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.

Accounting policies *continued*

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 $m	31 December 2024 % of tangible capital	31 December 2023 $m	31 December 2023 % 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 $m	31 December 2024 % of tangible capital	31 December 2023 $m	31 December 2023 % 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.

Risk disclosures *continued*

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:

	2024		2023	
As at 31 December	$m	%	$m	%
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:

	2024		2023	
As at 31 December	$m	% of shareholders' equity	$m	% 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.

Risk disclosures *continued*

(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.

Risk disclosures *continued*

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:

	2024			2023		
As at 31 December	Core $m	Surplus $m	Total $m	Core $m	Surplus $m	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.

Risk disclosures *continued*

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.

Risk disclosures *continued*

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.

Notes to the accounts *continued*

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

Notes to the accounts *continued*
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.

Notes to the accounts *continued*

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

Notes to the accounts *continued*
For the year ended 31 December 2024

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).

Notes to the accounts *continued*

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).

Notes to the accounts *continued*

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.

Notes to the accounts *continued*
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).

Notes to the accounts *continued*

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

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.