Lancashire
Insurance Company Limited

Lancashire Insurance Company Limited
Consolidated financial statements for the year ended 31 December 2024

People, Purpose & Performance

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lancashire Insurance Company Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Lancashire Insurance Company Limited and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
3 March 2025

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Notes	**2024 $m**	2023 $m
Insurance revenue	2, 11	**865.1**	729.0
Insurance service expenses	2, 3, 5, 11	**(542.0)**	(313.4)
Insurance service result before reinsurance contracts held		**323.1**	415.6
Allocation of reinsurance premium	2, 11	**(151.9)**	(147.7)
Amounts recoverable from reinsurers	2, 3, 11	**25.8**	(57.0)
Net expense from reinsurance contracts held		**(126.1)**	(204.7)
Insurance service result		**197.0**	210.9
Net investment return	2, 4	**128.5**	125.7
Finance expense from insurance contacts issued	2, 3	**(45.4)**	(56.5)
Finance income from reinsurance contracts held	2, 3	**10.3**	12.9
Net insurance and investment result		**290.4**	293.0
Other income	16	**75.8**	76.6
Net credit impairment gains	16	**—**	5.1
Net foreign exchange gains		**3.7**	1.3
Other operating expenses	2 ,5, 6, 12, 16	**(28.3)**	(29.2)
Equity based compensation	6, 16	**(3.5)**	(2.9)
Financing costs		**(5.7)**	(4.3)
Profit for the year		**332.4**	339.6

Consolidated statement of financial position

As at 31 December 2024

	Notes	2024 $m	2023 $m
Assets			
Cash and cash equivalents	8	**399.6**	399.2
Accrued interest receivable		**16.3**	13.9
Investments	9, 10, 13	**2,208.9**	1,992.6
Reinsurance contract assets	11	**171.0**	155.1
Other receivables		**152.7**	111.3
Right-of-use assets	12	**1.2**	2.1
Property, plant and equipment		**0.5**	0.3
Total assets		**2,950.2**	2,674.5
Liabilities			
Insurance contract liabilities	11	**1,409.9**	1,112.2
Other payables		**93.9**	37.4
Lease liabilities	12	**1.2**	2.1
Total liabilities		**1,505.0**	1,151.7
Shareholder's equity			
Share capital	14	**1.0**	1.0
Other reserves	14	**1,303.9**	1,303.9
Retained earnings		**140.3**	217.9
Total shareholder's equity		**1,445.2**	1,522.8
Total liabilities and shareholder's equity		**2,950.2**	2,674.5

The consolidated financial statements were approved by the Board of Directors on 3 March 2025 and signed on its behalf by:

Hayley Johnson
Director/CEO

Otto Hayes
Director/CFO

Consolidated statement of changes in shareholder's equity

For the year ended 31 December 2024

	Notes	Share capital $m	Contributed surplus $m	Retained earnings $m	Total shareholder's equity $m
Balance as at 31 December 2022		1.0	1,303.9	128.3	1,433.2
Profit for the year		—	—	339.6	339.6
Dividends	14	—	—	(250.0)	(250.0)
Balance as at 31 December 2023		1.0	1,303.9	217.9	1,522.8
Profit for the year		**—**	**—**	**332.4**	**332.4**
Dividends	14	**—**	**—**	**(410.0)**	**(410.0)**
Balance as at 31 December 2024		**1.0**	**1,303.9**	**140.3**	**1,445.2**

