd's syndicate platforms to the Lloyd's central fund.

The fair value of the Group's private investment funds are determined using statements received from each fund's investment managers on either a monthly or quarterly in arrears basis. In addition, these valuations will be compared with benchmarks or other indices to assess the reasonableness of the estimated fair value of each fund. Given the Group's knowledge of the underlying investments and the size of the Group's investment therein, the Group would not anticipate any material variance between the statements and the final actual NAVs reported by the investment managers.

The fair values of the Group's hedge funds are determined using a combination of the most recent NAVs, provided by each fund's independent administrator, and the estimated performance provided by each hedge fund manager. Independent administrators provide monthly reported NAVs with up to a one-month delay in valuation. The most recent NAV available for each hedge fund is adjusted for the estimated performance, as provided by the fund manager, between the NAV date and the reporting date. Historically, estimated fair values incorporating these performance estimates have not been significantly different from subsequent NAVs. Given the Group's knowledge of the underlying investments, and the size of the Group's investment therein, we would not anticipate any material variance between estimated valuations and the final NAVs reported by the administrators.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers between Level (i) to Level (ii) securities amounted to $40.6 million, and transfers from Level (ii) to Level (i) securities amounted to $246.2 million during the year ended 31 December 2024.

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For the year ended 31 December 2024

The fair value hierarchy of the Group's investment holdings is as follows:

As at 31 December 2024	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
• Short-term investments	**27.9**	**4.6**	**—**	**32.5**
• Fixed maturity funds	**3.8**	**19.3**	**—**	**23.1**
• US treasuries	**509.9**	**—**	**—**	**509.9**
• Other government bonds	**19.6**	**45.7**	**—**	**65.3**
• US municipal bonds	**3.7**	**12.1**	**—**	**15.8**
• US government agency debt	**7.2**	**10.0**	**—**	**17.2**
• Asset backed securities	**8.5**	**263.2**	**—**	**271.7**
• US government agency mortgage backed securities	**122.1**	**204.4**	**—**	**326.5**
• Non-agency mortgage backed securities	**—**	**55.5**	**—**	**55.5**
• Non-agency commercial mortgage backed securities	**—**	**20.5**	**—**	**20.5**
• Bank loans	**—**	**153.4**	**—**	**153.4**
• Corporate bonds	**1,012.6**	**95.4**	**—**	**1,108.0**
• Other fixed maturities	**—**	**2.3**	**2.1**	**4.4**
Total fixed maturity securities	**1,715.3**	**886.4**	**2.1**	**2,603.8**
Private investment funds	**—**	**—**	**253.1**	**253.1**
Hedge funds	**—**	**—**	**7.9**	**7.9**
Other investments	**—**	**0.1**	**—**	**0.1**
Total investments	**1,715.3**	**886.5**	**263.1**	**2,864.9**

As at 31 December 2023	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
• Short-term investments	21.4	52.5	—	73.9
• Fixed maturity funds	—	27.1	—	27.1
• US treasuries	585.9	—	—	585.9
• Other government bonds	24.2	23.0	—	47.2
• US municipal bonds	—	13.5	—	13.5
• US government agency debt	41.8	15.3	—	57.1
• Asset backed securities	—	236.7	—	236.7
• US government agency mortgage backed securities	—	117.4	—	117.4
• Non-agency mortgage backed securities	—	11.5	—	11.5
• Non-agency commercial mortgage backed securities	—	21.3	—	21.3
• Bank loans	15.0	127.6	—	142.6
• Corporate bonds	519.2	417.2	—	936.4
• Other fixed maturities	—	6.3	3.2	9.5
Total fixed maturity securities	1,207.5	1,069.4	3.2	2,280.1
Private investment funds	—	—	165.6	165.6
Hedge funds	—	—	9.9	9.9
Other investments	—	(0.1)	—	(0.1)
Total investments	1,207.5	1,069.3	178.7	2,455.5

The table below analyses the movements in investments classified as Level (iii) investments:

	Private investment funds $m	Hedge funds $m	Other fixed maturities[1] $m	Total $m
As at 31 December 2022	108.1	103.9	3.1	215.1
Purchases	63.5	0.9	—	64.4
Sales	(5.1)	(99.6)	—	(104.7)
Net realised gains recognised in profit or loss	—	12.2	—	12.2
Net unrealised (losses) gains recognised in profit or loss	(0.9)	(7.5)	0.1	(8.3)
As at 31 December 2023	165.6	9.9	3.2	178.7
Purchases	**84.6**	**—**	**—**	**84.6**
Sales	**—**	**(3.2)**	**(1.0)**	**(4.2)**
Net realised gains recognised in profit or loss	**—**	**0.5**	**—**	**0.5**
Net unrealised gains (losses) recognised in profit or loss	**4.1**	**0.7**	**(0.1)**	**4.7**
Net unrealised foreign exchange (losses) recognised in profit or loss	**(1.2)**	**—**	**—**	**(1.2)**
As at 31 December 2024	**253.1**	**7.9**	**2.1**	**263.1**

1. Included within other fixed maturity securities are the Lloyd's central fund loans which are classified at Level (iii) within the fair value hierarchy.

Apart from the purchases and sales shown in the table above, there have been no other transfers into or out of the Level (iii) investments during either the current period or the prior period.

Included within net unrealised gains (losses) recognised in profit or loss as shown in the table above, are net unrealised gains related to Level (iii) investments still held as at 31 December 2024 of $5.0 million (31 December 2023 – $1.3 million).

12. Interest in structured entities

Consolidated structured entities

The Group provides capital contributions to the EBT to enable it to meet its obligations to employees under the various Group equity based compensation plans (see note 7). The Group has a contractual agreement which may require it to provide financial support to the EBT (see note 19 and note 22). As at 31 December 2024 the Company held $14.1 million (31 December 2023 – $8.0 million) of private investment funds through LICL Investments Holdings Limited, a wholly owned subsidiary of LICL.

Unconsolidated structured entities in which the Group has an interest

As part of its investment activities, the Group invests in unconsolidated structured entities. The Group does not sponsor any of the unconsolidated structured entities.

A summary of the Group's interest in unconsolidated structured entities is as follows:

	2024			2023		
As at 31 December	Investments $m	Interest in associate $m	Total $m	Investments $m	Interest in associate $m	Total $m
Fixed maturity securities						
• Asset backed securities	**271.7**	**—**	**271.7**	236.7	—	236.7
• US government agency mortgage backed securities	**326.5**	**—**	**326.5**	117.4	—	117.4
• Non-agency mortgage backed securities	**55.5**	**—**	**55.5**	11.5	—	11.5
• Non-agency commercial mortgage backed securities	**20.5**	**—**	**20.5**	21.3	—	21.3
Total fixed maturity securities	**674.2**	**—**	**674.2**	386.9	—	386.9
Investment funds						
• Private investment funds	**239.0**	**—**	**239.0**	157.6	—	157.6
• Hedge funds	**7.9**	**—**	**7.9**	9.9	—	9.9
Total investment funds	**246.9**	**—**	**246.9**	167.5	—	167.5
Specialised investment vehicles						
• KHL (note 15)	**—**	**9.1**	**9.1**	—	16.2	16.2
Total	**921.1**	**9.1**	**930.2**	554.4	16.2	570.6

The fixed maturity structured entities are created to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets. As such, they provide liquidity to the borrowers in these markets and provide investors with an opportunity to diversify risk away from standard fixed maturity securities. Whilst individual securities may

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differ in structure, the principles of the instruments are broadly the same, and it is considered appropriate to aggregate the investments into the categories detailed above.

The primary risks that the Group faces in respect of its investments in structured entities are similar to the risks it faces in respect of other financial investments held on the consolidated statement of financial position, in that the fair value is determined by market supply and demand. This is in turn driven by investor evaluation of the credit risk of the structure, and changes in the term structure of interest rates, which change investors' expectation of the cash flows associated with the instrument, and therefore its value in the market. The total assets of these structured entities are not considered meaningful for the purpose of understanding the related risks, and therefore have not been presented.

The maximum potential exposure to loss in respect of these structured entities is the carrying value of the instruments that the Group holds as at 31 December 2024. Generally, default rates would have to increase substantially from their current level before the Group would suffer a loss on maturity, and this assessment is made prior to investing, and regularly through the holding period for the security. The Group has not provided any financial or other support in addition to that described above as at either the current or prior reporting date, and there is no intention to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

As at 31 December 2024, the Group has a commitment of $50.0 million (31 December 2023 – $50.0 million) in respect of one credit facility fund. The Group, through the fund, provides collateral for revolving credit facilities purchased at a discount from financial institutions, and is at risk for its portion of any defaults on those revolving credit facilities. The Group's proportionate share of these revolving credit facilities purchased by the funds as at 31 December 2024 is $6.1 million (31 December 2023 – $15.9 million), which currently remains unfunded. The maximum exposure to the credit facility funds is $50.0 million. As at 31 December 2024, there have been no defaults under these facilities.

