LANCASHIRE INSURANCE COMPANY (UK) LIMITED

Financial Statements

For the year ended 31 December 2024

Registered in England and Wales number 05747877

Contents

Company details

DIRECTORS

Steve Smart	Chairman and non-executive director
David Horne	Non-executive director
Adrian Colosso	Non-executive director
Sally Williams	Non-executive director
John Cadman	Chief executive officer
Samantha Churchill	Chief operating officer
Rachel Sabbarton	Chief underwriting officer (appointed 30 October 2024)
James Flude	Chief underwriting officer (resigned 30 October 2024)
Russell Worsley	Finance director
Steve Yeo	Head of claims

OFFICER

Louise Byrne	Company secretary

AUDITOR

KPMG LLP
Registered Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 29
20 Fenchurch Street
London
EC3M 3BY

Registered number	05747877 (England and Wales)

The Company is a member of the Lancashire Insurance Group (www.lancashiregroup.com).

BUSINESS REVIEW

Commentary on results

Summary

For the year ended 31 December 2024 the Company made a profit after tax of $0.1 million compared to a profit after tax of $13.3 million for the previous year.

Insurance revenue

Insurance revenue comprises gross premiums earned less inwards reinstatement premium and is net of commission costs and non-distinct investment components.

The Company writes a diversified book of business, mostly on a direct basis in the property, energy, marine and aviation classes.

Insurance revenue increased by $13.5 million or 4.3% during 2024 compared to the same period in 2023 mainly driven by an increase of $8.0 million in the Aviation segment and an increase of $7.7 million within the Property segment.

Allocation of reinsurance premiums

Allocation of reinsurance premiums comprises ceded earned premium less outward reinstatement premiums and is net of outward commission costs.

Allocation of reinsurance premiums decreased by $8.2 million or 3.5% compared to the prior year. The allocation of reinsurance premiums as a percentage of insurance revenue was 68.9%, down from 74.4% in the prior year, reflecting changes in the mix of inwards business written and reinsurance protection purchased.

Claims environment (Insurance service expenses less amounts recoverable from reinsurers)

Current accident year losses (undiscounted, including reinstatement premiums) were $174.1 million on a gross basis (2023: $144.8 million) and $31.9 million on a net basis (2023: $25.0 million). The Company experienced a higher number of risk losses compared to the prior year and some losses from catastrophe weather events which were not material losses for the Company.

Prior year favourable development was $38.6 million (2023: $39.0 million) on a gross basis and $5.5 million (2023: $8.0 million) on a net basis. The favourable development in 2024 was primarily due to releases on the 2023 and 2022 accident year across most lines of business due to a lack of reported claims, as well as favourable development across some of the older accident years.

Other operating expenses

Operating expenses before the allocation of DAE to insurance service expenses were $66.3 million, $8.6 million higher than 2023. The increase in total operating expenses was primarily driven by increased headcount and employment costs and to a lesser degree by increased IT expenditure, consulting fees and building costs. DAE allocated to insurance service expenses was $31.9 million in 2024 compared to $23.7 million in the prior year.

Net discounting benefit

The total impact of discounting in the year was net income of $1.7 million compared to net expense of $0.2 million in the prior year. The increase in 2024 is primarily due to higher net initial discounts compared to 2023 which is primarily due to a more active loss environment in 2024 which resulted in an increased quantum of initial loss reserves being established.

Investments

Total investment income, including realised and unrealised gains and losses, for the year ended 31 December 2024 is $8.4 million compared to a $10.5 million in the prior year.

The investment portfolio generated an investment return of 4.4% during 2024 (2023: 5.1%) driven primarily from investment income given the higher yields throughout most of the year.

Tax

The effective tax rate for the year ended 31 December 2024 is 66.7% (2023 - 23.1%) due to adjustments in respect of prior years.

Outlook

Management believes the company is well positioned for 2025 with a strengthened underwriting team and will look to continue to expand where we think there is the greatest opportunity to do so, in particular building on the US distribution channel established during 2024.

At the same time, we will manage our portfolio in LUK's historic core lines. As always, we will continue to pursue opportunities in existing lines as they arise, as well as continuing to regularly review new propositions.

Risk disclosures

Details of the Company's risk management objectives and policies and exposure to risk are set out in note 2.

Statement by the Directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006 (the "Act")

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its sole member (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during the year ended 31 December 2024.

In line with its annually-approved business plan, and in accordance with its approved strategy, the Company seeks to effectively manage the insurance cycle by underwriting profitable business in the specialty insurance lines in which it operates. Our strategic priorities are that we do not seek top line growth for the sake of it in markets where we do not believe the right opportunities exist, we seek to underwrite our core portfolio profitably through the insurance cycle and look to seize opportunities when they present themselves. We focus on disciplined underwriting with a strong focus on profitability and risk selection. By reducing our risk levels in markets where we consider premiums do not justify the risks presented, and seeking to expand our portfolio where the risk/return metric improves, the Company seeks to create a sustainable business operation for the long term.

We recognise that our responsibility is not only to our parent company and our clients and we strive to be a good employer, a good corporate citizen and a responsible preserver of resources.

Our employees are the lifeblood of the Company and we strive to attract and retain excellent staff. The Company actively seeks to engage with its staff, and to afford them a stable and open workplace. Our staff work on a cross-departmental basis, are provided with regular training and development and management encourages engagement across all areas of the business. The Lancashire Way is the Group's framework for how employees behave towards each other and its stakeholders and sets out what is expected of its employees. The core themes in the Lancashire Way include collaboration, treating people with respect, valuing teamwork and acting with humility and openness. During 2024 the Group followed up the full staff survey carried out in 2023 with a series of feedback sessions. The feedback sessions looked at areas where the Group scored strongly and also where the management team felt it could better. The Company recognises that promoting a positive and inclusive culture is an important factor in its continued ability to attract and retain the best talent and continues to explore how it can promote flexible working options and career development opportunities. All permanent staff are eligible to share in the Company's and Group's success through the granting of nil cost RSS awards and participation in the Company's bonus arrangements. To ensure alignment with the Company's values and to effectively monitor individual performance, certain senior managers' remuneration is overseen by the Company's Remuneration Committee.

It is crucial to the Company's long term success that it positively engages with its key stakeholders including clients, brokers, outwards reinsurers and service providers to provide suitable (re)insurance products; the Company's underwriters, claims team and senior management will meet regularly with stakeholders both in the UK and internationally to receive their feedback and insight. Our policies are important to our clients in seeking to protect them and their business from risk events, and when losses do occur we are responsive in order to provide our policyholders with ongoing support and we seek to pay their claims as expeditiously as possible.

The Company also recognises the importance of an open and constructive relationship with government agencies and regulators both in the UK and internationally when it underwrites certain overseas (re)insurance contracts, and to this end the Company has developed a range of internal procedures and processes to establish a robust operating platform to ensure compliance with legal requirements and regulatory rules and standards; and seeks to be proactive in its provision of accurate information to such agencies and regulators.

The Company is active in supporting the promotion of the interests of the wider London insurance market, and as an example of that the CEO sits on the board of the IUA. A number of other staff also contribute to the operation of IUA and other market fora.

Through the Lancashire Foundation, the Group makes financial contributions and provide human support to a number of good causes in the places it operates around the world. The Company also seeks to help those who are in distress or at a disadvantage, through continued support of local initiatives and activities, volunteering days and mentoring opportunities.

The Company is a wholly owned subsidiary of a Group that is committed to reporting against the United Nations Environment Programme Finance Initiative (I) Principles for Sustainable Insurance and the requirements of the TCFD and is committed to managing the environmental impacts of all its businesses, including the Company's.

Climate Change

The Group is a member of ClimateWise and its 2024 ClimateWise report can be found on the Lancashire website. The Group continued to support the aims of the Task Force on Climate-related Financial Disclosures (TCFD) and the Group's report can be found in the Lancashire Holdings Limited Annual Report and Accounts for 31 December 2024.

Climate change, and more specifically climate-related risks and opportunities, have continued to be a significant focus during 2024. The Group's ESG Committee coordinates the efforts of the individual divisions within the business in order to deliver the broader strategic objectives of the Group. As a management level committee, it reports to both the Group Executive Committee, as well as the Group Board via the Group Nomination Corporate Governance and Sustainability Committee. Each of the committee members has an operating role within the business, allowing for easier implementation of relevant initiatives.

The Group and Company's primary business purpose is to deliver bespoke risk solutions that protect their clients and support economies, businesses and communities in the face of uncertain loss events. By its nature, this long-held objective has, for many years, deeply embedded core elements of environmental, social and governance matters into the Company's insurance operations. Management believe the insurance sector plays a crucial role in empowering people to be able to take decisions with confidence knowing that if the unexpected happens their insurance partners will mitigate the effects on their business and community.

Environmental risk exposures, including assumptions related to climate change, are embedded into the Company's risk management, and performance is monitored against formal risk tolerances, in particular with regard to the exposures to natural catastrophe loss events, including weather events impacted by climate change. Stress and scenario tests performed as part of the business planning and ORSA processes include climate related scenarios and will continue to be refined and enhanced as more information becomes available. The work performed to date has not resulted in any material impact on business strategy or change to the Company's understanding of the risks' impact to the business.

The Group has developed and implemented a number of internal underwriting guidelines focused on assisting with wider global efforts to tackle issues of climate change and other environmental, social and governance factors.

The Group's Underwriting Committee continued to monitor exposures to a range of natural catastrophe risks, including regional windstorm and hurricane exposures, and the articulation of an appropriate underwriting and risk management strategy and management preference for these and other risk exposures linked to climate change factors. The Committee considered loss information and developing trends in the frequency and severity of weather-related and other loss events and was satisfied that the Group's underwriting strategy and reinsurance and risk management programmes are appropriate for the management of underwriting risk relating to these factors.

The Group's investment committee monitors a number of tools to measure the ESG profile, climate change risk exposure and carbon intensity of the Group's investment portfolio, with due regard to stakeholder expectations in these areas. The committee noted that 96.7% of the Group's externally managed investment portfolio is assigned to mangers which are signatories to the UNPRI and that the Group's corporate bond fixed maturity portfolio continues to outperform the benchmark portfolio on its Climate VaR measure for climate sensitivity which is aligned with the Paris Accord. The committee and the Board continued to operate ESG and carbon management investment guidelines implemented by the Group's investment managers across the Group's fixed maturity investment portfolios and agreed further changes in the Group's investment guidelines during 2024 so that, from 1 January 2025, investment managers will be required to divest from companies that generate more than 2% of their power from thermal coal or derive more than 2% of their revenues from oil sands or Arctic oil and gas.

The Group is also committed to monitoring and offsetting its own carbon emissions and the LHL Board oversees the Group's Carbon Disclosure Project submission and its alignment with the recommendations of the TCFD. The Group supports the aims of the TCFD and its progress against the pillars and recommendations can be found in the Group's annual report.

The Group is committed to reporting against the UNEP FI Principles for Sustainable Insurance, a global framework for the insurance industry to address ESG risks and opportunities.

Clear and transparent ESG reporting is made through multiple channels, including the Group's Annual Report and Accounts, the Group's website and its work with the Carbon Disclosure Project.

Environmental Impact and Offsetting

The Company is committed to both understanding and managing the environmental impact of its business operations and the Lancashire Group has engaged ClimatePartner to calculate its corporate carbon footprint (CCF) for the 2024 reporting year. The CCF reflects the total CO_2 emissions released by the company's own business operations, within defined system boundaries and for a specified period of time, with the calculations based on the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol).

The CCF is used as a tool to track the Group's progress against its carbon reduction goal, to understand its energy consumption, identify ways to reduce its carbon footprint, understand energy and emission trends, and improve data collection.

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

The Group used an operational control approach to assess its boundaries and identify all the activities and facilities for which it is responsible. Per the ISO 14064-1 guidance, operational control is defined when an organisation has control over its operation, and they have full authority to introduce and implement its operating policies at the operational level. The Group has reported 100% of its Scope 1 and Scope 2 CCF, along with areas of its Scope 3 CCF with high levels of operational control. Scope 3 emissions includes emissions associated with employees' commuting.

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

Lancashire regularly consider ways in which its own offices can be more sustainable. The London office is already well optimised, as 20 Fenchurch Street has a BREEAM 'excellent' certified performance rating. The building sources 100% renewable electricity on a tariff that is backed up by associated Renewable Energy Guarantees of Origin (REGOs). Representatives from the London office have engaged with the building management's "Green Building" meetings and the property's energy-saving initiatives.