Statement of consolidated cash flows

For the year ended 31 December 2024

	Notes	2024 $m	2023 $m
Cash flows from operating activities			
Profit for the year		**332.4**	339.6
Adjustments for:			
Depreciation charge		**1.3**	1.1
Interest expense on lease liabilities	12	**0.1**	0.1
Interest income		**(101.5)**	(73.7)
Dividend income		**(16.8)**	(11.2)
Foreign exchange (gains) losses		**(3.4)**	0.3
Net realised (gains) on investments	4	**—**	(3.6)
Net unrealised (gains) on investments	4	**(16.4)**	(41.8)
Changes in operational assets and liabilities			
– Insurance and reinsurance contracts		**287.5**	196.3
– Other assets and liabilities		**(20.7)**	16.3
Net cash flows from operating activities		**462.5**	423.4
Cash flows used in investing activities			
Interest income received		**99.1**	69.1
Dividend income received		**16.8**	11.2
Purchase of property, plant and equipment		**(0.4)**	(0.2)
Purchase of investments		**(1,268.8)**	(858.0)
Proceeds on sale of investments		**1,067.7**	671.1
Net cash flows used in investing activities		**(85.6)**	(106.8)
Cash flows used in financing activities			
Lease liabilities paid	12	**(1.2)**	(1.2)
Dividends paid		**(374.4)**	(239.6)
Net cash flows used in financing activities		**(375.6)**	(240.8)
Net increase in cash and cash equivalents		**1.3**	75.8
Cash and cash equivalents at beginning of year		**399.2**	320.5
Effect of exchange rate fluctuations on cash and cash equivalents		**(0.9)**	2.9
Cash and cash equivalents at end of year	8	**399.6**	399.2

Summary of material accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. They were authorised for issue by the Group's Board of Directors on 3 March 2025.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis. In assessing the Group's going concern position as at 31 December 2024, the Directors have considered a number of factors. These include:

- the current balance sheet and liquidity position;
- the level and composition of the Group's capital and solvency ratios;
- the current performance against the Group's strategic and financial business plan;
- the Group's dividend distribution policy; and
- the current market environment, including consideration of climate change.

In addition, the ORSA report is a key document informing the Group's going concern assessment that is submitted to the Board.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these consolidated financial statements. To assess the Group's going concern, the financial stability of the Group was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included a best estimate forecast, and incorporated different magnitudes of reserve releases and attritional, large and catastrophe loss events, plus optimistic and pessimistic investment return scenarios.

To further stress the financial stability of the Group, additional stress testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the Group's exposure to climate change-related risks, and a combination of large losses and catastrophe losses, which would result in a net loss for the Group, and finally a reverse stress test scenario designed to render the business model unviable. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

Based on the going concern assessment performed, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these consolidated financial statements.

Currency and liquidity

All amounts presented, excluding share data, or where otherwise stated, are in millions of U.S. dollars ($m), with amounts rounded to the nearest $0.1 million where appropriate. The consolidated statement of financial position is presented in order of decreasing liquidity.

Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Assumptions and estimates are based on information, knowledge, and data available when the consolidated financial statements are prepared. However, existing circumstances and assumptions about future developments may change, or circumstances may arise that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur, and are recognised prospectively. It is considered impracticable to determine the effect that changes in these assumptions and estimates are expected to have on future periods.

Key assumptions concerning the future, and sources of estimation uncertainty

The Group has considered both key assumptions concerning the future, and sources of estimation uncertainty, that may be expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in a subsequent financial year.

Insurance contracts issued and reinsurance contracts held

The Group has determined that its most significant area of estimation uncertainty is in relation to the measurement of insurance contracts issued and reinsurance contracts held. Changes in assumptions made may materially change the FCF that make up these balances. The FCF are the current estimates of the future cash flows within the contract boundary of a group of insurance or reinsurance contracts that, we expect to collect premiums from and pay out for claims, benefits and expenses, adjusted to reflect the timing and uncertainty of those amounts. Changes in the following key assumptions may change the FCF materially:

- assumptions about the amount and timing of future cash flows;
- assumptions about claims development;
- assumptions about discount rates, including any illiquidity premiums; and
- assumptions about the risk adjustment for non-financial risk.

The estimation of the FCF is a complex actuarial process which incorporates a significant amount of judgement, in particular in relation to the estimation of the LIC and AIC. Delays in reporting losses to the Group, together with unforeseen loss development increase uncertainty over the accuracy of loss reserves. A significant portion of the Group's business is in classes with high attachment points of coverage and therefore a low frequency but high severity of claims. This adds further complexity to the reserving process due to the limited volume of industry data available from which to reliably predict ultimate losses following a loss event. Volatility for the majority of losses is limited on a net basis by the reinsurance protection purchased.