13. Insurance contracts issued and reinsurance contracts held

A. Movements in the carrying amount - Insurance contract liabilities

The table below shows how the net carrying amounts of insurance contracts issued changed during the year ended 31 December 2024:

	Liability for remaining coverage	Liability for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract liabilities (assets) as at 31 December 2023	**57.8**	**1,411.5**	**354.4**	**1,823.7**
Insurance revenue	**(1,765.1)**	**—**	**—**	**(1,765.1)**
Insurance service expenses				
• Incurred claims and other insurance service expenses	**2.3**	**897.4**	**120.8**	**1,020.5**
• Changes in liability for incurred claims	**—**	**122.8**	**(166.5)**	**(43.7)**
• Amortisation of insurance acquisition cash flows	**209.3**	**—**	**—**	**209.3**
Insurance service result before reinsurance contracts held	**(1,553.5)**	**1,020.2**	**(45.7)**	**(579.0)**
Finance expense from insurance contracts issued	**—**	**63.2**	**14.7**	**77.9**
Effects of movements in exchange rates	**(7.7)**	**(7.6)**	**(0.9)**	**(16.2)**
Total changes in comprehensive income	**(1,561.2)**	**1,075.8**	**(31.9)**	**(517.3)**
Investment components	**(57.0)**	**57.0**	**—**	**—**
Other[1]	**—**	**0.1**	**1.0**	**1.1**
Other changes	**(57.0)**	**57.1**	**1.0**	**1.1**
Premiums received net of insurance acquisition cash flows	**1,623.1**	**—**	**—**	**1,623.1**
Claims and other expenses paid	**—**	**(630.2)**	**—**	**(630.2)**
Total cash flows	**1,623.1**	**(630.2)**	**—**	**992.9**
Net insurance contract liabilities (assets) as at 31 December 2024	**62.7**	**1,914.2**	**323.5**	**2,300.4**

1. Other includes the effect of the 2021 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2022 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The liability for remaining coverage as at 31 December 2024 includes an onerous loss component of $3.3 million (31 December 2023 – $1.0 million).

The table below shows how the net carrying amounts of insurance contracts issued changed during the year ended 31 December 2023:

	Liability for remaining coverage	Liability for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract liabilities (assets) as at 31 December 2022	29.0	1,307.2	337.3	1,673.5
Insurance revenue	(1,519.9)	–	–	(1,519.9)
Insurance service expenses				
• Incurred claims and other insurance service expenses	–	624.5	93.0	717.5
• Changes in liability for incurred claims	–	(111.6)	(97.9)	(209.5)
• Amortisation of insurance acquisition cash flows	188.2	–	–	188.2
Insurance service result before reinsurance contracts held	(1,331.7)	512.9	(4.9)	(823.7)
Finance expense from insurance contracts issued	–	77.9	20.4	98.3
Effects of movements in exchange rates	1.0	18.3	1.6	20.9
Total changes in comprehensive income	(1,330.7)	609.1	17.1	(704.5)
Investment components	(47.1)	47.1	–	–
Other[1]	–	5.4	–	5.4
Other changes	(47.1)	52.5	–	5.4
Premiums received net of insurance acquisition cash flows	1,406.6	–	–	1,406.6
Claims and other expenses paid	–	(557.3)	–	(557.3)
Total cash flows	1,406.6	(557.3)	–	849.3
Net insurance contract liabilities (assets) as at 31 December 2023	57.8	1,411.5	354.4	1,823.7

1. Other includes the effect of the 2020 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2021 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The liability for remaining coverage as at 31 December 2023 includes an onerous loss component of $1.0 million (31 December 2022 – $1.0 million).

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For the year ended 31 December 2024

B. Movements in the carrying amount - Reinsurance contracts held

The table below shows how the net carrying amounts of reinsurance contracts held changed during the year ended 31 December 2024:

	Asset for remaining coverage	Asset for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract (assets) liabilities as at 31 December 2023	**42.5**	**(315.0)**	**(115.3)**	**(387.8)**
Allocation of reinsurance premium paid	439.4	—	—	439.4
Amounts recoverable from reinsurers				
• Recoveries of incurred claims and other insurance service expenses	—	(107.0)	(13.5)	(120.5)
• Change in assets for incurred claims in relation to past service	—	(165.8)	67.2	(98.6)
• Reinsurance expenses	(16.6)	—	—	(16.6)
• Recoveries and reversals of recoveries of losses on onerous underlying contracts	(1.3)	—	—	(1.3)
• Effect of changes in non-performing risk of reinsurers	—	(3.3)	—	(3.3)
Net expenses from reinsurance contracts held	**421.5**	**(276.1)**	**53.7**	**199.1**
Finance income from reinsurance contracts held	—	(19.1)	(4.9)	(24.0)
Effects of movements in exchange rates	3.9	2.0	0.1	6.0
Total changes in comprehensive income	**425.4**	**(293.2)**	**48.9**	**181.1**
Other[1]	—	(0.2)	(0.3)	(0.5)
Other changes	**—**	**(0.2)**	**(0.3)**	**(0.5)**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	(416.6)	—	—	(416.6)
Recoveries from reinsurance	—	66.6	—	66.6
Total cash flows	**(416.6)**	**66.6**	**—**	**(350.0)**
Net reinsurance contract (assets) liabilities as at 31 December 2024	**51.3**	**(541.8)**	**(66.7)**	**(557.2)**

1. Other includes the effect of the 2021 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2022 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The asset for remaining coverage as at 31 December 2024 includes an onerous loss recovery component of $1.4 million (31 December 2023 – $0.1 million).

The table below shows how the net carrying amounts of reinsurance contracts held changed during the year ended 31 December 2023:

	Asset for remaining coverage	Asset for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract (assets) liabilities as at 31 December 2022	41.9	(373.5)	(142.7)	(474.3)
Allocation of reinsurance premium paid	424.8	—	—	424.8
Amounts recoverable from reinsurers				
• Recoveries of incurred claims and other insurance service expenses	(0.2)	(62.3)	(4.9)	(67.4)
• Change in assets for incurred claims in relation to past service	—	63.6	39.6	103.2
• Reinsurance expenses	(16.3)	—	—	(16.3)
• Recoveries and reversals of recoveries of losses on onerous underlying contracts	0.2	—	—	0.2
• Effect of changes in non-performing risk of reinsurers	—	(2.9)	—	(2.9)
Net expenses from reinsurance contracts held	408.5	(1.6)	34.7	441.6
Finance income from reinsurance contracts held	—	(24.4)	(7.3)	(31.7)
Effects of movements in exchange rates	(4.9)	(2.5)	—	(7.4)
Total changes in comprehensive income	403.6	(28.5)	27.4	402.5
Other[1]	—	(2.6)	—	(2.6)
Other changes	—	(2.6)	—	(2.6)
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	(403.0)	—	—	(403.0)
Recoveries from reinsurance	—	89.6	—	89.6
Total cash flows	(403.0)	89.6	—	(313.4)
Net reinsurance contract (assets) liabilities as at 31 December 2023	42.5	(315.0)	(115.3)	(387.8)

1. Other includes the effect of the 2020 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2021 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The asset for remaining coverage as at 31 December 2023 includes an onerous loss recovery component of $0.1 million (31 December 2022 – $0.1 million).

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For the year ended 31 December 2024

C. Claims development

The development of claims in respect of insurance contracts issued is indicative of the Group's ability to accurately estimate the ultimate value of its liability for incurred claims. Actual claim payments are compared with previous estimates within the claims development disclosures below for both the undiscounted liability for incurred claims, and the undiscounted asset for incurred claims, as at 31 December 2024.