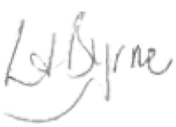
Lancashire uses tCO2e per full time employee (FTEs) as its intensity metric in its CCF. The FTE count has increased year-on-year due to headcount growth. Total emissions per FTE have also increased within this reporting period.

Historically, following the completion of the CCF calculation, the Group has purchased verified carbon credits, predominantly in carbon avoidance programmes, which assist in the creation and/ or maintenance of systems and technologies that replace carbon intensive processes. For 2024, the Group procured 25% of its carbon credits via a carbon sequestration project with the remaining 75% in a carbon avoidance programme. When considering its carbon contribution, the Group followed the same methodology as last year including the addition of a safety margin of 10% applied to the total carbon footprint incurred, to compensate for uncertainties in the underlying data that naturally arise from using database values, assumptions, or estimates. This resulted in the Group purchasing a total of 3,700 carbon credits in this reporting period.

Lancashire uses tCO2e per full time employee (FTEs) as its intensity metric in its CCF.

Streamlined Energy and Carbon Reporting Disclosure	2024	2023
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use/tCO2e	57.8	37.8
Emissions resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use (location-based)/tCO2e	—	—
Gross emissions (location-based) (Scope 1, 2)/tCO2e	57.8	37.8
Energy consumption used to calculate above emissions/kWh	592,861.3	387,071.3
Total gross emissions (Scope 1, 2, 3)/tCO2e	1,107.0	854.5
tCO2e per FTE	8.3	7.3

By order of the Board



L Byrne

Company Secretary

27 March 2025

The Directors' present their audited financial statements for Lancashire Insurance Company (UK) Limited, registered company number 05747877 for the year ended 31 December 2024

Principal activity

The Company is authorised by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA")to conduct general insurance business. The Company provides insurance and reinsurance products to its customers, with an emphasis on property, energy, marine and aviation lines of business. The Company received UK regulatory authorisation to underwrite business on 30 August 2006 and commenced underwriting activity on 2 October 2006. The Directors consider that the principal activity of the Company will continue unchanged into the foreseeable future.

Directors' interests

The names of the Directors of the Company as at 31 December 2024 appear on page 3. The Directors who served during the year are as follows:

John Cadman
Samantha Churchill
Adrian Colosso
James Flude (resigned 30 October 2024)
David Horne
Rachel Sabbarton (appointed 30 October 2024)
Steve Smart
Sally Williams
Russell Worsley
Steve Yeo

None of the Directors have any financial interest in the Company. The interests of Directors in other companies in the Lancashire Holdings Group are disclosed in note 14.

Payment policy

It is the Company policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

Employees

All UK employees providing services to the Company are remunerated by LISL, a fellow group subsidiary. The emoluments of these employees are recharged, as part of a management charge under management service agreements, ultimately, to the insurance operating divisions of the Lancashire Holdings Group.

Remuneration of Directors is dealt with in note 14.

Statement of disclosure of information to auditor

Each person who is a Director at the date of approval of this Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- He or she has taken all the steps that ought to have been taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Future developments

The outlook for 2025 is discussed in the strategic report.

Going concern

It is the responsibility of directors when preparing the financial statements to carry out an assessment to ascertain whether the company is a 'going concern'. The assessment should take into account all available information about the future, covering at least 12 months from the date on which the accounts are approved.

The Directors having reviewed the detailed risk disclosures in note 2, noting particularly the Company's short duration, highly liquid fixed interest investment portfolio and its expected liability profile, as well as the business plan and forecast for the next 12 months and the going concern section within the accounting policies on page 20 have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. Accordingly, the Board has adopted and continues to consider appropriate the going concern basis in preparing the financial statements.

Auditor

A resolution will be proposed at the group annual general meeting to re-appoint KPMG LLP as auditor and to set the auditor's remuneration. The Company will then pass a resolution to reappoint KPMG LLP as auditor.

Dividends

A dividend of $nil was paid during 2024 (2023 - $nil). The Directors do not recommend the payment of a final dividend.

The Company's ability to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the United Kingdom.

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards and applicable law.

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK adopted International Accounting Standards and applicable law;
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

L Byrne

Company Secretary

27 March 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LANCASHIRE INSURANCE COMPANY (UK) LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Lancashire Insurance Company (UK) Limited ("the Company") for the year ended 31 December 2024 which comprise the statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows, and the related notes, including the accounting policies on pages 20 to 26.

In our opinion the financial statements:

• give a true and fair view of the state of the Company's affairs as at 31 December 2024 and its profit for the year then ended;

• have been properly prepared in accordance with UK-adopted International Accounting Standards; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

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. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 3 May 2017. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

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 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, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, 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

Risk vs 2023: ◄ ►

(Claims incurred but not reported is an element of both the liability for incurred claims and the asset for incurred claims as at 31 December 2024: $344.6 million liability for incurred claims, $308.8 million asset for incurred claims; 31 December 2023: $297.3 million liability for incurred claims, $277.1 million asset for incurred claims)

Refer to pages 20 to 26 (accounting policy) and pages 27 to 56 (financial disclosures)

The risk	Our response
The Company 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 Company. 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 Company 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 judgmental 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 judgmental 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 financial statements as a whole, and possibly many times that amount.	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 Company. This has also involved comparing the Company'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 Company'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 Company's projected results. Where there were significant variances in the results, we have challenged the Company'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 Company'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 Company'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 Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the estimation of the incurred but not reported element of both the liability for incurred claims and asset for incurred claims to be acceptable (2023: acceptable).

Eligibility for the Premium Allocation Approach ("PAA")

Risk vs 2023 ◄ ►
Refer to page 22 (accounting policies)

The risk	Our response
IFRS 17 requires the Company 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 Company has applied the 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 Company 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 Company 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 the PAA is not allowed. The qualitative factors relevant to the determination of significant variability in fulfilment cashflows are subjective . Additionally, the calculation for liability (and asset) for remaining coverage using GMM is complex and requires the Company to perform a forecast based assessment. As part of this assessment the Company 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 Company 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 with high estimation uncertainty 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.	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 for remaining coverage ("LRC") under the General Measurement Model (GMM) for groups of insurance (and reinsurance) contracts where we assessed the risk of the two measurement models generating liabilities for remaining coverage 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 Company's disclosures in respect of key judgements within PAA eligibility assessment performed by the Company. We performed the tests above over the eligibility for the PAA rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the Company's eligibility for the Premium Allocation Approach to be acceptable (2023: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at $2.90 million (2023: $2.77 million), determined with reference to a benchmark of insurance revenue of which it represents 0.90% (2023:0.88%). 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 financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to $2.18 million (2023: $2.10 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 $0.15 million (2023: $0.14 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality and performance materiality levels specified above and was performed by a single audit team.

We were able to rely upon the Company's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work. In other areas the scope of the audit work performed was fully substantive.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company'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 its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company'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 Company's markets, such as the impact of climate change on the Company's results and operations, the performance of the investment portfolio, and 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 Company's current and projected financial resources (a reverse stress test).

We considered whether the going concern disclosure on page 20 of the 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 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 Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure on page 20 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 Company will continue in operation.

5 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 Directors, the Audit Committee, Internal Audit, the Risk function, Head of legal and the Company Secretary, together with inspection of policy documentation, as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company'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 targets for management.
- 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.

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, and 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 with limited management judgement.

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 Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test 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 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 Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is 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.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the 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 Company 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 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 Company'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.

We discussed with the Audit Committee and those charged with governance matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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 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 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.

6 We have nothing to report on the strategic report and the Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company 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 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 financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member, 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
27 March 2025

	Notes	2024 $m	2023 $m
Insurance revenue	3, 11	**327.3**	313.8
Insurance service expenses	3, 4, 6, 11	**(205.4)**	(141.5)
Insurance service result before reinsurance contracts held		**121.9**	**172.3**
Allocation of reinsurance premium	3, 11	**(225.4)**	(233.6)
Amounts recoverable from reinsurers	3, 4, 11	**131.8**	105.7
Net expense from reinsurance contracts held		**(93.6)**	**(127.9)**
Insurance service results		**28.3**	**44.4**
Net investment income	3, 5	**8.4**	10.5
Finance expense from insurance contacts issued	3, 4	**(14.8)**	(17.0)
Finance income from reinsurance contracts held	3, 4	**12.6**	14.6
Net insurance and investment result		**34.5**	**52.5**
Net foreign exchange gains (losses)		**0.2**	(1.2)
Other operating expenses	6	**(34.4)**	**(34.0)**
Profit before tax		**0.3**	**17.3**
Income tax expense	7	**(0.2)**	(4.0)
Profit for the year		**0.1**	**13.3**

Statement of financial position

As at 31 December 2024

	Notes	**31 December 2024 $m**	31 December 2023 $m
Assets			
Cash and cash equivalents	8	**24.8**	37.0
Accrued interest receivable		**1.5**	1.1
Investments	9	**174.3**	171.1
Reinsurance contract assets	11	**380.0**	301.4
Other receivables		**2.1**	1.9
Corporation tax receivable		**5.5**	0.5
Deferred tax asset	12	**1.7**	1.9
Total assets		**589.9**	**514.9**
Liabilities			
Insurance contract liabilities	11	**388.4**	310.1
Other payables		**15.9**	19.3
Total liabilities		**404.3**	**329.4**
Shareholders' equity			
Share capital	13	**188.4**	188.4
Retained earnings		**(2.8)**	(2.9)
Total shareholders' equity		**185.6**	**185.5**
Total liabilities and shareholders' equity		**589.9**	**514.9**

The financial statements were approved by the Board of Directors and signed on its behalf by:

J. Cadman

Director

27 March 2025

	Notes	Share capital $m	Retained earnings $m	Total shareholders' equity $m
Balance as at 31 December 2022		188.4	(16.2)	172.2
Profit for the year		—	13.3	13.3
Balance as at 31 December 2023		188.4	(2.9)	185.5
Profit for the year		—	0.1	0.1
Balance as at 31 December 2024		**188.4**	**(2.8)**	**185.6**

	Notes	2024 $m	2023 $m
Cash flows from operating activities			
Profit before tax		0.3	17.3
Adjustments for:			
Tax paid		(5.2)	(2.5)
Interest income received		(6.3)	(4.4)
Foreign exchange (gains) losses		(0.3)	(0.9)
Net unrealised (gains) losses on investments	5	(1.2)	(4.7)
Net realised (gains) losses on investments	5	(0.6)	(0.7)
Changes in operational assets and liabilities			
– Insurance and reinsurance contracts		0.7	(21.8)
– Other assets and liabilities		(3.9)	7.4
Net cash flows from operating activities		(16.5)	(10.3)
Cash flows used in investing activities			
Interest received		5.9	4.2
Purchase of investments		(68.7)	(69.2)
Proceeds on sale of investments		67.3	88.6
Net cash flows used in investing activities		4.5	23.6
Cash flows from financing activities		—	—
Dividends paid		—	—
Net cash flows from financing activities		—	—
Net increase in cash and cash equivalents		(12.0)	13.3
Cash and cash equivalents at beginning of year		37.0	24.3
Effect of exchange rate fluctuations and other on cash and cash equivalents		(0.2)	(0.6)
Cash and cash equivalents at end of year	**8**	**24.8**	**37.0**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation, use of estimates, consolidation principles and material accounting policies adopted in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with UK adopted International Accounting Standards and applicable law. Details of the Company's material accounting policies are set out on pages 20 to 26.

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.

GOING CONCERN BASIS OF ACCOUNTING

The financial statements are prepared on a going concern basis using accounting policies consistent with UK adopted International Accounting Standards and applicable law.

In assessing the Company'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 Company's capital and solvency ratios, the current performance against the Company's strategic and financial business plan, the current market environment including consideration of climate change.

The Company's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these financial statements. To assesses the Company's going concern, the financial stability of the Company was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, a severe but plausible stress test and a reverse stress test. The testing identified that even under the severe but plausible stress scenario, the Company had 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 Company's ability to continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future, a period of at least twelve months from the date of signing these financial statements.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the application of the Company'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 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 Company. Such changes are reflected in the assumptions when they occur, and are recognised prospectively. It is considered impracticable to determine the effect that changes in these assumptions and estimates are expected to have on future periods.