Information about these key assumptions and estimates are included in our risk disclosures and in note 11.

Level (iii) investments

The Group holds a relatively straightforward investment portfolio consisting mainly of standard fixed maturity products. Level (iii) investments are securities for which valuation techniques are not based on observable market data, and therefore require significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include private investment funds and hedge funds. The estimation of fair value, specifically for 'Level (iii)' investments, is discussed in note 9.

Management judgements, other than those involving estimations

LICL is an insurance company whose primary focus is on underwriting and actively balancing risk and return. In doing so it focuses on ensuring premium revenue and investment return exceeds the cost of claims, outwards reinsurance and operating expenses. The main areas in which judgement is applied are therefore in the measurement and recognition of insurance contracts and financial assets.

Simplified premium allocation measurement model

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

The Group considers that it is eligible to apply the PAA measurement model to its portfolios and groups of insurance contracts on the basis that the measurement of the LRC is not reasonably expected to differ materially from that calculated under the GMM. The Group applies the PAA to simplify the measurement of all its insurance contracts issued and reinsurance contracts held.

In the years prior to IFRS 17 adoption, and in the initial year of adoption, this assessment was made through detailed quantitative modelling of all portfolios and groups of insurance contracts. Given consistency in the Group's business mix, together with relatively stable economic factors, the PAA eligibility assessment has been undertaken through a combination of qualitative and quantitative analysis for the year ended 31 December 2024. Detailed quantitative testing was performed on a small number of portfolios and groups of contracts where the LRC and ARC were judged to be most likely to differ materially under the different models. This testing confirmed that the PAA measurement model remained appropriate.

Level of aggregation

Judgement is required to determine the level of aggregation under IFRS 17. Insurance contracts issued that are subject to similar risks and that are managed together, are classified into a portfolio of insurance contracts.

The following considerations have been given most weight in the definition of similar risks:

- risk aggregations used for other business purposes such as reserving;
- segmentations used for underwriting; and
- perils covered and incidence of risk over time.

Each portfolio of insurance contracts is then further disaggregated into annual cohorts, and each annual cohort is classified into a maximum of three groups of contracts for recognition and measurement purposes based on their expected profitability. See accounting policies and note 11.

Onerous contract assessment

Management applies judgement to assess whether facts and circumstances indicate that a group of insurance contracts is onerous at initial recognition, and subsequently assesses whether facts and circumstances indicate any changes in the onerous group's profitability, and whether any loss component remeasurement is required. See accounting policies and note 11.

Classification of investment portfolio

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

Current and deferred tax

The Group is exposed to changes in tax legislation which are complex to interpret and evolve over time. The Group applies management expertise and judgement to interpret and assess the impact of these changes in tax legislation. Third party specialists provide tax guidance and tax opinions at the request of management. Recent changes in tax legislation are disclosed in note 7.

Changes in accounting policies

IFRS 18, Presentation and Disclosure in financial statements

On 9 April 2024, the IASB published IFRS 18, Presentation and Disclosure in Financial Statements. The standard will be effective from 1 January 2027, replacing IAS 1, Presentation of Financial Statements. The Group is monitoring the endorsement process and undertaking an initial assessment into the potential impact of adopting IFRS 18.

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2024. These are not currently relevant for the Group and do not impact the consolidated financial statements of the Group.

Consolidation principles

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at and for the year ended 31 December 2024. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary's accounting policies are consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring the subsidiary's accounting policies in line with that of the Group.

Foreign currency

Functional currency

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

Transactions and balances

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting exchange differences on revaluation are recorded in profit or loss within net foreign exchange gains (losses) in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate on the date that the estimated fair value was determined.