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	2024 $m	Total $m
Liability for incurred claims - undiscounted								
Estimate of ultimate liability[1]								
At end of accident year	456.2	357.9	475.5	828.4	1,137.4	815.0	1,145.6	
One year later	479.0	353.5	435.6	759.5	1,046.0	773.8		
Two years later	445.7	320.8	388.0	727.7	1,143.0			
Three years later	429.3	308.1	387.6	677.9				
Four years later	403.0	312.3	384.2					
Five years later	394.5	317.2						
Six years later	391.6							
Cumulative claims and other directly attributable expense paid	(363.8)	(272.4)	(299.6)	(533.3)	(534.3)	(315.6)	(199.2)	
Liability for incurred claims - undiscounted	**27.8**	**44.8**	**84.6**	**144.6**	**608.7**	**458.2**	**946.4**	**2,315.1**
Liability for incurred claims - undiscounted - prior years								72.6
Effect of discounting								(231.9)
Non-distinct investment components								81.9
Liability for incurred claims								**2,237.7**

1. Adjusted for the revaluation of foreign currencies as at the 31 December 2024 exchange rates.

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	2024 $m	Total $m
Asset for incurred claims - undiscounted								
Estimate of ultimate asset[1]								
At end of accident year	123.7	102.9	83.4	185.8	349.8	69.2	128.6	
One year later	164.3	104.2	79.4	165.4	285.3	64.1		
Two years later	157.6	92.0	72.1	151.0	415.9			
Three years later	149.0	94.4	72.6	140.7				
Four years later	140.1	98.3	71.7					
Five years later	136.4	99.1						
Six years later	138.3							
Cumulative claim recoveries and other directly attributable expenses paid	(130.2)	(71.8)	(63.1)	(60.1)	(104.7)	(4.2)	(1.9)	
Asset for incurred claims - undiscounted	**8.1**	**27.3**	**8.6**	**80.6**	**311.2**	**59.9**	**126.7**	**622.4**
Asset for incurred claims - undiscounted - prior years								25.0
Effect of discounting								(38.9)
Asset for incurred claims								**608.5**

1. Adjusted for the revaluation of foreign currencies as at the 31 December 2024 exchange rates

During 2024, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $214.1 million. Catastrophe and weather losses were $122.7 million with hurricane Milton the most significant, together with the combined impact of hurricane Helene, hurricane Debby, storm Boris and the Calgary hailstorms. During 2024, the Group also experienced net losses (undiscounted, including reinstatement premiums) from large risk events totalling $91.4 million. The MV Dali Baltimore bridge collision loss, which occurred in the first quarter, was the most significant. None of these large risk losses were individually material for the Group.

In comparison, during 2023 the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million.

Favourable prior accident year loss development, including the undiscounted net movement in loss reserves, reinstatement premiums and expense provisions, was $121.1 million during 2024. This was primarily due to attritional loss experience in respect of the 2023 accident year, together with catastrophe event reserve releases on the 2022 and 2021 accident years.

In comparison, favourable prior accident year development during 2023 of $78.8 million was primarily the result of favourable attritional loss experience and reserve releases on the 2022 accident year.

The prior accident year loss development for both 2024 and 2023 also benefited from the net release of expense provisions and reductions in outwards reinstatement premiums. This reduction was slightly more pronounced in 2024.

The estimation of the ultimate loss and loss adjustment expense liability is a complex process which incorporates a significant amount of judgement. Loss information after these catastrophe and large risk loss type of events can take some time to emerge. As additional information becomes available, the Group's actual ultimate net losses may vary, perhaps materially, from current estimates. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to the Group, together with the potential for unforeseen adverse developments, could lead to a material change in estimated losses and loss adjustment expenses.

There were no other individually significant net loss events for the years ended 31 December 2024 and 31 December 2023.

14. Provision for deferred tax

As at 31 December	2024 $m	2023 $m
Equity based compensation	**(11.1)**	(8.1)
Syndicate underwriting profits	**11.8**	3.5
Syndicate participation rights	**18.8**	18.8
Other temporary differences	**2.8**	2.0
Net deferred tax liability	**22.3**	16.2

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable. It is anticipated that sufficient taxable profits will be available within the Group in 2025 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse, and the tax losses carried forward.

For the years ended 31 December 2024 and 31 December 2023, the Group had no uncertain tax positions (see note 9). The table below reconciles the movements within the net deferred tax liability. All deferred tax assets and liabilities are classified as non-current.

As at 31 December	2024 $m	2023 $m
Opening net deferred tax liability	**16.2**	10.3
Deferred tax charge for the period	**5.8**	3.8
Adjustment in respect of prior period deferred tax	**1.1**	2.5
Deferred tax in equity	**(0.8)**	(0.4)
Closing net deferred tax liability	**22.3**	16.2

OECD global minimum tax and Bermuda corporate income tax

Subsidiary companies in a number of jurisdictions in which the Group operates were subject to a global minimum tax of 15% from 1 January 2024. The legislation brings into effect the Income Inclusion Rule and Qualified Domestic Minimum Top-up Tax, although these have not had any impact on the Group.

As a response to the Pillar Two reform, legislation was passed in Bermuda to implement a CIT regime from 1 January 2025. To the extent the Bermuda CIT results in an effective tax rate of less than 15%, the shortfall in tax will be collected by applying the Pillar Two undertaxed payments rule, which was implemented on 1 January 2025. Any shortfall in tax will be collected in a jurisdiction that has implemented the undertaxed payments rule and in which the Group has operating subsidiaries. For Lancashire this is likely to be the UK; however, based on its limited international presence and provided it continues to meet the relevant conditions, Lancashire expects to benefit from exclusion from the undertaxed payment rule for a period of five years, from 2025 to 2029.

The Group is also not expected to become subject to Bermuda CIT until 1 January 2030, provided it continues to meet the relevant conditions within the Bermuda CIT rules that means groups with a limited international presence are excluded from scope for a period of up to five years.

At 31 December 2023, in light of emerging guidance and uncertainty as to the potential impact for the Group, no decision had yet been taken as to whether to take advantage of available tax deductions arising from the Economic Transition Adjustment, a transitional measure introduced by Bermuda CIT, or to use the opt out available. Management's current assessment is that these uncertainties have not diminished and, as a result its position as at 31 December 2024 is unchanged and no deferred tax asset has been recognised. Management will continue to monitor developments during 2025.

The recently published, post balance sheet, administrative guidance by the OECD in respect of Pillar Two has no impact on the Group's balance sheet position at 31 December 2024.

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For the year ended 31 December 2024

15. Investment in associate

The Group holds an interest in the preference shares of each segregated account of KHL. KHL is a company incorporated in Bermuda and its operating subsidiary, KRL, is authorised by the BMA as a Special Purpose Insurer. KRL commenced writing insurance business on 1 January 2014. As at 31 December 2024, the carrying value of the Group's investment in KHL was $9.1 million (31 December 2023 – $16.2 million). The Group's share of profit for KHL for 2024 was $8.6 million (2023 – $12.1 million).

Key financial information for KHL is as follows:

	2024 $m	2023 $m
Assets	**230.6**	315.7
Liabilities	**159.1**	220.2
Shareholders' equity	**71.5**	95.5
Insurance revenue	**(1.2)**	(0.1)
Comprehensive income	**37.0**	62.4

The Group has the power to participate in the operational and financial policy decisions of KHL and KRL, and has therefore classified its investment in KHL as an investment in associate.

Refer to note 22 for details of transactions between the Group and its associate.

16. Leases

As at 31 December 2024, the Group leases seven (31 December 2023 – five) properties and various items of office equipment.

Right-of-use assets

The Group had the following right-of-use assets in relation to the leases it has entered into:

	Property $m	Equipment $m	Total $m
Net book value as at 31 December 2022	20.1	0.2	20.3
Additions	0.2	—	0.2
Modifications	2.2	—	2.2
Depreciation charge	(3.3)	(0.1)	(3.4)
Net book value as at 31 December 2023	19.2	0.1	19.3
Additions	**0.2**	**0.3**	**0.5**
Modifications	**0.2**	**—**	**0.2**
Depreciation charge	**(3.7)**	**(0.1)**	**(3.8)**
Net book value as at 31 December 2024	**15.9**	**0.3**	**16.2**

Lease liabilities

As at 31 December	2024 $m	2023 $m
Due in less than one year	**5.8**	4.5
Due between one and five years	**14.6**	15.9
Due in more than five years	**5.8**	9.5
Total undiscounted lease liabilities	**26.2**	29.9
Total discounted lease liabilities as per the consolidated statement of financial position	**22.3**	24.7
Current	**4.9**	3.2
Non-current	**17.4**	21.5

During the year ended 31 December 2024, the Group recognised a net non-cash increase of $1.6 million (31 December 2023 – $5.2 million) in respect of its lease liabilities.

The Group does not face a significant liquidity risk regarding its lease liabilities.

Amounts recognised in profit or loss

For the year ended 31 December	2024 $m	2023 $m
Depreciation of right-of-use assets	**3.8**	3.4
Interest expense on lease liabilities	**1.3**	1.5
Expenses relating to short-term leases and variable leases	**1.5**	1.2
Total	**6.6**	6.1

Total lease payments amounted to $4.0 million for the year ended 31 December 2024 (31 December 2023 – $3.8 million).

17. Intangible assets

	Syndicate participation rights $m	Goodwill $m	Internally generated intangible assets $m	Total $m
Net book value as at 31 December 2022	87.7	71.2	13.5	172.4
Additions	3.3	—	7.0	10.3
Amortisation	—	—	(0.2)	(0.2)
Impairment	—	—	(1.4)	(1.4)
Net book value as at 31 December 2023	91.0	71.2	18.9	181.1
Additions	**11.2**	**—**	**5.9**	**17.1**
Amortisation	**—**	**—**	**(1.2)**	**(1.2)**
Net book value as at 31 December 2024	**102.2**	**71.2**	**23.6**	**197.0**

Syndicate participation rights and goodwill

During the year ended 31 December 2024, the Group's corporate member acquired additional participation rights in Syndicate 2010, which took the Group's share on the 2025 underwriting year of account to 79.7% (2024 year of account – 72.1%). Indefinite life intangible assets are tested annually for impairment. For the purpose of impairment testing, the syndicate participation rights and goodwill have been allocated to the LSL CGU.