KEY ASSUMPTIONS CONCERNING THE FUTURE AND SOURCES OF ESTIMATION UNCERTAINTY

The Company has considered both key assumptions concerning the future, and sources of estimation uncertainty, that might 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 Company's 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 current estimates of the future cash flows within the contract boundary of a group of contracts that we expect to collect from premiums 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 fulfilment cash flows 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 Company together with unforeseen loss development increase uncertainty over the accuracy of loss reserves. A significant portion of the Company'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 a 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 within our risk disclosures in note 11 on page 54.

JUDGMENTS, OTHER THAN THOSE INVOLVING ESTIMATIONS

The company's 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 expense. The main areas in which judgement is applied is therefore in the measurement and recognition of insurance contracts and financial assets.

Simplified premium allocation measurement model

Management applies judgement to determine if the Company is eligible to apply the simplified PAA measurement model under IFRS 17.

The Company considers that it is eligible to apply the PAA measurement model to its portfolios and groups of contracts on the basis that the measurement of the LRC is not reasonably expected to differ materially from that calculated under the GMM. The Company 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 contracts. Given consistency in the Company's business mix together with relatively stable economic facts, 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.

Level of aggregation

Judgement is required to determine the level of aggregation under IFRS17. 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 up to three IFRS 17 groups of contracts for recognition and measurement purposes based on their expected profitability.

Onerous contract assessment

Management applies judgement to assess whether facts and circumstances indicate that a group of contracts is onerous at initial recognition, or subsequently assesses whether facts and circumstances indicate any changes in the onerous group's profitability, and whether any loss component remeasurement is required.

Classification of investment portfolio

The classification of the Company's investment portfolio requires judgement in assessing the business model within which assets are held. The Company has established that all investment classes are managed, and their performance evaluated, on a fair value basis and therefore they are classified at FVTPL. These are discussed on note 9.

FUTURE ACCOUNTING CHANGES

IFRS 18, Presentation and Disclosure in Financial Statements

On 9 April 2024, the International Accounting Standards Board (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 Company is monitoring the endorsement process and undertaking an initial assessment into the potential impact of adopting IFRS 18.

OTHER ACCOUNTING CHANGES

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 Company and do not impact the financial statements.

FOREIGN CURRENCY

FUNCTIONAL CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which operations are conducted (the 'functional currency'). The functional currency is U.S. dollars and the financial statements are presented in U.S. dollars (the 'presentation currency').

TRANSACTIONS AND BALANCES

Foreign currency transactions are recorded in the functional currency 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 the statement of comprehensive income (loss) within net foreign exchange gains (losses). 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 at the date the estimated fair value was determined.

INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

CLASSIFICATION

Insurance contracts issued are those 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 Company does not issue any contracts with direct participation features.

In the normal course of business, the Company 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 financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

LEVEL OF AGGREGATION

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

An insurance contract issued by the Company is recognised at the earliest of:

- the beginning of the coverage period;
- when the first payment from the policyholder becomes due or, if there is no due date, when it is received from the policyholder; and
- 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, or 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 Company uses the PAA to simplify the measurement of groups of insurance contracts issued and reinsurance contracts held. The Company considers that it is eligible to apply the PAA measurement model to its groups of contracts (within a given portfolio of insurance contracts) where the measurement of the LRC or ARC is not reasonably expected to differ materially from that calculated under the GMM.

Contract boundary

The measurement of a group of insurance contracts issued or reinsurance contracts held includes all of the FCF 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. through In the case of insurance contracts issued this is where the Company can compel the policyholder to pay premiums or the Company has substantive obligations to provide the policyholder with insurance coverage or other services. In the case of reinsurance contracts held this is where the Company 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 Company has the practical ability to reassess the risks of the particular policyholder, and as a result can set a price or level of benefits that fully reflects those risks; or
- the Company 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 Company.

The Company 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 Company 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 Company requires, or transfers to a reinsurer, for bearing uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils its insurance contracts issued.

Insurance acquisition cashflows

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;
- 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 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 Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If there is such evidence, the Company determines if the contract will result in a net cash outflow. The Company 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 measurements 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 Company 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 Company 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 Company 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 Company derecognises an insurance contract issued or a reinsurance contract held when it is extinguished (i.e. 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 components parts of the contract, outside the scope of IFRS 17:
- substantially changes the contract boundary: or
- results in the contracts being allocated to a different group.

When an insurance contract is extinguished, transferred to a third party, or modified resulting in its derecognition, any adjustments made to the FCF are recorded within the 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 statement of financial position.

The Company disaggregates amounts recognised in the statement of comprehensive income into an insurance service result, and insurance finance income and expense.

The Company 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 Company expects to be entitled to in exchange for those services..

Insurance service expenses

Insurance service expenses are recognised as they are incurred and comprise the following items:

- incurred claims net of inwards reinstatement premium 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 in other operating expenses in the 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:

- unwind of the initial discount i.e. interest accreted on the LIC; and
- the effect of changes in interest rate assumptions.

The Company has elected to include insurance finance income and expenses in the 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 Company would be required to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The receipt of this deposit 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 dependant on the Company's business model for managing the financial asset and the contractual terms of the cash flows.

Financial assets are classified 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 at FVOCI if they are held to both collect contractual cash flows and sell and where those cash flows represent SPPI.

All financial assets not classified as measured at amortised cost or FVOCI are 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 Company changes its business model for managing 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 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 on 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.

INVESTMENTS

The Company's business model emphasises the preservation of capital and the provision for 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 Company 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 Company commits to purchase or sell the asset.

At initial recognition, the Company measures financial assets held at FVTPL at their fair value on acquisition. Transaction costs in respect of financial assets carried at FVTPL are expensed in the statement of comprehensive income as they are incurred. Financial assets held at FVTPL are subsequently measured at their fair value.

The table below shows the classification categories of the Company's investment portfolio.

Investments	**Classification**	**Reason**
Fixed maturity securities	FVTPL	Mandatory - portfolio is managed at fair value

The Company's investment portfolio includes quoted 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 our investments are recognised in profit or loss within net investment income. Interest income is recognised on the effective interest rate method and recognised in profit or loss within net investment income. The carrying value of accrued interest income approximates fair value due to its short-term nature and high liquidity.

Investments are derecognised when the Company has transferred substantially all of the risks and rewards of ownership or when the rights to receive cash flows from the asset has expired, with any realised gains or losses recognised in profit or loss within net investment income.

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 method, less an expected credit loss allowance where applicable.

Other receivables held by the Company are short term in nature.

IMPAIRMENT

The Company 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 initial recognition of trade receivables and contract assets. The Company 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 liabilities for goods and services provided to the Company prior to the end of the financial year 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.

TAX

Income tax 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 statement of comprehensive income due to 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 statement of financial position and their tax base. Deferred tax assets or liabilities are accounted for using the statement of financial position 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.

The Company applies judgement in identifying uncertainties over income tax treatments, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by taxation authorities.

1. GENERAL INFORMATION

The Company is a provider of global insurance and reinsurance products. The Company was incorporated in the UK on 17 March 2006 and is authorised by the PRA to conduct general insurance business. The Company is a limited liability company with an intermediate holding company, Lancashire Insurance Holdings (UK) Limited. LIHL is 100% owned by the ultimate parent company, Lancashire Holdings Limited. The common shares of LHL trade on the main market of the London Stock Exchange.

2. RISK DISCLOSURES

The Company is exposed to risks from several sources, classified into six primary risk categories. These risks are:

- Insurance risk;
- Market risk;
- Liquidity risk;
- Credit risk;
- Operational risk; and
- Strategic risk.

The most significant risk to the Company is considered to be insurance risk. The primary objectives of the Company's Enterprise Risk Management are to ensure that capital resources held are matched to the risk profile of the Company and that the balance between risk and return is considered as part of all key business decisions. The Company has formulated, and keeps under review, a risk appetite which is set by the Board of Directors. The Company's appetite for risk will vary marginally from time to time to reflect the potential risks and returns that present themselves. However, protecting the Company's capital and providing LHL, the ultimate parent, with a superior risk adjusted return over the long term are constants. The risk appetites are expressed through detailed risk tolerances at both a Company and Group level. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Company and the Group are prepared to expose to certain risks.

The Company's Board of Directors is responsible for setting and monitoring risk appetite and tolerances. All risk tolerances are subject to at least an annual review and consideration by the Board of Directors. The Board of Directors reviews 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

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 Company 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 Company, 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 Company'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 Company's economic capital models are primarily focused on insurance risks, however it is also used to model other risks including market, credit and operational risks.

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 Company's underwriting, reserving, claims management or reinsurance decisions and judgements result in a detrimental impact to the Company.

The Company underwrites worldwide, predominantly short-tail, insurance and reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes. The Company's exposure in connection with insurance or reinsurance contracts underwritten is, in the event of insured losses, whether 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 cycle. Market conditions are impacted by capacity and recent loss events, and broader economic cycle impacts amongst other factors. The Company'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 Company considers insurance risk at an individual contract level, at a sector 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 respective Board of Directors.

A number of controls are deployed 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;
- 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 Company's business provides coverage for natural catastrophes (e.g. hurricanes, earthquakes, wildfires and floods) and is subject to potential seasonal variation and the effects of climate change. A proportion of the Company'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 Company's loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. The Company also bears 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 Company 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 with subject matter experts across the Company, discussions at the Emerging Risk Forum, and the ESG Co-ordination 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 Quarterly Review and through the fortnightly 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 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 Company manages climate risk by using stochastic models from third-party vendors which 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 by the regular meetings, Quarterly Business Reviews and related reporting. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our PMLs.

The Company accepts risks for periods primarily of one year, which mitigates the potential short-term impacts of climate risk. The Company 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.

CATASTROPHE MANAGEMENT

The Company 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 Company's exposures to certain peak zone elemental losses, as a percentage of tangible capital, 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.

As at 31 December 2024[1]		100 year return period estimated net loss[1] $m	100 year return period estimated net loss[1] % of tangible capital	250 year return period estimated net loss[1] $m	250 year return period estimated net loss[1] % of tangible capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**10.4**	**5.6 %**	**13.2**	**7.1 %**
California	Earthquake	**8.7**	**4.7 %**	**10.5**	**5.7 %**
Non-Gulf of Mexico – U.S.	Hurricane	**6.9**	**3.7 %**	**8.1**	**4.4 %**
Pan-European	Windstorm	**0.2**	**0.1 %**	**0.4**	**0.2 %**
Japan	Typhoon	**1.0**	**0.5 %**	**1.1**	**0.6 %**
Japan	Earthquake	**0.7**	**0.4 %**	**0.9**	**0.5 %**
Pacific North West	Earthquake	**2.2**	**1.2 %**	**6.1**	**3.3 %**

1 Estimated net loss balances presented in the table are unaudited. The financial information in this note is unaudited and is not part of the financial statements.
2 Landing hurricane from Florida to Texas.

As at 31 December 2023[1]		100 year return period estimated net loss[1] $m	100 year return period estimated net loss[1] % of tangible capital restated	250 year return period estimated net loss[1] $m	250 year return period estimated net loss[1] % of tangible capital restated
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	9.1	4.9 %	12.7	6.8 %
California	Earthquake	7.4	4.0 %	9.7	5.2 %
Non-Gulf of Mexico – U.S.	Hurricane	5.3	2.9 %	6.2	3.3 %
Pan-European	Windstorm	0.3	0.2 %	0.4	0.2 %
Japan	Typhoon	1.0	0.5 %	1.1	0.6 %
Japan	Earthquake	0.8	0.4 %	1.1	0.6 %
Pacific North West	Earthquake	2.0	1.1 %	5.1	2.7 %

1 Estimated net loss balances presented in the table are unaudited. The financial information in this note is unaudited and is not part of the financial statements.
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.