Insurance contracts issued and reinsurance contracts held

Classification

Insurance contracts issued under IFRS 17 are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. Contracts that have a legal form of insurance risk but do not transfer significant insurance risk are classified as investment contracts and follow financial instrument accounting under IFRS 9. The Group does not issue any contracts with direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant insurance risk if it transfers substantially all the insurance risk resulting from the insured or reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Level of aggregation of insurance contracts issued and reinsurance contracts held

Insurance contracts issued and reinsurance contracts held that are subject to similar risks and managed together are classified into portfolios of contracts. These are disaggregated into annual cohorts and then further classified into groups based on their expected profitability. The groups are:

- insurance contracts issued that are onerous at initial recognition, or reinsurance contracts held for which there is a net gain at initial recognition;
- insurance contracts issued that at initial recognition have no significant possibility of becoming onerous, or reinsurance contracts held where there is no significant possibility of a net gain arising subsequently; or
- a group of the remaining insurance contracts issued, or reinsurance contracts held.

These groups represent the level of aggregation at which insurance contracts issued are initially recognised and measured, and they are not subsequently reconsidered.

Initial recognition of insurance contracts issued and reinsurance contracts held

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

- the beginning of the coverage period;
- when the first payment from the policyholder is due, or actually received if there is no due date; or
- the date when facts and circumstances indicate that the group of contracts is onerous.

Groups of reinsurance contracts held are initially recognised at the beginning of the coverage period. In the case of proportional reinsurance contracts held, this may be delayed until the initial recognition date of any underlying insurance contract. Reinsurance contracts held already entered into and covering an underlying onerous group of insurance contracts, are recognised on the same date as the related onerous group of contracts.

Insurance contracts issued are initially added to the relevant groups of insurance contracts in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Measurement applying the PAA measurement model

PAA eligibility

The Group considers that it is eligible to apply the PAA to simplify the measurement of groups of insurance contracts issued and reinsurance contracts held, as the measurement of the LRC and ARC is not reasonably expected to differ materially from that calculated under the GMM. The PAA has been applied to all groups of contracts.

Contract boundary

The measurement of a group of insurance contracts issued or reinsurance contracts held includes all of the cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of each contract if they arise from substantive rights and obligations that exist during the period. In the case of insurance contracts issued, this is where the Group can compel the policyholder to pay premiums, or the Group has substantive obligations to provide the policyholder with insurance coverage or other services. In the case of reinsurance contracts held, this is where the Group is compelled to pay amounts to the reinsurer, or has a substantive right to receive insurance coverage or other services from the reinsurer.

A substantive obligation to provide services ends when:

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

A substantive right to receive services from the reinsurer ceases when the reinsurer:

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

The contract boundary is reassessed at each reporting period to include the effect of change in circumstances on the Group's rights and obligations, and may change over time.

Cash flows not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Fulfilment cash flows within the contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of insurance contracts. These include premiums, claims, acquisition costs and administrative expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows are based on an unbiased probability weighted mean of the full range of possible outcomes. They reflect current estimates, factoring in expected credit losses or non-performance risk of reinsurers, and are determined from the perspective of the Group.

The Group uses assumptions to measure the estimates of the future cash flows for a group of reinsurance contracts held that are consistent with the underlying group of insurance contracts issued. Reinsurance cash flows that are contingent on claims incurred by the underlying insurance contracts issued are therefore included as part of the cash flows that are expected to be reimbursed under the relevant reinsurance contracts held.

Discounting

The FCF within the LIC and AIC are discounted using current discount rates to reflect the time value of money and the financial risks related to those cash flows. The discount rates reflect the characteristics of the cash flows arising from each group of insurance contracts, including the timing, currency, and liquidity of the cash flows. The Group does not discount the LRC or the ARC. This would be required if the LRC or ARC included a significant financing component.

Risk adjustment for non-financial risk

The measurement of the LIC and AIC includes an explicit risk adjustment for non-financial risk. This is estimated separately from the discounted FCF and is applied to the present value of the estimated future cash flows. It reflects the compensation the Group requires, or transfers to a reinsurer, for bearing uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils its insurance contracts issued.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the cost of selling, underwriting, and initiating a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These include:

- contract specific costs, such as brokerage; and
- a systematic and rational allocation of fixed and variable overheads to groups of contracts based on insurance revenue.