The recoverable amount of the LSL CGU is determined based on its value in use. Value in use is calculated using the projected cash flows of the LSL CGU. These are approved by management and cover a three-year period. The most significant assumptions used to derive the projected cash flows include an assessment of business prospects, business plans approved by Lloyd's, expected future market conditions, premium growth rates, outwards reinsurance expenditure, projected loss ratios, investment returns, and where applicable, consideration of the potential impact of climate change. The Group accepts insurance risk for periods primarily of one year. This provides the Group with the ability to re-evaluate the impact of climate risk on its insurance portfolio on an annual basis. The Group can reprice the relevant elements of risk, and also reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events, where appropriate.

A pre-tax discount rate of 8.9% (2023 – 8.9%) has been used to discount the projected cash flows. This discount rate reflects the current market assessment of the time value of money and the risks specific to the asset for which the projected cash flow estimates have not been adjusted. The discount rate is determined with reference to a combination of factors, including the Group's expected weighted average cost of equity and cost of borrowing. This has been calculated using independent measurements of the risk-free rate of return and is indicative of the Group's risk profile relative to the market. This current pre-tax discount rate has remained consistent with the prior period discount rate, and reflects a consistent overall cost of equity and cost of borrowing within the Group's weighted average cost of capital calculation for both periods. Within the cost of equity calculation there have been offsetting movements within the risk-free rate, beta value, and equity risk premium rate assumptions. The growth rate used to extrapolate the cash flows is 2.5% (2023 – 2.5%) and is based on historical growth rates, as well as management's best estimate of future growth rates, taking into account current economic market conditions.

Sensitivity testing has been performed to model the impact of reasonably possible changes in input assumptions to the base case impairment analysis and headroom. The discount rate has been flexed to 100 basis points above the central assumption (resulting in a 15% reduction in headroom), the growth rate has been flexed to 100 basis points below the central assumption (resulting in a 14% reduction in headroom), and the pre-tax projected cash flows have been flexed to 500 basis points below the central assumption (resulting in a 6% reduction in headroom). Within these ranges, the recoverable amount remains above the current carrying amount.

No impairment loss has been recognised for the years ended 31 December 2024 and 31 December 2023.

Internally generated intangible assets

Internally generated intangible assets represent directly attributable costs incurred in the development phase of implementing cloud-based software to support the Group's target operating model. As at 31 December 2024, certain of the internally generated intangible assets are available for use and have commenced amortisation. During the year ended 31 December 2024, management considered the relevant indicators of impairment at an individual intangible asset level and performed an impairment review where it was determined appropriate. No impairment loss has been recognised for the year ended 31 December 2024 (2023 – $1.4 million).

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For the year ended 31 December 2024

18. Long-term debt and financing arrangements

Long-term debt

During the year ended 31 December 2021, LHL issued $450.0 million (being the aggregate principal amount) of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021, and $50.0 million issued on 31 March 2021. Interest is payable semi-annually in arrears on 18 March and 18 September of each year. The fixed interest rate will reset on 18 September 2031 and each reset date thereafter, at a rate per annum equal to the prevailing five-year treasury rate, plus a credit spread of 4.08% and a 100 basis point step-up.

The carrying value of the Company's issued $450.0 million junior subordinated notes are shown below:

As at 31 December	2024 $m	2023 $m
Carrying value in consolidated statement of financial position	**447.0**	446.6
Fair value (classified within Level (ii) of fair value hierarchy)	**417.9**	388.3
Accrued interest (included within other payables)	**7.2**	7.2

LHL has the option to redeem some or all of the junior subordinated notes, prior to the maturity date. There are no negative or financial covenants attached to the issued junior subordinated notes. Refer to note 8 for details of the interest expense for the year included within financing costs.

Letters of credit

As both LICL and LUK are non-admitted (re)insurers throughout the US, the terms of certain contracts require them to provide LOCs to policyholders as collateral. These LOCs are required to be fully collateralised.

LICL has a $150.0 million (31 December 2023 - $250.0 million) syndicated collateralised credit facility, which is guaranteed by LHL. The credit facility was renewed in 2024 and the expiry date extended to 28 March 2028. The facility is available for the issue of LOCs to ceding companies. The facility is also available for LICL to issue LOCs to LUK to collateralise certain insurance obligations.

The terms of the $150.0 million syndicated collateralised credit facility include standard default and cross-default provisions, which require certain covenants to be adhered to. These include the following:

- an A.M. Best financial strength rating of at least B++;
- a maximum debt to capital ratio of 30.0%, where the junior subordinated notes are excluded as debt from this calculation;
- unsecured indebtedness incurred by LHL or LICL must be subordinated in right of payment to the obligations and liabilities of LHL and LICL under the facility; and
- a maximum aggregated indebtedness incurred by CCL 1998, LHL or LICL in the ordinary course of business in connection with coming into line requirements of $400.0 million.

The following LOCs have been issued by the Group:

As at 31 December	2024 $m	2023 $m
Issued to third parties	**3.5**	5.6

A syndicated uncollateralised LOC facility for an original amount of $215.5 million and a $70.0 million collateral pledge facility have been in place since 25 October 2023 and 5 December 2023, respectively. The syndicated uncollateralised LOC facility was increased to $265.5 million on 31 October 2024. They are available for utilisation by LICL and guaranteed by LHL for FAL purposes. As at 31 December 2024, a $265.5 million LOC was issued under the syndicated uncollateralised LOC facility, due to expire on 31 December 2028, and $70.0 million of agreed collateral had been deposited with Lloyd's, due to expire on 31 December 2025.

The terms of these facilities include standard default and cross-default provisions, which require certain covenants to be adhered to. These include the following:

- an A.M. Best financial strength rating of at least B++;
- a maximum debt to capital ratio of 30.0%, where the junior subordinated notes are excluded as debt from this calculation; and
- maintenance of a minimum net worth requirement.

As at all reporting dates, the Group was in compliance with all covenants under these facilities.

Syndicate bank facilities

As at 31 December 2024 and 31 December 2023, Syndicate 2010 had in place a $60.0 million LOC catastrophe facility. The facility is available to assist in paying claims and providing the gross funding of catastrophes for Syndicate 2010. A separate uncommitted overdraft facility of $20.0 million is also available to Syndicate 2010.

There are no balances outstanding under the syndicate bank facilities as at 31 December 2024 and 31 December 2023.

Trust and restricted balances

The Group has several trust arrangements in place in favour of policyholders and ceding insurers, to comply with the security requirements of certain reinsurance contracts and/or the regulatory requirements of certain jurisdictions.

In 2012, LICL established an MBRT to collateralise certain reinsurance liabilities associated with US domiciled clients. LICL continues to maintain its accredited or trusteed reinsurer status in those US states where there are outstanding liabilities collateralised through the MBRT. However, following LICL's approval as a reciprocal reinsurer in all relevant US states and territories, the MBRT is no longer required for new business written with policyholders domiciled in the US and its relevant territories where LICL has received reciprocal reinsurer approval.

The MBRT is subject to the relevant US state rules and regulations, and the respective deeds of trust. These rules and regulations include minimum capital funding requirements, investment guidelines, capital distribution restrictions, and regulatory reporting requirements.

The Group holds a portion of its assets as FAL to support the underwriting capacity of both Syndicate 2010 and Syndicate 3010. FAL is restricted in its use and can only be drawn down by Lloyd's to pay cash calls to the syndicates supported by the Group. FAL requirements are formally assessed and revised twice a year.

In addition to the FAL, certain cash and investments held by Syndicate 2010 and Syndicate 3010 are only available for paying the syndicates' claims and expenses. See capital management risk disclosures for more information regarding the capital requirements for Syndicate 2010 and Syndicate 3010.

As at and for the years ended 31 December 2024 and 31 December 2023, the Group was in compliance with all covenants under its trust facilities.