INSURANCE REVENUE GEOGRAPHICAL SPLIT AND OPERATING SEGMENT

The following table provides an analysis of the Company's insurance revenue by operating segment and geographical location:

	For the year ended 31 December 2024					For the year ended 31 December 2023				
	Property $m	Energy $m	Marine $m	Aviation $m	Total $m	Property $m	Energy $m	Marine $m	Aviation $m	Total $m
Worldwide - multi territory	**5.7**	**77.9**	**23.0**	**48.1**	**154.7**	6.3	81.8	24.6	42.9	155.6
U.S. and Canada	**78.1**	**24.0**	**—**	**—**	**102.1**	63.0	22.1	—	—	85.1
Europe	**19.3**	**7.6**	**0.3**	**5.6**	**32.8**	18.2	5.9	0.1	2.8	27.0
Rest of world	**20.0**	**17.7**	**—**	**—**	**37.7**	27.9	18.2	—	—	46.1
Total	**123.1**	**127.2**	**23.3**	**53.7**	**327.3**	115.4	128.0	24.7	45.7	313.8

I. PROPERTY

Property direct and facultative is a worldwide book of largely commercial property business. The account spans small individual locations to Fortune 500 accounts but with a bias towards small to medium-sized risks. Policies are generally provided both for non-elemental and elemental perils, although not all risks include both elemental and non-elemental coverage. Coverage is generally written on a full value, primary or excess of loss basis, although the very largest accounts are currently seldom written at the primary level.

Terrorism business can be written either ground up or, for primary or high excess layers, with cover provided for U.S. and worldwide property risks, but typically excluding nuclear, chemical and biological coverage in most territories. Cover is generally provided to medium to large commercial and industrial enterprises. Policies are typically written for scheduled locations and exposure is controlled by setting limits on aggregate exposure within a "blast zone" radius. Some national pools are also written, which may include nuclear, chemical and biological coverage and may have an element of life coverage.

Property political risk cover is written either ground up or on an excess of loss basis. Coverage that the Company provides in the Property political risk book is split between Confiscation perils coverage and Sovereign/Quasi-Sovereign obligor coverage. Confiscation perils coverage protects against CEND (Confiscation, Expropriation, Nationalisation, Deprivation) and may be extended to include other perils. Sovereign/Quasi Sovereign obligors coverage protects against the non-payment or non-honouring of an obligation by a Sovereign or Quasi Sovereign entity. Cover is provided to medium to large commercial and industrial clients as well as bank and commodity trading clients. The Company does not cover against private obligor credit risk.

The Company is exposed to large natural catastrophe losses, such as windstorm and earthquake loss, from its remaining property direct and facultative portfolio. Exposure to such events is controlled and measured by setting limits on aggregate exposures in certain classes per geographic zone and through loss modelling. The accuracy of the latter exposure analysis is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss. The Company's appetite and exposure guidelines to large losses are set out on pages 28 and 29.

Property retrocession is written on an excess of loss basis through treaty arrangements and covers elemental risks.

Reinsurance may be purchased to mitigate exposures to large natural catastrophe losses in the U.S., Canada and worldwide with certain exclusions. Reinsurance may also be purchased to reduce the Company's worldwide exposure to large risk losses. Reinsurance is typically purchased on an excess of loss basis; however, ILWs or quota share arrangements may be entered into.

II. ENERGY

Energy risks are written mostly on a direct basis and may be ground up or for primary or excess layers on either a first loss or full value basis.

Upstream energy policies are typically package policies which may include physical damage, business interruption and third party liability sections. Coverage can include fire and explosion and elemental risks. Individual assets covered can be high value and are therefore mostly written on a subscription basis meaning that coverage is placed with multiple underwriters.

Gulf of Mexico offshore energy programmes cover elemental and non-elemental risks. Most policies have sub-limits on coverage for elemental losses. These programmes are exposed to Gulf of Mexico windstorms. Exposure to such events is controlled and measured through loss modelling. The accuracy of this exposure analysis is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss. The Company's appetite and exposure guidelines to large losses are set out on pages 28 and 29.

Construction energy contracts generally cover all risks of platform and drilling units under construction at yards and offshore, during towing and installation. Onshore construction contracts are generally not written.

Downstream energy risks are generally those with an operational hydrocarbon risk - either processing and or storage and or transmission - and may also include production of chemicals and intermediates. Policies typically cover property for physical damage (including natural catastrophe) and machinery breakdown perils plus consequential business interruption exposure and may be written on a proportional or excess of loss basis, often with loss limits set at a level commensurate with a modelled "estimated maximum loss" scenario. The portfolio encompasses a global spread of accounts, and critical natural catastrophe coverage is usually sub-limited, with underwriting assessment employing industry-accepted modelling tools to assess this exposure where possible. The sector provides cover for operational assets, albeit some construction risk is covered only where it is not deemed the policy's primary exposure, whilst third party liabilities are not covered (except where required under legislation for a small sub-limited property damage cover required under 'Napoleonic code').

Reinsurance may be purchased on a facultative or treaty basis.

The Company also writes energy liability business on a stand-alone basis. Unlike the liability contained within the energy packages that the Company writes, stand-alone energy liability is written on an excess of loss basis only. Coverage is worldwide and provides coverage for all kinds of damages and loss to third parties. Coverage is generally restricted to offshore assets.

Reinsurance protection may be purchased to protect a portion of loss from elemental and non-elemental energy claims, and from the accumulation of smaller, attritional losses. Reinsurance is typically purchased on an excess of loss basis but, from time to time, quota share arrangements may be entered into. Reinsurance may be purchased on a facultative or treaty basis.

III. MARINE

Marine business is predominantly written on a quota share basis. Marine hull and total loss is generally written on a direct basis and covers marine risks on a worldwide basis, primarily for physical damage. Marine builders risk covers the building of ocean going vessels in specialised yards worldwide. Marine hull war is mostly direct insurance of loss of vessels from war, piracy or terrorist attack, with a very limited amount of facultative reinsurance. Marine cargo programmes are not normally written.
The largest expected exposure in the marine class is from physical loss rather than from elemental loss events, although there is exposure to elemental perils and to the costs from removal of wreck.

Reinsurance may be purchased to reduce the Company's exposure to both large risk losses and an accumulation of smaller, attritional losses.

IV. AVIATION

AV52 is written on a risk-attaching excess of loss basis and provides coverage for third party liability, excluding own passenger liability, resulting from acts of war or hijack of aircraft. Cover excludes countries whose governments provide a backstop coverage, but does include some US commercial airlines.

Aviation deductible business is a specialist area with small individual limits normally up to $1.0 million and covers the deductible the airline would normally have for each and every loss under the terms of their airline policy.

Aviation hull and liability provides cover to the airlines directly and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or manufacturers.

Reinsurance may be purchased to mitigate exposures to an AV52 event loss. Reinsurance is typically purchased on a treaty excess of loss basis.

Reinsurance

The Company, 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, and to improve the modelled risk-adjusted return by entering into external outwards reinsurance arrangements. Reinsurance does not relieve the Company of its obligations to policyholders. Under the Company's reinsurance security policy, reinsurers are assessed and approved based on their financial strength ratings together with other factors. The 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 ORIF monitors the Company's reinsurers on an ongoing basis, and formally reviews the Company's reinsurance arrangements at least quarterly. Exposure to the Company's reinsurance counterparties, compared to the Board-approved tolerances, is reported to the Board of Directors on a quarterly basis.

The Company's principal reinsurance arrangement is with LICL, through an 80.0% (2023 - 80.0%) whole account quota share agreement, after taking account of certain other third party inuring reinsurance contracts. At 31 December 2024 LICL was rated A (excellent) by A. M. Best. Under the terms of the whole account quota share agreement, LICL provides security to the Company in the form of a trust fund, consisting of cash and cash equivalents and fixed maturity securities.

In addition to the quota share agreement referred to above, reinsurance protection is typically purchased on an excess of loss or quota share basis and occasionally includes 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 Company regularly reviews its catastrophe exposures and may purchase reinsurance in order to reduce the Company's net exposure to a large natural catastrophe loss and/or to reduce net exposures to other large losses. The Company 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 Company will retain some losses as the cover purchased is unlikely to transfer the totality of the Company's exposure. Any loss amount which exceeds the Company's reinsurance programme is retained by the Company. 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 Company 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 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 on pages 35 to 37); and
- a risk adjustment for non-financial risk.

More detail on each of these is considered further in the section below.

Probability-weighted best estimate of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available at the reporting date. The Company uses internal and external information about past events, current conditions and forecasts of future conditions. The Company'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 a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount and timing. These include payments to or on behalf of policyholders and 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 contracts. Where expenses are not contract specific (e.g. overheads), these are allocated to groups of contracts in a systematic way.

For all our contracts, uncertainty in the estimation of future claims and benefit payments arise primarily from the severity and frequency of claims and uncertainties regarding future inflation rates.

The Company 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 (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 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 Company'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 Company 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. The undiscounted risk adjustment within the LIC and AIC is set with reference to the Company'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 the granular approach, no further allocation of the risk adjustment to groups of 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 Company estimates that FCF within the net of reinsurance LIC (including the risk adjustment for non-financial risks) corresponds to a confidence level of 75% (31 December 2023 - 75%).

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, these assumptions are set and agreed by Management. 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 Company generally expects movement in the percentile from period to period. Movements between periods, are to be expected due to, for example, uncertainty around specific loss events or changes in the reserve mix at a class of business level. The change in the Company's confidence level in the period has been driven by both of these factors. The Company'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 year ended 31 December 2024 and 2023.

Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the Company 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 Company's loss component, only the LIC component of the net liability on insurance contracts issued and the AIC component of the net asset on reinsurance contracts held is sensitive to possible changes in insurance risk and interest rate risk variables.

	31 December 2024		31 December 2023	
	LIC as at 31 December	**Impact on profit after tax and shareholders' equity**	LIC as at 31 December	Impact on profit after tax and shareholders' equity
Insurance contract liabilities	**344.6**		297.3	
Reinsurance contracts assets	**(308.8)**		(277.1)	
Net insurance contract liabilities	**35.8**		**20.2**	
Unpaid claims and expense - 20% increase				
Insurance contract liabilities	**413.5**	**(51.7)**	356.8	(45.5)
Reinsurance contract assets	**(370.6)**	**46.4**	(332.5)	42.4
Net insurance contract liabilities	**42.9**	**(5.3)**	**24.3**	**(3.1)**

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 Company in a way that is financially detrimental to the Company. The main risks include:

i. Insurance risk;
ii. Investment risk; and
iii. 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 Company operates, have a detrimental financial impact on the Company. The Company 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, may result in a limit in the availability of cover, causing political intervention or national remedies;
- failure to maintain broker, binding authority and client relationships, leading to a limited or substandard choice of risks inconsistent with the Company'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 Company 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 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 outputs from the economic capital models to assess up-to-date profitability of classes and sectors;
- holds a fortnightly RRC meeting to discuss risk and reinsurance;
- participates in a quarterly Underwriting and Underwriting Risk Committee meeting to review underwriting strategy; and
- holds regular meetings with regulators.

II. INVESTMENT RISK

Investment risk is the risk that movements, trends or other factors, within either public or private investment markets, have a detrimental financial impact on the price of securities within the Company's investment portfolio. Movements in investments resulting from changes in prices, interest and inflation rates and currency exchange rates, amongst other factors, may lead to an adverse impact on the value of the Company's investment portfolio.

Investment guidelines are established by the Investment Risk and Return Committee of the LHL Board of Directors to manage this risk. The LUK Board of Directors reviews and adopts these guidelines as appropriate. Investment guidelines set parameters within which the Company's external investment managers must operate. All of the Company's fixed income managers are signatories of the UNPRI. 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 Risk and Return Committee of the LHL Board of Directors and the LUK Board of Directors.

The Company's investment guidelines restricts investments in companies which rely on thermal coal for power generation or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. The risks from climate change is monitored through the use of a Climate VaR which is monitored versus the MSCI benchmark quarterly through analysis of the underlying securities as measured by MSCI for the Company's level 1 and Level 2 securities.

The Company's fixed maturity portfolios are managed by an external investment manager. The performance of the managers is monitored on an ongoing basis.

Within the Company guidelines is a subset of guidelines for the portion of funds required to meet near term obligations and cash flow needs following an extreme event. The funds to cover this potential liability are designated as the "core" portfolio and the portfolio duration is matched to the duration of the insurance liabilities, within an agreed range. The core portfolio is invested in fixed maturity securities 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. The subset of guidelines adds a further degree of requirements, including fewer allowable asset classes, higher credit quality, shorter duration and higher liquidity. The primary objectives of this portion of assets are capital preservation and providing liquidity to meet insurance and other near term obligations.