Initial measurement of insurance contracts issued applying the PAA

The carrying amount of the LRC is measured with reference to the premiums received on initial recognition from either policyholders or intermediaries, minus any insurance acquisition cash flows allocated to the relevant group at that date, less the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If such evidence exists the Group determines if the contract will result in a net cash outflow. The Group recognises an insurance service expense for the net cash outflow, and an onerous loss component is added to the LRC.

Subsequent measurement of insurance contracts issued applying the PAA

The carrying amount of a group of insurance contracts issued is the sum of the LRC and the LIC, and is measured at the end of each reporting period. The measurement of the LRC includes:

- any premiums received, less amounts recognised as insurance revenue;
- less insurance acquisition cash flows paid, plus amortisation of any insurance acquisition cash flows recognised as insurance service expense in the period; and
- less any non-distinct investment components paid or transferred to the LIC.

Groups of insurance contracts that were not onerous at initial recognition can subsequently become onerous if facts and circumstances change during the coverage period. Onerous groups of contracts are assessed at the end of each reporting period with changes in the expected net cash outflow recognised in the carrying amount of the LRC and insurance service expenses. The Group amortises the onerous loss component within the LRC based on the passage of time over the remaining coverage period within insurance service expenses. The equivalent basis is also applied to any relevant reinsurance recovery component.

The Group recognises the LIC for a group of insurance contracts as the amount of FCF relating to the incurred claims that have not yet been paid, including claims that have been incurred but not yet reported, together with the associated expenses, including all claims handling expenses that relate to incurred claims which have not yet been paid. The FCF are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Initial and subsequent measurement of reinsurance contracts held applying the PAA

The carrying amount of a group of reinsurance contracts held is the sum of the ARC and the AIC, and is measured at the end of each reporting period. The Group measures a group of reinsurance contracts held on the same basis as a group of insurance contracts issued, with adaptations to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Derecognition and modification under the PAA

The Group derecognises an insurance contract issued or a reinsurance contract held when it is extinguished (that is, when the specified obligations in the contract expire, are discharged, or cancelled), or the contract is modified.

Modifications to a contract are accounted for as a change in the estimate of the FCF. A contract is derecognised and treated as a new contract if the modification to the contract either:

- changes the measurement model;
- brings the contract, or separable component parts of the contract, outside the scope of IFRS 17;
- substantially changes the contract boundary; or
- results in the contract being allocated to a different group.

When an insurance contract is extinguished, transferred to a third party, or modified in such a way that results in derecognition, any adjustments made to the FCF are recorded within the consolidated statement of comprehensive income.

Presentation within the financial statements

Portfolios of insurance contracts issued, and portfolios of reinsurance contracts held, that are assets, and those that are liabilities, are presented separately in the consolidated statement of financial position.

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

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance services result (which represents the change related to non-financial risk), and insurance finance income or expenses (which represents the effect of the time value of money and changes in the time value of money).

Income and expenses from reinsurance contracts held are presented separately from the income and expenses on insurance contracts issued.

Insurance revenue and insurance service expenses exclude any non-distinct investment components.

Insurance revenue from insurance contracts issued

Insurance revenue from groups of insurance contracts issued is the amount of expected premiums net of ceding commission payable. Expected premiums exclude any investment components.

Insurance revenue is recognised based on the passage of time over the coverage period.

The amount of insurance revenue recognised in the period reflects the provision of insurance services and the corresponding consideration the Group expects to be entitled to in exchange for those services.

Insurance service expenses from insurance contracts issued

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

- incurred claims, net of inwards reinstatement premiums, and net of the initial discount on incurred claims;
- adjustments to the LIC (including the risk adjustment) that do not arise from the effects of the time value of money, financial risk and changes therein;
- amortisation of insurance acquisition cash flows based on the passage of time over the relevant coverage period;
- other directly attributable insurance service expenses, including an allocation of fixed and variable overhead costs; and
- losses on onerous contracts and the reversal of such losses.