The following cash and cash equivalents, and investment balances are held in trust collateral accounts in favour of third parties, or are otherwise restricted:

	2024			2023		
As at 31 December	**Cash and cash equivalents $m**	**Fixed maturity securities $m**	**Total $m**	Cash and cash equivalents $m	Fixed maturity securities $m	Total $m
FAL	**0.3**	**137.5**	**137.8**	7.0	245.3	252.3
MBRT accounts	**1.5**	**217.4**	**218.9**	0.2	266.0	266.2
Syndicate accounts	**57.8**	**111.9**	**169.7**	61.9	127.9	189.8
In trust accounts for policyholders	**48.9**	**151.3**	**200.2**	112.2	47.0	159.2
In favour of LOCs	**2.6**	**6.4**	**9.0**	2.4	17.3	19.7
Loan to Lloyd's Central Fund	**—**	**2.1**	**2.1**	—	3.2	3.2
Total	**111.1**	**626.6**	**737.7**	183.7	706.7	890.4

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For the year ended 31 December 2024

19. Share capital and other reserves

Authorised common shares of $0.50 each	Number	$m
As at 31 December 2024 and 2023	**3,000,000,000**	**1,500.0**

Allocated, called up and fully paid common shares of $0.50 each	Number	$m
As at 31 December 2024 and 2023	**244,010,007**	**122.0**

Own shares held in Trust	Total number of own shares	$m
As at 31 December 2022	5,676,437	34.0
Shares distributed	(704,407)	(4.3)
As at 31 December 2023	4,972,030	29.7
Shares distributed	**(1,546,818)**	**(9.2)**
As at 31 December 2024	**3,425,212**	**20.5**

The number of common shares in issue with voting rights (allocated share capital, less shares held in treasury or pursuant to a custody arrangement) as at 31 December 2024 was 244,010,007 (31 December 2023 – 244,010,007). As at 31 December 2024 there were no shares held in treasury (31 December 2023 – none). Common shares in issue (other than shares held in treasury) carry voting rights which rank pari passu, and the same rights to receive any dividends and other distributions declared, made or paid by the Company.

Share repurchases

At the AGM held on 1 May 2024, LHL's shareholders approved a renewal of the Company's Repurchase Programme authorising the repurchase of a maximum of 24,401,000 common shares, with such authority to expire on the conclusion of the 2025 AGM or, if earlier, 15 months from the date the resolution approving the Repurchase Programme was passed.

During the year ended 31 December 2024, no shares were repurchased by the Company under the Repurchase Programme (2023 - nil).

Dividends

The Board of Directors has authorised the following dividends:

Type	Per share amount	Record date	Payment date	$m
Final	$0.10	5 May 2023	2 Jun 2023	23.9
Interim	$0.05	18 Aug 2023	15 Sep 2023	11.9
Special	$0.50	17 Nov 2023	15 Dec 2023	119.5
Special	**$0.50**	**15 Mar 2024**	**12 Apr 2024**	**119.9**
Final	**$0.15**	**10 May 2024**	**7 Jun 2024**	**36.0**
Interim	**$0.075**	**16 Aug 2024**	**13 Sep 2024**	**18.0**
Special	**$0.75**	**15 Nov 2024**	**13 Dec 2024**	**180.3**

Other reserves

The Group's other reserves of $1,242.3 million (31 December 2023 – $1,233.2 million) comprises contributed surplus and an equity based compensation reserve. The equity based compensation reserve comprises $49.1 million (31 December 2023 – $42.6 million) of this balance and relates to the Group's equity compensation plans (see note 7).

20. Earnings per share

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

For the year ended 31 December	2024 $m	2023 $m
Profit after tax	**321.3**	321.5

	2024 Number of shares	2023 Number of shares
Basic weighted average number of shares	**239,948,359**	238,811,761
Dilutive effect of RSS	**6,826,530**	5,192,761
Diluted weighted average number of shares	**246,774,889**	244,004,522

Earnings per share	2024	2023
Basic	**$1.34**	$1.35
Diluted	**$1.30**	$1.32

Equity based compensation awards are only treated as dilutive when their conversion to common shares would decrease the earnings per share, or increase the loss per share, from continuing operations. Unvested restricted shares without performance criteria are therefore included in the number of potentially dilutive shares. Incremental shares from ordinary restricted share options, where relevant performance criteria have not been met, are not included in the calculation of dilutive shares.

21. Commitments and contingencies

Credit facility fund

As at 31 December 2024, the Group has a commitment of $50.0 million (31 December 2023 – $50.0 million) relating to one credit facility fund (refer to note 12).

Private investment funds

The table below shows the dates on which the Group committed to invest in six different private investment funds and the amount of the total commitment that remains undrawn as at 31 December 2024.

Amount and date of commitment to invest in private investment fund	Undrawn commitment $m
GBP 50 million on 20 November 2024	**38.2**
USD 50 million on 31 July 2024	**45.0**
Euro 40 million on 11 January 2024	**18.1**
USD 34 million on 28 July 2021	**8.5**
USD 25 million on 9 December 2020	**0.5**
USD 25 million on 5 November 2019	**1.0**
Total	**111.3**

Mandatory offer for third-party capacity of Syndicate 2010

As a result of paying consideration to acquire capacity in the 2024 capacity auctions, Cathedral Capital (1998) Limited will have a syndicate premium limit on managed Syndicate 2010 of greater than 75% of the syndicate's allocated capacity for the 2025 year of account. It is therefore required, under Paragraph 2 of the Mandatory Offer Byelaw, to make a mandatory offer during 2025 to the remaining members of the syndicate to acquire all of the unaligned prospective participations of Syndicate 2010 for the 2026 and each subsequent underwriting year.

Legal proceedings and regulations

The Group operates in the insurance industry and is therefore, from time to time, subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on the Group's results and financial position.

Notes to the accounts *continued*

For the year ended 31 December 2024

22. Related party disclosures

The Group's consolidated financial statements include LHL and the entities listed below:

Name	Principal Business	Domicile
Subsidiaries[1]		
CCHL	Holding company	United Kingdom
CCL[2]	Holding company	United Kingdom
CCL 1998[3]	Lloyd's corporate member	United Kingdom
CCL 1999	Non-trading	United Kingdom
CUL	Non-trading	United Kingdom
LAPL	Non-trading	Australia
LICLIHL	Holding company	Bermuda
LCM	Insurance agent services	Bermuda
LCMMSL	Support services	United Kingdom
LICL	General insurance business	Bermuda
LUS	Surplus line broker	United States of America
LIHL	Holding company	United Kingdom
LHUS	Holding company	United States of America
LIMSL	Insurance mediation activities	United Kingdom
LISL	Support services	United Kingdom
LHAPL	Holding company	Australia
LMSCL	Support services	Canada
LSL	Lloyd's managing agent	United Kingdom
LUAPL	Lloyd's service company	Australia
LUK	General insurance business	United Kingdom
Associate		
KHL[4] (and its subsidiary KRL)	Holding company / General insurance business	Bermuda
Other controlled entities		
EBT	Trust	Jersey

1. Unless otherwise stated, the Group owns 100% of the ordinary share capital and voting rights in its subsidiaries listed above.
2. CCL was dissolved on 24 September 2024.
3. 72.1% participation on the 2024 year of account, and 79.7% participation on the 2025 year of account, for Syndicate 2010.
4. The Group has a 14.1% holding through its interest in the preference shares of each segregated account of KHL.

The EBT was established to assist in the administration of the Group's employee equity based compensation schemes. While the Group does not have legal ownership of the EBT, and the ability of the Group to influence the actions of the EBT is limited by the trust deed in place, the EBT was set up by the Group with the sole purpose of assisting in the administration of these schemes, and it is therefore considered to be controlled by the Group, and is consolidated within the Group's consolidated statement of comprehensive income and consolidated statement of financial position.

The Group has a Loan Facility Agreement (the 'Facility') with JTC PLC, the trustee of the EBT. The Facility is an interest free revolving credit facility under which the trustee can request advances on demand, within the terms of the Facility, up to a maximum aggregate amount of $80.0 million. The Facility may only be used by the trustee for the purpose of achieving the objectives of the EBT. During the year ended 31 December 2024, the Group had made advances of $nil (31 December 2023 – $nil) to the EBT under the terms of the Facility.

During the year ended 31 December 2024, no common shares were donated by the Company to the EBT (2023 - none). LHL did not issue any common shares to the EBT during the years ended 31 December 2024 or 31 December 2023.

LICL holds $266.4 million (31 December 2023 – $215.5 million) of cash and cash equivalents, fixed maturity securities, and accrued interest in trust for the benefit of LUK relating to intra-group reinsurance agreements. In addition, LICL provides 100% of the required FAL to support the underwriting activities of Syndicate 2010 and Syndicate 3010. LICL holds $137.8 million (31 December 2023 – $252.3 million) of cash and cash equivalents and fixed maturity securities in FAL, with the remaining FAL requirement covered by a LOC and a collateral pledge facility (refer to note 18).

Mr Maloney and his spouse acquired 100.0% of the shares in Nameco on 7 November 2016. Nameco provides capacity to a number of Lloyd's syndicates, including Syndicate 2010 which is managed by LSL. Nameco has provided $0.2 million of capacity to Syndicate 2010 for the 2025 year of account (2024 year of account – $0.2 million). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. These transactions occurred on an arm's length basis.

Key management compensation

Remuneration for key management, the Group's Executive and Non-Executive Directors, was as follows:

For the year ended 31 December	2024 $m	2023 $m
Short-term compensation	**7.9**	4.9
Equity based compensation	**6.0**	2.5
Directors' fees	**2.6**	2.5
Total	**16.5**	9.9

Non-Executive Directors do not receive any benefits in addition to their agreed fees, and do not participate in any of the Group's incentive, performance or pension plans.