Assets in excess of those required to be held in the core portfolios are typically held in the surplus portfolio.The surplus portfolio is invested in fixed maturity securities, cash and cash equivalents and can also be invested in derivative instruments. In general, the duration of the surplus portfolio may be slightly longer than the core portfolio. Currently, the Company does not hold any equity securities, derivative instruments or any alternative investments, such as hedge funds. At 31 December 2024, the Company was not holding any securities in the Surplus portfolio.

The Company reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order 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 Company endeavours to limit losses in risk-on, risk-off and interest rate hike scenarios. The Company models various periods of significant stress in order 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 Company also monitors the portfolio impact of more severe disaster scenarios consisting of extreme shocks.

The Investment Risk and Return Committee performs a strategic asset allocation study on a bi-annual basis, which assesses the Company'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 Company'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 Company's investment portfolio is as follows:

	Total	
As at 31 December 2024	**$m**	**%**
– Short-term investments	**0.5**	**0.3**
– U.S. treasuries	**51.3**	**29.4**
– U.S. municipal bonds	**1.8**	**1.0**
– Asset backed securities	**3.4**	**2.0**
– U.S. government agency mortgage backed securities	**22.6**	**13.0**
– Non-agency mortgage backed securities	**1.7**	**1.0**
– Corporate bonds	**93.0**	**53.3**
Total fixed maturity securities	**174.3**	**100.0**

	Total	
As at 31 December 2023	$m	%
– U.S. treasuries	87.6	51.2
– U.S. municipal bonds	1.7	1.0
– Asset backed securities	0.2	0.1
– U.S. government agency mortgage backed securities	2.7	1.6
– Corporate bonds	78.9	46.1
Total fixed maturity securities	171.1	100.0

The concentration risk of the Company's fixed maturity securities by country and sector is as follow:

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	**18.0**	**52.9**	**1.0**	**75.7**	**1.7**	**0.5**	**149.8**
France	**3.3**	**1.7**	—	—	—	—	**5.0**
Japan	**3.6**	**1.3**	—	—	—	—	**4.9**
United Kingdom	**2.0**	**2.5**	—	—	—	—	**4.5**
Canada	**1.8**	**1.3**	—	—	—	—	**3.1**
Jersey	—	—	—	—	**2.4**	—	**2.4**
Spain	**1.4**	—	—	—	—	—	**1.4**
Germany	**0.8**	**0.3**	—	—	—	—	**1.1**
Cayman Islands	—	—	—	—	**1.0**	—	**1.0**
Singapore	—	**1.0**	—	—	—	—	**1.0**
Netherlands	—	**0.1**	—	—	—	—	**0.1**
Total	**30.9**	**61.1**	**1.0**	**75.7**	**5.1**	**0.5**	**174.3**

1 Structured products excludes any Government structured products.
2 Other includes short term investments

As at 31 December 2023	Financials $m	Industrial $m	Utility $m	Government & Government Agencies $m	Structured[1] $m	Total $m
United States	10.4	42.2	2.2	92.0	0.2	147.0
France	3.6	1.7	—	—	—	5.3
Japan	2.5	2.1	—	—	—	4.6
United Kingdom	0.9	2.8	—	—	—	3.7
Canada	1.8	1.3	—	—	—	3.1
Switzerland	1.7	—	—	—	—	1.7
Netherlands	1.1	0.1	—	—	—	1.2
Ireland	—	1.2	—	—	—	1.2
Germany	0.8	0.3	—	—	—	1.1
Singapore	—	1.0	—	—	—	1.0
Italy	0.8	—	—	—	—	0.8
Spain	0.4	—	—	—	—	0.4
Total	24.0	52.7	2.2	92.0	0.2	171.1

1 Structured products excludes any Government structured products.

The Company's net asset value is directly impacted by movements in the fair value of investments held. 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 within 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 Company's assets and liabilities. The Company's investment portfolio is mainly comprised of fixed maturity securities and cash and cash equivalents. They consist of high quality, short duration fixed maturity securities. The fair value of the Company's fixed maturity portfolio is generally inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Company'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 Company's fixed maturity portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

	As at 31 December 2024		As at 31 December 2023	
	$m	%	$m	%
Immediate shift in yield (basis points)				
100	**(4.9)**	**(2.8)**	(3.0)	(1.8)
75	**(3.7)**	**(2.1)**	(2.3)	(1.3)
50	**(2.4)**	**(1.4)**	(1.5)	(0.9)
25	**(1.2)**	**(0.7)**	(0.8)	(0.4)
(25)	**0.9**	**0.5**	0.8	0.5
(50)	**1.9**	**1.1**	1.6	0.9
(75)	**2.8**	**1.6**	2.4	1.4
(100)	**3.7**	**2.1**	3.2	1.9

The Company mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the core portfolio is matched to the modelled duration of the insurance reserves, within a permitted range. The permitted duration range for the surplus portfolio is between one and five years.

The overall duration for fixed maturity, managed cash and cash equivalents is 2.4 years (As at 31 December 2023 - 1.8 years).

In addition to duration management, the Company 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 portfolio is not expected to lose 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 Company's annual VaR calculations are as follows:

	As at 31 December 2024		As at 31 December 2023	
As at 31 December	$m	% of shareholders' equity	$m	% of shareholders' equity
99th percentile confidence level	**9.7**	**5.2**	7.9	4.2

(ii) Discounting approach on LIC and AIC

The Company's LIC and AIC are discounted on initial recognition and re-measured to current interest rates at each reporting date and therefore sensitive to changes in market interest rates.

The Company applies the bottom-up approach when deriving its discount 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 table below sets out the one, three and five 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 Company's major currencies:

	As at 31 December 2024			As at 31 December 2023		
	1 year	3 years	5 years	1 year	3 year	5 year
USD	**4.78%**	**4.88%**	**4.98%**	5.33%	4.40%	4.29%
GBP	**5.06%**	**4.98%**	**4.97%**	5.31%	4.34%	4.14%
EUR	**2.93%**	**3.02%**	**3.18%**	4.03%	3.21%	3.21%
CAD	**3.48%**	**3.54%**	**3.68%**	5.23%	4.51%	4.25%
JPY	**1.12%**	**1.52%**	**1.71%**	0.65%	0.96%	1.24%
ZAR	**8.25%**	**8.44%**	**8.97%**	8.92%	8.63%	9.15%
AUD	**4.65%**	**4.74%**	**5.03%**	4.77%	4.55%	4.76%

The following table presents information on how reasonably possible changes in the yield curve made by the Company impact the valuation of the net insurance contract liabilities, profit after tax and shareholders' equity. As stated above, under the PAA, and given the current amount of the Company's loss component, only the LIC component of the net liability on insurance contracts issued and the AIC component of the net asset on reinsurance contracts held is sensitive to possible changes in insurance risk and interest rate risk variables.

	31 December 2024		31 December 2023	
	LIC as at 31 December	Impact on profit after tax and shareholders' equity	LIC as at 31 December	Impact on profit after tax and shareholders' equity
Insurance contract liabilities	**344.6**		297.3	
Reinsurance contracts assets	**(308.8)**		(277.1)	
Net insurance contract liabilities	**35.8**		**20.2**	
Yield curves - 1% increase				
Insurance contract liabilities	**338.1**	**4.9**	293.0	3.3
Reinsurance contract assets	**(303.3)**	**(4.1)**	(273.4)	(2.8)
Net insurance contract liabilities	**34.8**	**0.8**	**19.6**	**0.5**

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.

III. Currency risk

Currency risk is the risk that movements in currency exchange rates have a detrimental financial impact on the Company. The Company currently underwrites from London, although risks are assumed on a worldwide basis. Risks assumed are predominantly denominated in U.S. dollars.

The Company is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. The exchange gains and losses which arise on these assets and liabilities impact profit or loss.

The Company hedges monetary non-U.S. dollar liabilities primarily with non-U.S. dollar assets. The Company's main foreign currency exposure relates to its insurance obligations and cash holdings.

The Company's assets and liabilities, categorised by currency at their translated carrying amount, are as follows:

Assets	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	South African Rand $m	Other $m	Total $m
Cash and cash equivalents	9.8	1.1	1.3	2.9	7.1	2.6	24.8
Accrued interest receivable	1.5	—	—	—	—	—	1.5
Investments	174.3	—	—	—	—	—	174.3
Reinsurance contract assets	295.9	23.8	16.3	6.8	22.4	14.8	380.0
Other receivables	0.8	1.3	—	—	—	—	2.1
Corporation tax receivable	—	5.5	—	—	—	—	5.5
Deferred tax asset	—	1.7	—	—	—	—	1.7
Total assets as at 31 December 2024	482.3	33.4	17.6	9.7	29.5	17.4	589.9

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	South African Rand $m	Other $m	Total $m
Insurance contract liabilities	308.5	5.9	21.6	7.2	27.0	18.2	388.4
Other payables	13.9	4.5	(2.5)	—	—	—	15.9
Corporation tax payable	—	—	—	—	—	—	—
Total liabilities as at 31 December 2024	322.4	10.4	19.1	7.2	27.0	18.2	404.3

Assets	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	South African Rand $m	Other $m	Total $m
Cash and cash equivalents	14.8	2.0	1.7	1.4	16.2	0.9	37.0
Accrued interest receivable	1.1	—	—	—	—	—	1.1
Investments	171.1	—	—	—	—	—	171.1
Reinsurance contract assets	221.9	23.0	16.7	6.8	20.5	12.5	301.4
Other receivables	(4.7)	6.6	—	—	—	—	1.9
Corporation tax receivable	—	0.5	—	—	—	—	0.5
Deferred tax asset	1.8	0.1	—	—	—	—	1.9
Total assets as at 31 December 2023	406.0	32.2	18.4	8.2	36.7	13.4	514.9

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	South African Rand $m	Other $m	Total $m
Insurance contract liabilities	242.6	4.6	18.9	8.3	21.2	14.5	310.1
Other payables	18.7	0.5	0.1	—	—	—	19.3
Total liabilities as at 31 December 2023	261.3	5.1	19.0	8.3	21.2	14.5	329.4

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 U.S. dollar currencies against the U.S. dollar at the year end spot rates would be an increase or decrease of $2.5 million (31 December 2023 – $4.4 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 Company's main exposures to liquidity risk are with respect to its insurance, investment and operational activities. The Company is exposed if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts issued. The Company 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 Company's fixed maturity portfolio are as follows:

As at 31 December 2024	Total $m
Less than one year	**42.7**
Between one and two years	**33.6**
Between two and three years	**7.3**
Between three and four years	**21.8**
Between four and five years	**14.9**
Over five years	**26.3**
Asset backed and mortgage backed securities	**27.7**
Total fixed maturity securities	**174.3**

As at 31 December 2023	Total $m
Less than one year	58.9
Between one and two years	44.8
Between two and three years	31.5
Between three and four years	5.3
Between four and five years	15.3
Over five years	12.4
Asset backed and mortgage backed securities	2.9
Total fixed maturity securities	171.1

The maturity profile of the insurance contracts and financial liabilities of the Company 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]	**388.4**	**168.5**	**147.4**	**39.1**	**17.7**	**372.7**
Other payables	**15.9**	**15.9**	**—**	**—**	**—**	**—**
Total	**404.3**	**184.4**	**147.4**	**39.1**	**17.7**	**372.7**

(1)Since the Company 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.

		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]	310.1	160.0	113.6	32.3	14.0	319.9
Other payables	19.3	19.3	—	—	—	19.3
Total	329.4	179.3	113.6	32.3	14.0	339.2

(1) Since the Company 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.

Within the table shown above, the insurance contract liabilities balance discloses the period when the claims in respect of insurance contracts issued by the Company 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 Company 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 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 Company 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 $24.8 million (31 December 2023 – $37.0 million). The Company 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. In addition, the Company has established asset allocation and maturity 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 Company monitors market changes and outlook, and reallocates assets as deemed necessary.

As at 31 December 2024, the Company 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 Company is exposed to credit risk on its fixed maturity investment portfolio, derivative instruments, reinsurance contracts assets held for any amounts recoverable from reinsurers. receivables includes within insurance contract liabilities receivable from insureds and cedants and other receivables.

Credit risk on the fixed maturity portfolio is mitigated through the Company'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/Baa2 may comprise no more than 10% of portfolio value, with the exception of U.S. government and government agencies securities. The Company is therefore not exposed to any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the U.S. government and government agencies.