Expenses not meeting the above criteria are included within other operating expenses in the consolidated statement of comprehensive income.

Allocation of reinsurance premium and amounts recoverable from reinsurers

The allocation of reinsurance premiums is the amount of expected reinsurance premium payments net of commission income receivable for a group of reinsurance contracts held, and is recognised based on the passage of time over the relevant coverage period of the reinsurance contract.

Amounts recoverable from reinsurers are recognised as they are incurred and include reinsurance recovery cash flow assumptions that are consistent with underlying insurance contracts issued, recognition of movements in onerous loss recovery components and the effect of any risk of non-performance by the issuer of the reinsurance contract.

Finance income or expenses from insurance contracts issued and reinsurance contracts held

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued, or reinsurance contracts held, arising from the effect of the time value of money, financial risk and changes therein. These include:

- the unwind of the initial discount (that is, interest accreted on the LIC or AIC); and
- the effect of changes in interest rate assumptions.

The Group has elected to include insurance finance income and expenses within the consolidated statement of comprehensive income and does not disaggregate these between profit and loss and OCI.

Non-distinct investment components

The non-distinct investment component of an insurance contract is the amount that the Group would be required to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The receipt of this investment component and the subsequent repayment do not relate to insurance services. Non-distinct investment components are therefore excluded from insurance revenue and insurance service expenses, and are considered as a settlement of an insurance contract liability.

Financial instruments

Financial assets

On initial recognition, a financial asset is classified as either measured at amortised cost, FVTPL or FVOCI. The classification is dependent on the Group's business model for managing the financial asset, and the contractual terms of the cash flows.

Financial assets are classified as measured at amortised cost if they are held to collect contractual cash flows, and where those cash flows represent solely payments of principal and interest.

Financial assets are classified as measured at FVOCI if they are held to both collect contractual cash flows and sell, and where those cash flows represent solely payments of principal and interest.

All financial assets not classified as measured at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets in this FVTPL category are those that are managed in a fair value business model, or that have been designated as FVTPL by management upon initial recognition.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing those financial assets, in which case the affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at amortised cost and include cash in hand, deposits held on call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised by applying the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Investments

The Group's business model emphasises the preservation of capital and the provision of sufficient liquidity for the prompt payment of claims, in conjunction with providing a stable income stream as far as possible. Management reviews the composition, duration and asset allocation of the investment portfolio regularly to respond to changes in interest rates, and other market conditions.

Investments are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of investments are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset.

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

The Group's investment portfolio comprising fixed maturity securities, private investment funds, hedge funds and is managed on a fair value business model and are therefore mandatorily classified as FVTPL.

The Group's investment portfolio includes quoted and unquoted investments. The fair values of the investments are determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Unrealised gains or losses from changes in the fair value of investments are presented in the consolidated statement of comprehensive income within net investment return. Interest income is recognised by applying the effective interest rate method and presented in the consolidated statement of comprehensive income within net investment return. The carrying value of accrued interest receivable approximates fair value due to its short-term nature and high liquidity.

Investments are derecognised when the Group has transferred substantially all of the risks and rewards of ownership or when the right to receive cash flows from the asset has expired, with any realised gains or losses recognised in the consolidated statement of comprehensive income within net investment return.

Derivatives

Derivatives are classified as financial assets or liabilities at FVTPL. They are initially recognised at fair value on the date a contract is entered into, the trade date, and are subsequently carried at fair value. Derivative instruments with a positive fair value are recorded as derivative financial assets and those with a negative fair value are recorded as derivative financial liabilities.