Transactions with the Group's associate and the associate's subsidiary

In 2013, LCM entered into an underwriting services agreement with KRL and KHL to provide various insurance-related services. In the year ended 31 December 2024 and 31 December 2023, no new underwriting cycles were entered into and LCM recognised profit commission of $0.8 million (31 December 2023 – none). During 2024, KHL returned $15.7 million (2023 – $55.6 million) of capital to the Group.

As at 31 December 2024, the consolidated financial statements includes reinsurance contract assets of $16.0 million (31 December 2023 – $19.1.million) due from KRL, together with a corresponding net expense of $3.1 million (2023 – $1.0.million).

23. Subsequent events

Dividends

On 5 March 2025, Lancashire's Board of Directors declared a final ordinary dividend of $0.15 (approximately £0.12) per common share, subject to a shareholder vote of approval at the AGM to be held on 30 April 2025, which will result in an aggregate payment of approximately $36.0 million. The dividend will be paid in Pounds Sterling on 13 June 2025 (the "Dividend Payment Date") to shareholders of record on 16 May 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Lancashire's Board of Directors has declared a special dividend of $0.25 per common share (approximately £0.20 per common share at the current exchange rate), which will result in an aggregate payment of approximately $60.0 million. The dividend will be paid in Pounds Sterling on 11 April 2025 (the "Dividend Payment Date") to shareholders of record on 14 March 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Shareholder Information

Annual General Meeting

The Company's AGM is scheduled for 30 April 2025 and is to be held at the Company's registered and head office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. Notice of this year's AGM and forms of proxy and direction shall be delivered to shareholders by electronic means. If you have any queries regarding the notice or AGM voting requirements please contact Chris Head, Company Secretary, using Tel: +44 (0) 20 7264 4000 and email: chris.head@lancashiregroup.com.

Further information

Lancashire Holdings Limited is registered in Bermuda under company number EC 37415 and has its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. Further information about the Group including this Annual Report and Accounts, press releases and the Company's share price is available on our website at www.lancashiregroup.com. Please address any enquiries to info@lancashiregroup.com.

Note regarding forward-looking statements

Some of the statements in this document include forward-looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements containing the words 'believes', 'anticipates', 'aims', 'plans', 'projects', 'forecasts', 'guidance', 'policy', 'intends', 'expects', 'estimates', 'predicts', 'may', 'can', 'likely', 'will', 'seeks', 'should' or, in each case, their negative or comparable terminology and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

These factors include, but are not limited to: the impact of the ongoing conflict in Ukraine, including any escalation or expansion thereof, the continued uncertainty of the situation in Russia, including issues relating to coverage and the impact of sanctions, the securities in our investment portfolio and on global financial markets generally, as well as any governmental or regulatory change arising therefrom; and other adverse market conditions generally; the continuation of hostilities in the Middle East, including any escalation thereof and its impact on the stability of the region, global supply routes and insurance and financial markets; the actual development of losses and expenses impacting estimates for claims which arise as a result of the wildfires in California, which occurred in the first quarter of 2025, hurricanes Milton, Debby and Helene, the Calgary hailstorms and European storm Boris, all of which occurred in the second half of 2024, the impact of the collapse of the Francis Scott Key Bridge in Baltimore, which occurred in the first quarter of 2024; hurricane Ian, which occurred in the third quarter of 2022, the COVID-19 pandemic, the Kentucky tornadoes, hurricane Ida and the European storms which occurred in the second half of 2021, winter storm Uri which occurred during the first quarter of 2021, hurricanes Laura and Sally, the Midwest Derecho storm and the wildfires in California which occurred in 2020, the 2020 and 2021 large loss events across the Group's specialty business lines, and further hurricanes, typhoons, marine losses, earthquakes and wildfires, which occurred in 2017 to 2020, the impact of complex and unique causation and coverage issues associated with attribution of losses to wind or flood damage or other perils such as fire or business interruption relating to such events; potential uncertainties relating to reinsurance recoveries, reinstatement premiums and other factors inherent in loss estimations; the Group's ability to integrate its business and personnel; the successful retention and motivation of the Group's key management; the increased regulatory burden facing the Group; the number and type of insurance and reinsurance contracts that the Group writes or may write; the Group's ability to successfully implement its business strategy during 'soft' as well as 'hard' markets; the premium rates which may be available at the time of such renewals within its targeted business lines; potentially unusual loss frequency; the impact that the Group's future operating results, capital position and rating agency and other considerations may have on the execution of any capital management initiatives or dividends; the possibility of greater frequency or severity of claims and loss activity than the Group's underwriting, reserving or investment practices have anticipated; the reliability of, and changes in assumptions to, catastrophe pricing, accumulation and estimated loss models; increased competition from existing alternative capital providers and insurance-linked funds and collateralised special purpose insurers, and the related demand and supply dynamics as contracts come up for renewal; the effectiveness of its loss limitation methods; the potential loss of key personnel; a decline in the Group's operating subsidiaries' ratings with A.M. Best, S&P Global Ratings, Moody's or other rating agencies; increased competition on the basis of pricing, capacity, coverage terms or other factors; cyclical downturns of the industry; the impact of a deteriorating credit environment for issuers of fixed maturity investments; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates; the impact of inflation or deflation in relevant economies in which the Group operates; the effect, timing and other uncertainties surrounding future business combinations within the insurance and reinsurance industries; the impact of terrorist activity in the countries in which the Group writes risks; a rating downgrade of, or a market decline in, securities in its investment portfolio; changes in governmental regulations or tax laws in jurisdictions where the Group conducts business; Lancashire or its Bermudian subsidiaries becoming subject to income taxes in the United States or in the United Kingdom; the impact of the change in tax residence on stakeholders of the Group; the availability to the Group of the exclusion that removes companies with a limited international presence from the scope of Bermuda corporate income tax for a period of up to five years from 1 January 2025 and the impact of the United Kingdom's withdrawal from the European Union on the Group's business, regulatory relationships, underwriting platforms or the industry generally, the focus and scrutiny on ESG-related matters regarding the insurance industry from key stakeholders of the Group, and any adverse asset, credit, financing or debt or capital market conditions generally which may affect the ability of the Group to manage its liquidity.

Shareholder Information

Any estimates relating to loss events involve the exercise of considerable judgement and reflect a combination of ground-up evaluations, information available to date from brokers and insureds, market intelligence, initial and/or tentative loss reports and other sources. Judgements in relation to losses arising from natural catastrophe and man-made events are influenced by complex factors. The Group cautions as to the preliminary nature of the information used to prepare any such estimates as subsequently available information may contribute to an increase in these types of losses.

These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking (save as required to comply with any legal or regulatory obligations, including the rules of the LSE) to disseminate any updates or revisions to any forward-looking statement to reflect any changes in the Group's expectations or circumstances on which any such statement is based. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Glossary

Active Underwriter

The individual at a Lloyd's syndicate with principal authority to accept insurance and reinsurance risk on behalf of the syndicate

Aggregate

Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss

AGM

Annual General Meeting

AI

Artificial intelligence

AIC

Asset for incurred claims

AIM

A sub-market of the LSE

A.M. Best Company (A.M. Best)

A.M. Best is a full-service credit rating organisation dedicated to serving the financial services industry, focusing on the insurance sector

APMs

Alternative performance measures

ARC

Asset for remaining coverage

BMA

Bermuda Monetary Authority

Board of Directors; Board

Unless otherwise stated refers to the LHL Board of Directors

BREEAM

Building Research Establishment Environmental Assessment Method

BSCR

Bermuda Solvency Capital Requirement

BSX

Bermuda Stock Exchange

CCHL

Cathedral Capital Holdings Limited

CCF

Corporate carbon footprint

CCL

Cathedral Capital Limited

CCL 1998

Cathedral Capital (1998) Limited

CCL 1999

Cathedral Capital (1999) Limited

Ceded

To transfer insurance risk from a direct insurer to a reinsurer and/ or from a reinsurer to a retrocessionaire

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGU

Cash generating unit

Change in DBVS

The IRR of the change in DBVS in the period plus accrued dividends

CIO

Chief Investment Officer

CIT

Corporate income tax

The Code

UK Corporate Governance Code published by the UK FRC at www.frc.org.uk

Combined ratio (discounted)

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue

Combined ratio (undiscounted)

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue. This ratio excludes the impact of the initial discount recognised within net insurance expenses

Consolidated financial statements

Includes the independent auditor's report, Consolidated primary statements, accounting policies, risk disclosures and related notes

Consolidated primary statements

Includes the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows

COO

Chief Operating Officer

CRO

Chief Risk Officer

CUL

Cathedral Underwriting Limited

CUO

Chief Underwriting Officer

Delegated authorities

Arrangements under which a managing agent or (re)insurer delegates its authority to another to enter into contracts of insurance on its behalf