Credit risk on insurance contract cash flows from insureds and cedants is managed by conducting business with reputable broking organisations, with whom the Company has established relationships, and by rigorous cash collection procedures. The Company 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 31.

Reinsurance contracts held in the table below represent the credit exposed components of both reinsurance contract assets and liabilities. These have been presented on an undiscounted basis and represent the maximum exposure to credit risk considering the Company's ability to offset balances, where applicable, under the relevant reinsurance contracts held.

The table below presents an analysis of the Company's major exposures to counterparty credit risk, based on their rating.

As at 31 December 2024	**Cash and cash equivalents $m**	**Fixed maturity securities $m**	**Reinsurance contracts held $m**
AAA	**9.1**	**4.0**	**—**
AA+, AA, AA-	**—**	**84.8**	**—**
A+, A, A-	**15.7**	**52.9**	**310.3**
BBB+, BBB, BBB-	**—**	**32.4**	**—**
Other	**—**	**0.2**	**0.5**
Total	**24.8**	**174.3**	**310.8**

As at 31 December 2023	Cash and cash equivalents $m	Fixed maturity securities $m	Reinsurance contracts held $m
AAA	8.4	0.2	—
AA+, AA, AA-	—	96.4	—
A+, A, A-	28.6	38.2	282.2
BBB+, BBB, BBB-	—	36.3	—
Other	—	—	0.2
Total	37.0	171.1	282.4

Reinsurance is ceded across all geographic regions in which the Company operates.

Reinsurance contracts held above include $244.1 million ($217.4 million -31 December 2023) receivable from LICL which was rated A (excellent) by A.M. Best at 31 December 2024.

Under the terms of the whole account quota share agreement, LICL provides security to the Company in the form of a trust fund, consisting of cash and cash equivalents and fixed maturity securities. At 31 December 2024, an amount of $266.4 million ($215.6 million - 31 December 2023) was held in trust by LICL in favour of the Company.

The Company's maximum exposure to credit risk arising from insurance contracts issued is $137.9 million ($144.1 million -31 December 2023), which relates to the elements of the net 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 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 Company has identified and evaluated its key operational risks and these are incorporated in the risk registers and modelled within the economic capital model. The Company 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 CRO's quarterly ORSA report to the Board.

In order to manage operational risks, the Company 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 Company'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 Company 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 Company'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 Company 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 our 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 Company's information security function.

F. Strategic risk

Strategic risk is the risk that the Company does not develop and implement an appropriate long-term strategy to meet its business goals. The Company 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 PLAN RISK

Business plan risk is 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 Company to optimise performance, increasing reputational risk. The Company 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 of 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 identified that even under the more extreme stress scenarios the Company had more than adequate liquidity and solvency headroom.

II. INFLATION RISK

Both UK and worldwide inflation measures have increased significantly in recent years. Whilst the Company 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 is 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

The shareholders' equity of the Company as at 31 December 2024 is $185.6 million (31 December 2023 – $185.5 million). The Company’s capital requirements vary with the insurance cycle.

Risks associated with the effectiveness of the Company’s capital management, are mitigated as follows:

- regular monitoring of current and prospective regulatory and rating agency capital requirements;
- oversight of capital requirements by the Board of Directors;
- ability to purchase sufficient, cost-effective reinsurance;
- maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments; and
- participation in the International Underwriters Association industry group.

The Company 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.

Internal methods have been developed to review the profitability of classes of business and their estimated capital requirements plus the capital requirements of the combination of a wide range of other risk categories. These approaches are used by management in decision making.

The Company is required to comply with the Solvency II regime and is authorised by the PRA and authorised and regulated by the FCA to conduct general insurance business. Under Solvency II, the basis for assessing capital and solvency comprises a market-consistent economic balance sheet and an SCR, determined using the standard formula. LUK's Solvency II own funds are primarily comprised of Tier 1 items for the years ended 31 December 2024 and 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 2023, LUK was more than adequately capitalised under the Solvency II regime.

IV. RETENTION RISK

Retention risk is the risk of inappropriate succession planning, poor staff retention in key roles, and poor management of key man risks. Risks Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

- the identification of key personnel 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 KPIs for voluntary staff turnovers; and;
- training schemes.

V. GROWTH RISK

Growth risk is the risk of organisational stretch as the Company grows, in terms of volume of business written and number of employees, as well as from transformation programmes to ensure the Company has appropriate systems, infrastructure and data in place to support business activities. Growth risk is mitigated through continuous monitoring of the Company's current state against the Company's business plan and goals, together with engagement with individual management teams within the Company, to validate that they have the resources they require to deliver their own business objectives.

VI. CLIMATE CHANGE RISK

The Company 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 insurance company, the Company 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 Company's strategic and risk management decisions around managing these risks. The risk assessment also considers the products currently offered by the Company and how these might change over time during the transition to a lower carbon economy.

The Company'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.

3. SEGMENTAL REPORTING

Management and the Board of Directors review the Company's business primarily by its four principal classes: Property, Energy, Marine and Aviation. These classes are therefore deemed to be the Company's operating segments for the purposes of segmental reporting.

Further sub-classes of business are underwritten within each operating segment. The nature of these individual sub-classes is discussed further in the risk disclosures section. Operating segment performance is measured by the insurance service result and net insurance ratio. The performance of the overall Company is measured by the combined ratio on both an undiscounted and discounted basis.

All amounts reported are transactions with external parties with the exception of the outwards reinsurance amounts, which include related party transactions as detailed in note 14.

3. SEGMENTAL REPORTING CONTINUED

REVENUE AND EXPENSE BY OPERATING SEGMENT

For the year ended 31 December 2024	Property $m	Energy $m	Marine $m	Aviation $m	Total $m
Insurance revenue	**123.1**	**127.2**	**23.3**	**53.7**	**327.3**
Insurance services expenses	**(48.8)**	**(96.0)**	**(18.4)**	**(42.2)**	**(205.4)**
Net income from insurance contracts issued	**74.3**	**31.2**	**4.9**	**11.5**	**121.9**
Allocation of reinsurance premium	**(91.4)**	**(83.6)**	**(12.1)**	**(38.3)**	**(225.4)**
Amounts recoverable from reinsurers	**20.3**	**67.3**	**12.7**	**31.5**	**131.8**
Net expenses from reinsurance contracts held	**(71.1)**	**(16.3)**	**0.6**	**(6.8)**	**(93.6)**
Insurance service results	**3.2**	**14.9**	**5.5**	**4.7**	**28.3**
Finance expenses from insurance contracts issued	**(5.9)**	**(6.1)**	**(1.1)**	**(1.7)**	**(14.8)**
Finance income from reinsurance contracts held	**5.0**	**5.1**	**0.8**	**1.7**	**12.6**
Net insurance financing result	**(0.9)**	**(1.0)**	**(0.3)**	**—**	**(2.2)**
Net investment return					**8.4**
Other operating expenses					**(34.4)**
Net foreign exchange losses					**0.2**
Profit before tax					**0.3**
Net insurance ratio	**89.9%**	**65.8%**	**50.9%**	**69.5%**	**72.2%**
Net operating expense ratio					**33.8%**
Combined ratio (discounted)					**106.0%**
Discounting impact on combined ratio					**3.8%**
Combined ratio (undiscounted)					**109.8%**

For the year ended 31 December 2023	Property $m	Energy $m	Marine $m	Aviation $m	Total $m
Insurance revenue	115.4	128.0	24.7	45.7	313.8
Insurance services expenses	(52.3)	(54.4)	(10.4)	(24.4)	(141.5)
Net income from insurance contracts issued	63.1	73.6	14.3	21.3	172.3
Allocation of reinsurance premium	(98.0)	(84.4)	(18.2)	(33.0)	(233.6)
Amounts recoverable from reinsurers	44.5	36.2	7.1	17.9	105.7
Net expenses from reinsurance contracts held	(53.5)	(48.2)	(11.1)	(15.1)	(127.9)
Insurance service results	9.6	25.4	3.2	6.2	44.4
Finance expenses from insurance contracts issued	(6.5)	(7.1)	(1.5)	(1.9)	(17.0)
Finance income from reinsurance contracts held	5.6	6.0	1.1	1.9	14.6
Net insurance financing result	(0.9)	(1.1)	(0.4)	—	(2.4)
Net investment return					10.5
Other operating expenses					(34.0)
Net foreign exchange gains					(1.2)
Profit before tax					17.3
Net insurance ratio	44.8%	41.7%	50.8%	51.2%	44.6%
Net operating expense ratio					42.4%
Combined ratio (discounted)					87.0%
Discounting impact on combined ratio					2.8%
Combined ratio (undiscounted)					89.8%

4. 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 statement of comprehensive income for the year ended 31 December 2024 and 2023.

For the year ended 31 December 2024	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	**20.3**	**(16.4)**	**3.9**
Unwind of discount	**(16.4)**	**14.0**	**(2.4)**
Impact of change in assumptions	**1.6**	**(1.4)**	**0.2**
Finance (expense) income	**(14.8)**	**12.6**	**(2.2)**
Total net discounting (expense) income	**5.5**	**(3.8)**	**1.7**

For the year ended 31 December 2023	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	14.4	(12.2)	2.2
Unwind of discount	(15.6)	13.3	(2.3)
Impact of change in assumptions	(1.4)	1.3	(0.1)
Finance income (expense)	(17.0)	14.6	(2.4)
Total net discounting income (expense)	(2.6)	2.4	(0.2)

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 within the Risk disclosures on page 36 & 37.

An analysis of the Company's net investment return is disclosed within note 5. The relationship between the Company's total finance income and expense from insurance contracts issued, and reinsurance contracts held, is not typically expected to correlate directly with the Company's net investment return since:

- the Company'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 rate used in respect of the Company's insurance contract liabilities, and reinsurance contract assets, are set with specific reference to the Company's insurance contracts, and not its investment portfolio; and
- there are a mixture of securities within the Company's investment portfolio, certain of which do not have their valuation directly or primarily affected by changes in interest rates.

5. NET INVESTMENT RETURN

The total investment return for the Company is as follows:

For the year ended 31 December	2024 $m	2023 $m
Investment income including interest receivable on financial investments	**5.6**	4.1
Interest on cash and cash equivalents	**1.2**	1.2
Net movement in realised gains (losses) at FVTPL	**0.6**	0.7
Net movement in unrealised gains (losses) at FVTPL	**1.2**	4.7
Investment income (loss)	**8.6**	10.7
Investment management fees	**(0.2)**	(0.2)
Total net investment income	**8.4**	10.5

6. EXPENSES

Expenses incurred by the Company in the reporting period are outlined in the table below.

For the year ended 31 December	2024 $m			2023 $m		
	Other operating expenses	**Directly attributable expenses**	**Total expenses**	Other operating expenses	Directly attributable expenses	Total expenses
Employee remuneration costs	**21.9**	**18.9**	**40.9**	24.6	12.6	37.2
Operating expenses	**12.5**	**13.0**	**25.4**	9.4	11.1	20.5
Total	**34.4**	**31.9**	**66.3**	34.0	23.7	57.7

Directly attributable expenses comprise fixed and variable expenses incurred by the Company in the reporting period that relate directly to fulfilling insurance contracts issued and have been allocated to insurance service expenses within the statements of comprehensive income.

Auditor's remuneration included within other operating expenses incurred by the Company in the reporting period is outlined in the table below:

For the year ended 31 December	2024 $m	2023 $m
Auditor’s remuneration		
– audit fees	**0.9**	0.8
– audit related services	**0.1**	0.1
– non-audit services	**—**	—
Total	**1.0**	0.9

Fees paid to the Company's auditor for other services relate to Solvency II regulatory reporting and are approved by the Company Audit Committee.

7. TAX

For the year ended 31 December	2024 $m	2023 $m
Corporation tax charge for the period	**—**	(3.9)
Deferred tax charge for the period	**(0.2)**	(0.1)
Tax rate change adjustment	**—**	—
Total tax charge	**(0.2)**	(4.0)

Tax reconciliation	2024 $m	2023 $m
Profit before tax	**0.3**	17.3
UK Corporation Tax charge at 25% (2023: 23.5%)	**(0.1)**	(4.0)
Adjustments in respect of prior period	**(0.1)**	—
Total tax charge	**(0.2)**	(4.0)

The current tax (charge) as a percentage of the Company’s profit before tax is 66.7% (2023 - 23.1%).