Derivative financial instruments may include the use of exchange-traded future and option contracts, forward foreign currency contracts, interest rate swaps, credit default swaps, and interest rate swaptions. They derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity risk, credit risk, and market risk. Estimated fair values are based on exchange or broker-dealer quotations, where available, or discounted cash flow models, which incorporate the pricing of the underlying instrument, yield curves, and other factors. Changes in the estimated fair value of derivative instruments are recognised in the consolidated statement of comprehensive income within net investment return. The Group does not currently hold any derivatives classified as hedging instruments. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates, and the discount rate used is an appropriate market rate.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only to the extent there is a legally enforceable right of offset, and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognised when the Group has transferred substantially all of the risks and rewards of ownership, or the liability is discharged, cancelled or expired, with any realised gains or losses recognised in the consolidated statement of comprehensive income within net investment return.

Other receivables

Other receivables includes trade receivables. Trade receivables that do not have a significant financing component are measured on initial recognition at their fair value, which is typically their transaction price, and are subsequently measured at amortised cost using the effective interest rate method, less an expected credit loss allowance where applicable. The other receivables held by the Group are short-term in nature.

Impairment

The Group applies the simplified approach to measuring ECL, which uses a lifetime ECL for all receivables and contract assets (other than those recognised under IFRS 17). The lifetime ECL is measured from the date of the initial recognition of trade receivables and contract assets. The Group calculates the lifetime ECL using three main components: a probability of default, a loss given default, and the exposure at default (collectively the expected loss rates).

To measure the lifetime ECL, receivables and contract assets are grouped based on shared credit risk characteristics. The expected loss rates are based on the payment profiles over the three years prior to the period end and the corresponding credit losses experienced within this three-year period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability to collect receivables.

Financial liabilities

Other payables

Other payables represent goods and services provided to the Group prior to the financial year end which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition. Other payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

Other income

Quota share agreements

LICL entered into a QST agreement with CCL 1998. Under this agreement CCL 1998 ceded 85.0% of its overall net financial results, which includes both insurance and non-insurance related balances, to LICL. The overall net financial result is recorded within other income (loss) in the consolidated statement of comprehensive income. Amounts receivable or payable under this agreement are recorded within other payable or other receivables on the consolidated balance sheet. The overall net financial results is settled on a net basis.

In accordance with Lloyd's requirements LICL was required to provide 85% of the required FAL, to support the underwriting activities of Syndicate 2010 and Syndicate 3010. In 2021, LICL agreed to provide 100% of the required FAL. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment based on the perceived level of risk LICL underwrites through its syndicate participations.

Service fee income (expense)

The Group conducts business with its parent company and other Group subsidiaries. This includes providing services, including professional and administrative support services, to related entities within the Group. Service agreements are in place to allow corresponding expenses to be re-allocated to the relevant entity with a mark-up to reflect commercial terms. The Group recognises service fee income in line with services provided during the financial period.

Property, plant and equipment

Property, plant and equipment is carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis as follows:

IT equipment	33% per annum
Office furniture and equipment	20% to 33% per annum
Leasehold improvements	20% per annum

Indicators of impairment, together with the assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant or equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset, and are included in the consolidated statement of comprehensive income. Costs for repairs and maintenance are charged to the statement of comprehensive income as incurred.

Leases

The Group assesses whether a contract is, or contains, a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date. Lease payments are discounted using the rate implicit in the lease, if readily determinable, or at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the lease; or
- payments in respect of purchase options, lease termination options, or lease extension options that the Group is reasonably certain to exercise.

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest on the lease liability using the effective interest rate method, and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability and the related right-of-use asset whenever:

- the lease term changes as a result of the Group changing its assessment of whether it will exercise a purchase, extension, or termination option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the corresponding lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, and an estimate of any costs to be incurred at expiration of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Straight-line depreciation is calculated from the commencement date of the lease to the earlier of the end date of the lease term, or the useful life of the underlying asset.

The Group applies IAS 36, Impairment of Assets, to determine whether a right-of-use asset is impaired and recognises any identified impairment loss within the consolidated statement of comprehensive income.

Employee benefits

Equity compensation plans

LHL, the Group's parent, currently operates a RSS under which nil-cost options have been granted. The fair value of the equity instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument within the consolidated statement of comprehensive income, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

Pensions

The Group operates a defined contribution plan. On payment of contributions to the plan there is no further obligation for the Group. Contributions are recognised as employee benefits in the consolidated statement of comprehensive income in the period when the employee's services are rendered.