D&F

Direct and facultative (re)insurance

Diluted book value per share (DBVS)

Calculated based on the value of the total shareholders' equity attributable to the Group, divided by the sum of all shares and dilutive restricted stock units (as calculated under the treasury method), assuming all are exercised

Diluted earnings per share

Calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards into common shares under the treasury stock method

Directors' fees and expenses

Unless otherwise stated, includes fees and expenses of all Directors across the Group

Duration

Duration is the weighted average maturity of a security's cash flows, where the present values of the cash flows serve as the weights. The effect of the convexity, or sensitivity, of the portfolio's response to changes in interest rates is also factored into the calculation

EAP

Employee Assistance Programme

Earnings per share (EPS)

Calculated by dividing net profit for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares and shares held by the EBT

EBT

Lancashire Holdings Employee Benefit Trust

ECA

Economic Capital Assessment

ECL

Expected credit losses

ERM

Enterprise Risk Management

ESG

Environmental, Social and Governance

ETA

Economic Transition Adjustment, under the Bermuda Corporate Income Tax (CIT) regime

EU

European Union

Excess of loss

Reinsurance or insurance that indemnifies the reinsured or insured against all or a specified portion of losses on an underlying insurance policy in excess of a specified amount

Facultative reinsurance

A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty

FAL

Funds at Lloyd's

FCA

Financial Conduct Authority

FCF

Fulfilment cash flows

FRC

Financial Reporting Council

FSMA

The Financial Services and Markets Act 2000 (as amended from time to time)

FTC

Fixed-term contract

FTE

Full-time employee

FVOCI

Fair value through other comprehensive income

FVTPL

Fair value through profit or loss

G10

Belgium, Canada, Germany, France, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States

Glossary *continued*

GAAP
Generally accepted accounting principles

GDPR
General Data Protection Regulation

GHG
Greenhouse gas emissions, covers carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), nitrogen trifluoride (NF_3) and sulphur hexafluoride (SF_6)

GHG Protocol
Greenhouse Gas Protocol Corporate Accounting and Reporting Standard

GloBE Rules
The Global Anti-Base Erosion Rules

GMM
General Measurement Model

The Group or the Lancashire Group
LHL and its subsidiaries

GWP
Gross premiums written. Amounts payable by the insured, including any brokerage and commission deducted by intermediaries, and including inwards reinstatement premiums, but excluding any taxes or duties levied on the premium

IFRS
International Financial Reporting Standard(s)

IFRS 9
International Financial Reporting Standard on Financial Instruments: Classification and Measurement

IFRS 17
International Financial Reporting Standard on Insurance Contracts

ILS
Insurance Linked Securities

Incurred but not reported (IBNR)
These are anticipated or likely losses that may result from insured events which have taken place, but for which no losses have yet been reported. IBNR also includes a reserve for possible adverse development of previously reported losses

Industry loss warranty (ILW)
A type of reinsurance or derivative contract through which one party will purchase protection based on the total loss arising from an event to the entire insurance industry rather than their own losses

Internal Audit Charter
A formal written document that sets out the mission, scope, responsibilities, authority, professional standards and the relationship with the external auditors and regulatory bodies of the internal audit function with the Company and its subsidiaries

International Accounting Standard(s)(IAS)
Standards, created by the IASB, for the preparation and presentation of financial statements

International Accounting Standards Board (IASB)
An international panel of accounting experts responsible for developing IAS and IFRS

IIR
Income Inclusion Rule, under the OECD Pillar Two reform

IRR
Internal rate of return

IRRC
Investment Risk and Return Committee

ISA
International Standards on Auditing (UK)

KHL
Kinesis Holdings I Limited

Kinesis
The Group's third-party capital management division encompassing LCM, LCMMSL and the management of KHL and KRL

KPI
Key performance indicator

KPMG LLP
KPMG LLP, a UK limited liability partnership

KRI
Key risk indicator

KRL (Kinesis Re)
Kinesis Reinsurance I Limited

Lancashire Foundation or Foundation
The Lancashire Foundation is a charity registered in England and Wales

Lancashire Insurance Companies
LICL and LUK

LAPL
Lancashire Australia Pty Limited

LCM
Lancashire Capital Management Limited

LCMMSL
LCM Marketing Services Limited, formerly known as KCM Marketing Services Limited

LHAPL
Lancashire Holdings Australia Pty Limited

LHL (The Company)
Lancashire Holdings Limited

LHUS
Lancashire Insurance Holdings (US) LLC

LIC
Liability for incurred claims

LICL
Lancashire Insurance Company Limited

LICLIHL
LICL Investment Holdings Limited, previously known as Lancashire Blocker (Cayman) Limited

LIHL
Lancashire Insurance Holdings (UK) Limited

LIMSL
Lancashire Insurance Marketing Services Limited

LISL
Lancashire Insurance Services Limited

Listing Rules
The listing rules made by the FCA under part VI of FSMA (as amended from time to time)

Lloyd's
The Society of Lloyd's

LMSCL
Lancashire Management Services (Canada) Limited

LOC
Letter of credit

Losses
Demand by an insured for indemnity under an insurance contract

LRC
Liability for remaining coverage

LSE
London Stock Exchange

LSL or Lancashire Syndicates
Lancashire Syndicates Limited, the managing agent of the syndicates

LUAPL
Lancashire Underwriting Australia Pty Limited

LUK or Lancashire UK
Lancashire Insurance Company (UK) Limited

LUS or Lancashire Insurance US
Lancashire Insurance (US) LLC

Managed cash
Managed cash includes both cash managed by external investment managers and non-operating cash managed internally

MBRT
Multi-beneficiary reinsurance trust

MGA
Managing General Agent

Moody's Investors Service (Moody's)
Moody's Corporation is the parent company of Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics, which offers software, advisory services and research for credit and economic analysis, and financial risk management

MSCI
A provider of tools and services for the global investment community

NAIC
The National Association of Insurance Commissioners

Nameco
Nameco (No. 801) Limited

NAV
Net asset value

NDIC
Non-distinct investment component

Net insurance expense
Net insurance expenses represent claims-related insurance service expenses less amounts recoverables from reinsurers

Net insurance ratio
Ratio, in per cent, of net insurance expense to net insurance revenue

Net insurance revenue
Net insurance revenue represents insurance revenue less allocation of reinsurance premiums

OECD
Organisation for Economic Co-operation and Development

Official List
The official list of the FCA

Onerous contract
A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

Operating expense ratio
Ratio, in per cent, of other operating expenses, excluding equity-based compensation expense, to net insurance revenue

ORIF
Outwards Reinsurance Forum

Glossary *continued*

ORSA

Own Risk and Solvency Assessment

OTC

Over the counter

P&C

Property and casualty

PAA

Premium Allocation Approach

PIPA

Personal Information Protection Act

PML

Probable maximum loss. The Group's exposure to certain peak zone elemental losses

PRA

Prudential Regulation Authority

Pro-rata/proportional

Reinsurance or insurance where the reinsurer or insurer shares a proportional part of the original premiums and losses of the reinsured or insured

QBR

Quarterly Business Review

QDMTT

Qualified Domestic Minimum Top-up Tax, under the OECD Pillar Two reform

RCC

Risk and Compliance Committee

RDS

Realistic Disaster Scenarios

RFP

Request for proposal

Renewal Price Index (RPI)

The RPI is an internal methodology that management uses to track trends in premium rates of a portfolio of insurance and reinsurance contracts. The RPI written in the respective segments is calculated on a per-contract basis and reflects management's assessment of relative changes in price, terms, conditions and limits and is weighted by premium volume. The RPI does not include new business, to offer a consistent basis for analysis. The calculation involves a degree of judgement in relation to comparability of contracts and assessment noted above. To enhance the RPI methodology, management may revise the methodology assumptions underlying the RPI, so that the trends in premium rates reflected in the RPI may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of contracts. The future profitability of the portfolio of contracts within the RPI is dependent upon many factors besides the trends in premium rates. RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in the corresponding year

Retrocession

The insurance of a reinsurance account

Risk Free Rate of Return (RFRoR)

Being the 13-week US Treasury bill rate, unless otherwise stated

RMF

Risk Management Framework

RoE

Return on Equity

RRC

Risk and Return Committee

RSC

Reinsurance Security Committee

RSS

Restricted share scheme

S&P Global Ratings (S&P)

S&P Global Ratings is a worldwide insurance rating and information agency whose ratings are recognised as a benchmark for assessing the financial strength of insurance-related organisations

SCR

Solvency Capital Requirement

SECR

Streamlined Energy and Carbon Reporting

SID

Senior Independent Director

Simple RoE

For the purpose of a remuneration metric, Simple RoE is profit after tax divided by average equity