8. CASH AND CASH EQUIVALENTS

As at 31 December	2024 $m	2023 $m
Cash at bank and in hand	**15.7**	26.5
Cash equivalents	**9.1**	10.5
Total cash and cash equivalents	**24.8**	37.0

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

9. INVESTMENTS

As at 31 December 2024	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities				
Short-term investments	**0.5**	—	—	**0.5**
U.S. treasuries	**51.6**	**0.7**	**(1.0)**	**51.3**
U.S. municipal bonds	**2.2**	—	**(0.4)**	**1.8**
Asset backed securities	**3.4**	—	—	**3.4**
U.S. government agency mortgage backed securities	**22.8**	**0.1**	**(0.3)**	**22.6**
Non-agency Mortgage Backed Securities	**1.7**	—	—	**1.7**
Corporate bonds	**94.0**	**0.3**	**(1.3)**	**93.0**
Total investments	**176.2**	**1.1**	**(3.0)**	**174.3**

As at 31 December 2023	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities				
U.S. treasuries	88.5	0.7	(1.6)	87.6
U.S. municipal bonds	2.1	—	(0.4)	1.7
Asset backed securities	0.2	—	—	0.2
U.S. government agency mortgage backed securities	2.9	—	(0.2)	2.7
Corporate bonds	80.5	0.4	(2.0)	78.9
Total investments	174.2	1.1	(4.2)	171.1

The Company determines the fair value of each individual security utilising the highest-level inputs of the fair value hierarchy, as defined below, available. The fair value of fixed maturity investments is determined from quotations received from third-party nationally recognized pricing services whose pricing processes, and the controls thereon, are subject to an annual audit on both the design and the operational effectiveness of those controls.

The Company has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for either year ending 31 December.

The fair value of securities in the Company's investment portfolio is estimated using the following techniques:

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 via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry-accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, interest rates, prepayment speeds and default rates.

LEVEL (III)

Level (iii) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. During the years ended 31 December 2024 and 31 December 2023, the Company did not hold any level (iii) investments.

The Company 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 (ii) securities amounted to $0.0 million (2023 - $5.9 million) and transfers from Level (ii) to (i) securities amounted to $19.2 million during the year ended 31 December 2024 (2023 - $21.1 million).

The fair value hierarchy of the Company'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	**0.5**	**—**	**—**	**0.5**
- U.S. treasuries	**51.3**	**—**	**—**	**51.3**
- U.S. municipal bonds	**0.1**	**1.7**	**—**	**1.8**
- Asset backed securities	**—**	**3.4**	**—**	**3.4**
- U.S. government agency mortgage backed securities	**1.8**	**20.8**	**—**	**22.6**
- Non-agency mortgage backed securities	**—**	**1.7**	**—**	**1.7**
- Corporate bonds	**92.1**	**0.9**	**—**	**93.0**
Total investments	**145.8**	**28.5**	**—**	**174.3**

As at 31 December 2023	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
- U.S. treasuries	87.6	—	—	87.6
- U.S. municipal bonds	—	1.7	—	1.7
- Asset backed securities	—	0.2	—	0.2
- U.S. government agency mortgage backed securities	—	2.7	—	2.7
- Corporate bonds	53.0	25.9	—	78.9
Total investments	140.6	30.5	—	171.1

There were no level(iii) investments as at 31 December 2024 or 31 December 2023, therefore no reconciliation of movements within that level has been presented.

10. INTERESTS IN STRUCTURED ENTITIES

UNCONSOLIDATED STRUCTURED ENTITIES IN WHICH THE GROUP HAS AN INTEREST

As part of its investment activities, the Company invests in unconsolidated structured entities. The Company does not sponsor any of the unconsolidated structured entities.

A summary of the Company's interest in unconsolidated structured entities is as follows:

As at 31 December 2024	2024 $m	2023 $m
Fixed maturity securities		
– Asset backed securities	3.4	0.2
– U.S. government agency mortgage backed securities	22.6	2.7
– Non-agency mortgage backed securities	1.7	—
Total	**27.7**	2.9

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 differ in structure, the principles of the instruments are broadly the same and it is appropriate to aggregate the investments into the categories detailed above.

The risk that the Company faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the statement of financial position in that 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 term structure of interest rates which change investors' expectation of the cash flows associated with the instrument and, therefore, its value in the market. Risk management disclosures for these financial instruments and other investments is provided on pages 33 to 37. 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 exposure to loss in respect of these structured entities would be the carrying value of the instruments that the Company holds as at 31 December 2024 and 31 December 2023. Generally, default rates would have to increase substantially from their current level before the Company would suffer a loss and this assessment is made prior to investing and regularly through the holding period for the security. The Company has not provided any other financial or other support in addition to that described above as at the reporting date, and there is no intention to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

11. INSURANCE AND REINSURANCE CONTRACTS

A.MOVEMENTS IN CARRYING AMOUNTS - INSURANCE CONTRACTS ISSUED

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		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net insurance contract liabilities (assets) as at 1 January 2024	**12.8**	**—**	**265.6**	**31.7**	310.1
Insurance revenue	(319.0)	—	(8.3)	—	(327.3)
Insurance service expenses					
- Incurred claims and other insurance service expenses	—	—	183.5	18.1	201.6
- Changes in liability for incurred claims relating to past service	—	—	(29.2)	(15.3)	(44.5)
- Amortisation of insurance acquisition cash flows	41.4	—	—	—	41.4
- Losses and reversal of losses on onerous contracts	—	6.9	—	—	6.9
Insurance service result	**(277.6)**	**6.9**	**146.0**	**2.8**	**(121.9)**
Finance expense from insurance contracts issued	**—**	**—**	**13.4**	**1.4**	14.8
Effects of movements in exchange rates	**(2.2)**	**—**	**0.6**	**0.1**	(1.5)
Total changes in statements of comprehensive income	**(279.8)**	**6.9**	**160.0**	**4.3**	**(108.6)**
Investment components	1.5	—	(1.5)	—	—
	1.5	—	(1.5)	—	—
Premiums received and insurance acquisition cash flows	302.4	—	—	—	302.4
Claims and other expenses paid	—	—	(115.5)	—	(115.5)
Total cash flows	**302.4**	**—**	**(115.5)**	**—**	186.9
Net insurance contract liabilities (assets) as at 31 December 2024	**36.9**	**6.9**	**308.6**	**36.0**	388.4

11. INSURANCE AND REINSURANCE CONTRACTS CONTINUED

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		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net insurance contract liabilities (assets) as at 1 January 2023	**(2.9)**	**0.7**	**275.2**	**25.3**	**298.3**
Insurance revenue	(313.8)	—	—	—	**(313.8)**
Insurance service expenses					
- Incurred claims and other insurance service expenses	—	—	130.8	17.4	**148.2**
- Changes in liability for incurred claims relating to past service	—	—	(30.2)	(13.1)	**(43.3)**
- Amortisation of insurance acquisition cash flows	37.3	—	—	—	**37.3**
- Losses and reversals of losses on onerous contracts	—	(0.7)	—	—	**(0.7)**
Insurance service result	**(276.5)**	**(0.7)**	**100.6**	**4.3**	**(172.3)**
Finance expense from insurance contracts issued	—	—	15.3	1.7	**17.0**
Effects of movements in exchange rates	(2.7)	—	0.9	0.4	**(1.4)**
Total changes in statements of comprehensive income	**(279.2)**	**(0.7)**	**116.8**	**6.4**	**(156.7)**
Investment components	7.6	—	(7.6)	—	—
	7.6	—	(7.6)	—	—
Premiums received and insurance acquisition cash flows	287.3	—	—	—	287.3
Claims and other expenses paid	—	—	(118.8)	—	(118.8)
Total cash flows	**287.3**	—	**(118.8)**	—	**168.5**
Net insurance contract liabilities (assets) as at 31 December 2023	**12.8**	—	**265.6**	**31.7**	**310.1**

11. INSURANCE AND REINSURANCE CONTRACTS CONTINUED

B. MOVEMENTS IN CARRYING AMOUNTS - 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		
	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net reinsurance contracts (assets) liabilities as at 1 January 2024	**(24.3)**	**—**	**(250.7)**	**(26.4)**	**(301.4)**
Allocation of reinsurance premium	225.4	—	—	—	225.4
Amounts recoverable from reinsurers					
- Recoveries of incurred claims and other insurance service expenses	—	—	(119.2)	(14.7)	(133.9)
- Change in asset for incurred claims in relation to past service	—	—	28.0	13.1	41.1
- Reinsurance expenses	(32.7)	—	—	—	(32.7)
- Recoveries and reversal of recoveries for losses on onerous underlying contracts	—	(6.3)	—	—	(6.3)
Net expenses from reinsurance contracts held	**192.7**	**(6.3)**	**(91.2)**	**(1.6)**	**93.6**
Finance income from reinsurance contracts held	—	—	(11.4)	(1.2)	(12.6)
Effects of movements in exchange rates	0.4	—	0.2	—	0.6
Total changes in statement of comprehensive income	**193.1**	**(6.3)**	**(102.4)**	**(2.8)**	**81.6**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	(233.7)	—	—	—	(233.7)
Recoveries from reinsurance	—	—	73.5	—	73.5
Total cash flows	**(233.7)**	**—**	**73.5**	**—**	**(160.2)**
Net reinsurance contracts (assets) liabilities as at 31 December 2024	**(64.9)**	**(6.3)**	**(279.6)**	**(29.2)**	**(380.0)**

11. INSURANCE AND REINSURANCE CONTRACTS CONTINUED

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		
	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net reinsurance contracts (assets) liabilities as at 1 January 2023	**31.5**	**(0.5)**	**(276.3)**	**(21.2)**	**(266.5)**
Allocation of reinsurance premium	**233.6**	—	—	—	**233.6**
Amounts recoverable from reinsurers					—
- Recoveries of incurred claims and other insurance service expenses	—	—	**(96.7)**	**(14.3)**	**(111.0)**
- Change in asset for incurred claims in relation to past service	—	—	**24.0**	**10.7**	**34.7**
- Reinsurance expenses	**(29.9)**	—	—	—	**(29.9)**
- Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	**0.5**	—	—	**0.5**
Net expenses from reinsurance contracts held	**203.7**	**0.5**	**(72.7)**	**(3.6)**	**127.9**
Finance income from reinsurance contracts held	—	—	**(13.2)**	**(1.4)**	**(14.6)**
Effects of movements in exchange rates	**(4.1)**	—	**4.6**	**(0.2)**	**0.3**
Total changes in statement of comprehensive income	**199.6**	**0.5**	**(81.3)**	**(5.2)**	**113.6**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	**(255.4)**	—	—	—	**(255.4)**
Recoveries from reinsurance	—	—	**106.9**	—	**106.9**
Total cash flows	**(255.4)**	**—**	**106.9**	**—**	**(148.5)**
Net reinsurance contracts (assets) liabilities as at 31 December 2023	**(24.3)**	**—**	**(250.7)**	**(26.4)**	**(301.4)**

At 1 January 2023 the Asset for remaining coverage excluding the loss component is a liability rather than an asset, as would be expected, due to the reinsurance premium payable exceeding the remaining components of this balance. This was due to the timing of the settlement of reinsurance premium ceded under the quota share treaty with LICL.

11. INSURANCE AND REINSURANCE CONTRACTS CONTINUED

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
Gross of reinsurance - undiscounted								
Estimate of ultimate liability[1]								
At end of accident year	132.1	102.1	168.3	196.4	193.0	165.9	205.6	
One year later	126.7	85.5	129.7	161.1	169.1	146.5		
Two years later	111.0	70.3	111.8	149.7	148.8			
Three years later	109.6	67.7	116.6	161.8				
Four years later	111.1	67.6	114.3					
Five years later	111.5	67.6						
Six years later	109.8							
Cumulative gross claims and other directly attributable expense paid	(99.6)	(61.9)	(88.8)	(126.1)	(113.5)	(65.8)	(50.0)	
Gross cumulative claims liability	10.2	5.7	25.5	35.7	35.3	80.7	155.6	348.7
Gross cumulative liabilities - prior years								16.2
Effect of discounting								(28.0)
Effect of non-distinct investment components								7.7
Gross liability for incurred claims								344.6

(1) Adjusted for revaluation of foreign currencies at the exchange rate as at 31 December 2024.

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 liability[1]								
At end of accident year	103.2	84.7	141.3	161.4	159.7	136.7	167.4	
One year later	102.9	70.2	109.1	131.8	140.8	119.8		
Two years later	90.2	57.8	95.0	122.7	122.7			
Three years later	89.2	57.3	99.5	132.7				
Four years later	89.7	56.4	97.5					
Five years later	90.0	56.2						
Six years later	89.4							
Cumulative net claims and other directly attributable expenses paid	(66.2)	(62.9)	(72.2)	(96.8)	(88.1)	(43.5)	(36.8)	
	23.2	(6.7)	25.3	35.9	34.6	76.3	130.6	319.2
Net cumulative claims liabilities - prior years								12.6
Effect of discounting								(23.0)
Net liability for incurred claims								308.8

(1) Adjusted for revaluation of foreign currencies at the exchange rate as at 31 December 2024.

11. INSURANCE AND REINSURANCE CONTRACTS CONTINUED

During 2024, the Company experienced net losses from catastrophe, weather and large loss events. None of these events were individually material.

The favourable prior accident year development in 2024 was primarily due to releases on the 2023 and 2022 accident year across most lines of business due to a lack of reported claims, as well as favourable development across some of the older accident years.

During 2023, there were no individually significant net loss events. There was favourable prior accident year development in 2023 was primarily due to releases on the 2022 and 2021 accident year across most lines of business due to a lack of reported claims, as well as favourable development across some of the older accident years.

The estimation of the ultimate loss and loss adjustment expense liability is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to the Company, together with the potential for unforeseen adverse developments, could lead to a material change in estimated losses and loss adjustment expenses.

12. PROVISION FOR DEFERRED TAX

As at 31 December	2024 $m	2023 $m
Other temporary differences	1.7	1.9
Net deferred tax asset	**1.7**	1.9

The deferred tax asset relates mainly to unrealised investment losses previously recognised in accumulated other comprehensive income and to timing differences on capital allowances and is classified as non-current.

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. It is anticipated that sufficient taxable profits will be available within the Company in 2025 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse.

For the years ended 31 December 2024 and 2023 , the Company had no uncertain tax positions.

The table below reconciles the movements within the net deferred tax liability.

As at 31 December	2024 $m	2023 $m
Opening asset	1.9	2.0
Deferred tax (charge) credit for the period	(0.2)	(0.1)
Tax rate change adjustment	—	—
Closing asset	**1.7**	1.9

All deferred tax assets and liabilities are classified as non-current.

13. SHARE CAPITAL

Authorised ordinary shares of £1 each	Number	$m
As at 31 December 2024 and 31 December 2023	**200,000,000**	**200.0**

Allocated, called up and fully paid	Number	£m	$m
As at 31 December 2024 and 31 December 2023	**97,987,956**	**98.0**	**188.4**

14. RELATED PARTY DISCLOSURES

REMUNERATION OF DIRECTORS

The Company has no employees. All UK employees in the Lancashire Group are employed and remunerated by LISL. The emoluments of these employees are recharged as part of a manager service agreement.

For the year ended 31 December	2024 $m	2023 $m
Directors' remuneration	**4.3**	3.8
Amounts receivable under long term incentive schemes	**2.0**	0.8
Company contributions to money purchase pension plans	**0.1**	0.1

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was $1,871,644 (2023: $1,454,470), and Company pension contributions of $nil (2023: $nil1) were made to a money purchase scheme on their behalf. During the year, the highest paid Director exercised RSS awards.

	Number of directors	
For the year ended 31 December	**2024**	2023
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	4
The number of directors who exercised RSS awards was	**3**	3
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**—**	—

The interest of the directors in shares and restricted stock of LHL are as follows:

	Shares		Restricted stock	
For the year ended 31 December	**2024**	**2023**	**2024**	2023
John Cadman	**—**	—	**365,138**	348,775
Samantha Churchill	**—**	—	**102,510**	69,001
James Flude [1]	**—**	9,739	**—**	166,100
Russell Worsley	**38,911**	38,911	**62,500**	52,500
Steve Yeo	**71,659**	61,310	**115,000**	106,100
Rachel Sabbarton [2]	**—**	—	**20,000**	—

The interests of Sally Williams are disclosed in the Annual report and Accounts of LHL. None of the other non-executive directors have any interest in the shares and restricted stock of LHL.

[1] James Flude resigned as a director during the year and therefore his interests in the shares and restricted stock of LHL at 31 December 2024 are not reported.

[2] Rachel Sabbarton was appointed as a director during the year and therefore her interests in the shares and restricted stock of LHL at 31 December 2023 are not reported.

TRANSACTIONS WITH AFFILIATES

The expenses in the below table relate to transactions with LISL under insurance services agreements.

Income statement	2024 $m	2023 $m
Service fee payable to LISL	**59.9**	51.5

The company has entered into a quota share treaty agreement with LICL. Under this agreement, the Company cedes a share of all its business written or assumed and receives an override commission. Under the terms of the whole account quota share agreement, LICL provides security to the Company in the form of a trust fund. Further details on this are given in the credit risk section of the disclosures. The following balances and transactions with LICL under the quota share treaty are included in the Company's financial statements:

Statement of financial position	2024 $m	2023 $m
Assets		
Reinsurance contract assets	**338.2**	271.0

Statement of comprehensive income	2024 $m	2023 $m
Allocation of reinsurance premium	**(97.8)**	(117.2)
Allocation of recoverable from reinsurers	**118.6**	90.3
Finance income from reinsurance contracts held	**9.1**	10.1

The Company has entered into a quota share treaty agreement with LSL on behalf of Lancashire Syndicate 3010. Under this agreement, the Company assumes a share of certain business written or assumed and receives an override commission. The following balances and transactions with LSL on behalf of Syndicate 3010 under the quota share treaty are included in the Company's financial statements:

For the year ended 31 December	2024 $m	2023 $m
Insurance contract liabilities	**1.0**	4.0

Statement of comprehensive income	2024 $m	2023 $m
Insurance revenue	**18.2**	12.4
Insurance service expense	**(21.8)**	(11.5)
Finance expense from insurance contracts issued	**(0.8)**	(0.6)

During 2017 the Company entered into a catastrophe excess of loss reinsurance agreement with LSL on behalf of Lancashire Syndicate 2010. The Company has recognised an insurance contract liability on the contract of $3.1 million (2023 - $5.1 million).

On 1st January 2024, the Company entered into a binding authority agreement with LUS. Under this agreement, LUS has the authority to bind insurances on behalf of the Company. During the year, the Company has incurred $12.7 million in commission for these services provided by LUS.

15. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The Company's immediate parent company is LIHL, a company registered in England. LHL, registered in Bermuda, owns 100% of the issued share capital of LIHL as at 31 December 2024 and is the Company's ultimate holding company. The Company's parent and ultimate holding is Lancashire Holdings Limited, a company incorporated in Bermuda and whose registered office is Power House, 7 Par-la-Ville Road, Hamilton, HM 11, Bermuda.

The financial statements of LHL may be viewed on Lancashire Holdings Limited's website at www.lancashiregroup.com.

AFS
Available for sale

Aggregate
Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss

AIC
Asset for incurred claims

ARC
Asset for remaining coverage

BREEAM
Building Research Establishment Environmental Assessment Method

CEO
Chief Executive Officer

CFO
Chief Financial Officer

Change in DBVS
The IRR of the change in DBVS in the period plus accrued dividends

Combined ratio (discounted)
Ratio, in per cent, of the sum net insurance expenses plus other operating expenses to net insurance revenue

Combined ratio (undiscounted)
Ratio, in per cent, of the sum net insurance expense plus other operating expenses to net insurance revenue. This ratio excludes the impact of the initial discount recognised within net insurance expenses

DAE
Directly attributable expenses

Diluted book value per share (DBVS)
Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised

Duration
Duration is the weighted average maturity of a security's cash flows, where the present values of the cash flows serve as the weights.
The effect of the convexity, or sensitivity, of the portfolio's response to changes in interest rates is also factored into the calculation

ECL
Expected credit losses

ENIDs
Events not in data. Allowance for outlying values that cannot be projected using historic data

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

EU
European Union

Excess of loss
Reinsurance or insurance that indemnifies the reinsured or insured against all or a specified portion of losses on an underlying insurance policy in excess of a specified amount

Facultative reinsurance
A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty

FCA
Financial Conduct Authority

FCF
Fulfilment cash flows

FRC
Financial Reporting Council

FVTPL
Fair value through profit or loss

FVOCI
Fair value through other comprehensive income

The Group or the Lancashire Group
LHL and its subsidiaries

GAAP
Generally accepted accounting principles

GMM
General Measurement Model

GWP
Gross premiums written. Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries

IFRS
International Financial Reporting Standard(s)

IFRS 9
International Financial Reporting Standard on Financial Instruments

IFRS 17
International Financial Reporting Standard on Insurance Contracts

IIRC
Investment Risk and Return Committee

Industry Loss Warranty (ILW)
A type of reinsurance or derivative contract through which one party will purchase protection based on the total loss arising from an event to the entire insurance industry rather than their own losses

Incurred but not reported (IBNR)
These are anticipated or likely losses that may result from insured events which have taken place, but for which no losses have yet been reported. IBNR also includes a reserve for possible adverse development of previously reported losses

International Accounting Standard(s) (IAS)
Standards, created by the IASB, for the preparation and presentation of financial statements

International Accounting Standards Board (IASB)
An international panel of accounting experts responsible for developing IAS and IFRS

ISA
International Standards on Auditing (UK)

KPMG LLP
KPMG LLP, a UK limited liability partnership

KPI
Key performance indicator

KRL (Kinesis Re)
Kinesis Reinsurance I Limited

LCM

Lancashire Capital Management Limited

LHL
Lancashire Holdings Limited

LIC
Liability for incurred claims

LICL
Lancashire Insurance Company Limited

LISL

Lancashire Insurance Services Limited

Lloyd's
The Society of Lloyd's

LMSCL
Lancashire Management Services Canada Limited

Losses
Demand by an insured for indemnity under an insurance contract

LSL or Lancashire Syndicates
Lancashire Syndicates Limited.

LRC
Liability for remaining coverage

LUS or Lancashire Insurance (US)
Lancashire Insurance (US) LLC

Managed cash
Managed cash includes both cash managed by external investment managers and non-operating cash managed internally

MGA
Managing General Agent

NAV
Net asset value

NDIC
Non-distinct investment component

Net insurance expenses
Net insurance expenses represent claims related insurance service expenses less amounts recoverables from reinsurers

Net insurance ratio
Ratio, in per cent, of net insurance expenses to net insurance revenue

Net insurance revenue
Net insurance revenue represents insurance revenue less allocation of reinsurance premiums

OECD
Organisation for Economic Co-operation and Development

OCI
Other comprehensive income

ORIF
Outwards Reinsurance Forum

ORSA
Own Risk and Solvency Assessment

Onerous contract
A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

Operating expense ratio
Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net insurance revenue

PAA
Premium Allocation Approach

PRI
Principles fr Responsible Investment

PML
Probable maximum loss. The Company's exposure to certain peak zone elemental losses

Pro-rata/proportional
Reinsurance or insurance where the reinsurer or insurer shares a proportional part of the original premiums and losses of the reinsured or insured

Retrocession
The insurance of a reinsurance account

ROE
Return on Equity

RSS
Restricted share scheme

SCR
Solvency capital requirement

SPPI

Solely payments of principal and interest

S&P Global Ratings (S&P)
S&P Global Ratings is a worldwide insurance rating and information agency whose ratings are recognised as a benchmark for assessing the financial strength of insurance-related organisations

Syndicate 2010

Lloyd's Syndicate 2010, managed by LSL

Syndicate 3010
Lloyd's Syndicate 3010, managed by LSL

TCFD
Task Force on Climate-related Financial Disclosures

The Company
Lancashire Insurance Company (UK) Limited

The Syndicates
Syndicates 2010 and 3010

Total Investment Return
Total investment return measures investment income and net realised and unrealised gains and losses produced by the Group's managed investment portfolio

Treaty reinsurance
A reinsurance contract under which the reinsurer agrees to offer and to accept all risks of a certain size within a defined class

UK
United Kingdom

ULAE
Unallocated loss adjustment expense

Unearned premiums
The portion of premium income that is attributable to periods after the balance sheet date that is deferred and amortised to future accounting periods

U.S.
United States of America