Syndicate 2010

Lloyd's Syndicate 2010, managed by LSL

Syndicate 3010

Lloyd's Syndicate 3010, managed by LSL

TCFD

Task Force on Climate-related Financial Disclosures

The syndicates

Syndicates 2010 and 3010

TOBA

Terms of business agreement

Total investment return

Total investment return measures investment income, excluding interest income on non-managed cash and cash equivalents, and net realised and unrealised gains and losses produced by the Group's managed investment and cash and cash equivalent portfolio

Total shareholder return (TSR)

The increase/(decrease) in share price in the period, measured on a total return basis, which assumes the reinvestment of dividends (included at the ex-dividend date)

Treaty reinsurance

A reinsurance contract under which the reinsurer agrees to offer and to accept all risks of a certain size within a defined class

UK

United Kingdom

UNEP FI

The United Nations Environment Programme Finance Initiative

UNL

Ultimate net loss

UN PRI

UN-supported Principles for Responsible Investment

US

United States of America

uSCR

Ultimate Solvency Capital Requirement

US GAAP

Accounting principles generally accepted in the United States

UTPR

Undertaxed Profits Rule

UURC

The Underwriting and Underwriting Risk Committee, a Committee of the Board

Value at Risk (VaR)

A measure of the risk of loss of a specific portfolio of financial assets

Alternative performance measures

As is common practice within the insurance industry, the Group also utilises certain non-GAAP measures to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that APMs are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its Consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority and as suggested by the Financial Reporting Council, as applied by the Financial Conduct Authority, information on APMs which the Group use is described below. This information has not been audited.

All amounts, excluding share data, ratios, percentages, or where otherwise stated, are in millions of US dollars.

Net insurance ratio:

Ratio, in per cent, of net insurance expenses to net insurance revenue. Net insurance expenses represent the insurance service expenses less amounts recoverable from reinsurers. Net insurance revenue represents insurance revenue less allocation of reinsurance premium.

For the year ended 31 December	2024	2023
Insurance service expenses	**1,186.1**	696.2
Amounts recoverable from reinsurers	**(240.3)**	16.8
Net insurance expenses	**945.8**	713.0
Insurance revenue	**1,765.1**	1,519.9
Allocation of reinsurance premium	**(439.4)**	(424.8)
Net insurance revenue	**1,325.7**	1,095.1
Net insurance ratio	**71.3%**	65.1%

Operating expense ratio:

Ratio, in per cent, of other operating expenses, excluding equity based compensation expense, to net insurance revenue.

For the year ended 31 December	2024	2023
Other operating expenses	**115.9**	107.4
Net insurance revenue	**1,325.7**	1,095.1
Operating expense ratio	**8.7%**	9.8%

Combined ratio (discounted):

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue.

For the year ended 31 December	2024	2023
Net insurance ratio	**71.3%**	65.1%
Net operating expense ratio	**8.7%**	9.8%
Combined ratio (discounted)	**80.0%**	74.9%

Combined ratio (undiscounted) (KPI):

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue. This ratio excludes the impact of the discounting recognised within net insurance expenses.

For the year ended 31 December	2024	2023
Combined ratio (discounted)	**80.0%**	74.9%
Discount included in net insurance expenses	**120.3**	84.7
Net insurance revenue	**1,325.7**	1,095.1
Discounting impact on combined ratio	**9.1%**	7.7%
Combined ratio (undiscounted)	**89.1%**	82.6%

Diluted book value per share ('DBVS') attributable to the Group:

Calculated based on the value of the total shareholders' equity attributable to the Group, divided by the sum of all shares and dilutive restricted stock units (as calculated under the treasury method), assuming all are exercised.

As at 31 December	2024	2023
Shareholders' equity attributable to the Group	**1,493.3**	1,507.9
Common voting shares outstanding*	**240,584,795**	239,037,977
Shares relating to dilutive restricted stock	**6,877,762**	5,355,909
Fully converted book value denominator	**247,462,557**	244,393,886
Diluted book value per share	**$6.03**	$6.17

* Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in DBVS (KPI):

The internal rate of return of the change in DBVS in the period plus accrued dividends. Sometimes referred to as RoE.

As at 31 December	2024	2023
Opening DBVS	**$6.17**	$5.48
Q1 dividend per share	**$0.50**	–
Q2 dividend per share	**$0.15**	$0.10
Q3 dividend per share	**$0.075**	$0.05
Q4 dividend per share	**$0.75**	$0.50
Closing DBVS	**$6.03**	$6.17
Change in DBVS	**23.4%**	24.7%

Total investment return (KPI):

Total investment return in percentage terms is calculated by dividing the total net investment return excluding interest income on non-managed cash and cash equivalents, by the investment portfolio net asset value including managed cash and cash equivalents, on a daily basis. These daily returns are then geometrically linked to provide a total return for the period. The total investment return can be approximated by dividing the total net investment return excluding interest on non-managed cash and cash equivalents by the average portfolio net asset value, including managed cash and cash equivalents.

For the year ended 31 December	2024	2023
Net investment return	**162.2**	160.5
Less interest income on non-managed cash and cash equivalents	**(13.6)**	(12.5)
Net investment return excluding interest on non-managed cash and cash equivalents	**148.6**	148.0
Average invested assets including managed cash and cash equivalents*	**2,939.3**	2,592.6
Approximate total investment return	**5.1%**	5.7%
Reported total investment return	**5.0%**	5.7%

* Calculated as the average between the opening and closing investments and our managed cash and cash equivalents.

Total shareholder return (KPI):

Determined using the simple method of calculating the increase/(decrease) in the Group's share price, adjusted for dividends (included at the ex-dividend date) as recalculated below. This measurement basis will generally approximate the increase/(decrease) in share price in the period measured on a total return basis, which assumes the reinvestment of dividends.

As at 31 December	2024	2023
Opening share price	**$7.96**	$7.86
Q1 dividend per share	**$0.50**	–
Q2 dividend per share	**$0.15**	$0.10
Q3 dividend per share	**$0.075**	$0.05
Q4 dividend per share	**$0.75**	$0.50
Q4 closing share price	**$8.25**	$7.96
Total shareholder return	**22.1%**	9.5%

Gross premiums written:

The Group adopted IFRS 17 on 1 January 2023. Under IFRS 4, the previous insurance accounting standard, the Group reported gross premiums written on the consolidated statement of comprehensive income as amounts payable by the insured, excluding any taxes or duties levied on the premium, including brokerage and commission deducted by intermediaries and any inwards reinstatement premiums. The Group continues to report gross premiums written as a growth metric and non-GAAP APM.

The table below reconciles gross premiums written on an IFRS 4 basis to insurance revenue on an IFRS 17 basis.

For the year ended 31 December	2024	2023
Gross premiums written	**2,149.6**	1,931.7
Change in unearned premiums	**(105.9)**	(207.7)
Gross earned premium	**2,043.7**	1,724.0
Adjust for reinstatement premiums	**(5.3)**	(7.1)
Less commission and non-distinct investment components	**(273.3)**	(197.0)
Total insurance revenue	**1,765.1**	1,519.9

Gross premiums written under management (KPI):

The gross premiums written under management equals the total of the Group's consolidated gross premiums written, plus the external Names portion of the gross premiums written in Syndicate 2010.

For the year ended 31 December	2024	2023
Gross premiums written by the Group	**2,149.6**	1,931.7
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	**120.5**	140.5
Total gross premiums written under management	**2,270.1**	2,072.2

Contact information

Registered and Head office

Lancashire Holdings Limited
Power House
7 Par-la-Ville Road
Hamilton HM 11
Bermuda

Phone: + 1 441 278 8950

Bermuda office

Lancashire Insurance Company Limited
Power House
7 Par-la-Ville Road
Hamilton HM 11
Bermuda

Phone: + 1 441 278 8950

UK office

Lancashire Insurance Company (UK) Limited
20 Fenchurch Street
London
EC3M 3BY
United Kingdom

Phone: + 44 (0) 20 7264 4000

Lancashire Syndicates Limited

Lancashire Syndicates Limited
20 Fenchurch Street
London
EC3M 3BY
United Kingdom

Phone: + 44 (0) 20 7170 9000

Lancashire Capital Management

Lancashire Capital Management Limited
Power House
7 Par-la-Ville Road
Hamilton HM 11
Bermuda

Phone: + 1 441 278 8950

Lancashire Underwriting Australia Pty Limited

Registered Office – Level 20, 56 Pitt Street,
Sydney, NSW 2000,
Australia

Trading Address – Suite 5.03, Level 5
56, Pitt Street, Sydney,
NSW 2000, Australia

Lancashire Insurance (US) LLC

12 Havemeyer Place
Greenwich, CT 06830
United States

Legal counsel to the Company

As to English and US law:
Freshfields LLP
100 Bishopsgate
London
EC2P 2SR
United Kingdom

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Registrar / Depositary

MUFG Corporate Markets
IFC 5
St Helier
Jersey
JE1 1ST
Channel Islands