Risk disclosures: Introduction

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

A. Insurance risk;
B. Market risk;
C. Liquidity risk;
D. Credit risk;
E. Operational risk; and
F. Strategic risk.

The most significant risk to the Group is considered to be insurance risk. The primary objective of the Group's ERM framework is to ensure that the capital resources held are matched to the risk profile of the Group, and that the balance between risk and return is considered as part of all key business decisions. The Group has formulated, and keeps under review, a risk appetite which is set by the Board of Directors. The Group's appetite for risk will vary from time to time to reflect the potential risks and returns that present themselves. However, protecting the Group's capital and maximising risk-adjusted returns for investors over the long-term remain constant elements of the Group's strategy. The risk appetite of the Group is central to how the business is run and permeates into the risk appetites that the individual operating entity boards of directors have adopted. These risk appetites are expressed through detailed risk tolerances at both a Group and an operating entity level. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Group and its entities are prepared to expose to certain risks.

The Board of Directors is responsible for setting and monitoring the Group's risk appetite and tolerances. All risk tolerances are subject to at least an annual review and consideration by the respective boards of directors. The Board of Directors review actual risk levels versus tolerances, emerging risks and any risk learning events at least quarterly. In addition, on a monthly basis, management assesses the modelled potential catastrophe losses against the risk tolerances and ensures that risk levels are managed in accordance with them.

Emerging risks

Artificial Intelligence

AI, refers to the advancement of computer systems or machines capable of executing tasks that typically necessitate human intelligence. AI broadly encompasses systems that emulate human-like reasoning, decision-making, and problem-solving. Generative AI, a specialised subset of AI, focuses on content creation by leveraging deep learning models to generate new and often creative outputs based on existing data patterns.

While AI and Generative AI offer immense potential for innovation and creativity, they also present significant risks that must be addressed. These emerging risks include the spread of misinformation, threats to data privacy, challenges to intellectual property rights, and ethical concerns. The Group is evaluating the integration of AI capabilities into existing business processes. It is essential to implement measures that mitigate associated risks and ensure the responsible and beneficial use of this transformative technology.

Due to the sensitive nature of the insurance-related data and information held by the Group, the application of Generative AI should be approached with caution to achieve business outcomes while simultaneously protecting client data, adhering to regulatory requirements, and safeguarding the Group’s intellectual property. Given the nature of this technology, the risk management function is working closely with the business, specifically the IT team, to manage AI-related threats and risks, together with identifying, reviewing, and evaluating AI technology and business solutions, and supporting the approved implementation of AI in a safe and responsible manner.

Economic capital models

The Group'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 Group's underwriting, reserving, claims management, or reinsurance decisions and judgements result in a detrimental financial impact to the Group. The Group underwrites worldwide, insurance and reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes. The Group's exposure in connection with insurance contracts or reinsurance contracts underwritten is whether, in the event of insured losses, premiums will be sufficient to cover the loss payments and expenses. Insurance and reinsurance markets are cyclical and premium rates and terms and conditions vary by line of business depending on market conditions and the stage of the underwriting cycle. Market conditions are impacted by capacity and recent loss events, and broader economic cycle impacts, amongst other factors. The Group's underwriters assess likely losses using their experience and knowledge of past loss experience, industry trends and current circumstances. This allows them to estimate the premiums sufficient to meet likely losses and expenses and desired levels of profitability.

The Group considers insurance risk at an individual contract level, at a segment level, at a geographic level, and at an aggregate portfolio level. This ensures that careful risk selection, limits on concentration and appropriate portfolio diversification are accomplished. The level of insurance risk tolerance per peril is set by the Board of Directors at both the LHL and entity level.

A number of controls are deployed by the Group to manage the amount of insurance exposure assumed:

- a rolling strategic plan that helps establish the business goals that the Board of Directors aims to achieve;
- a detailed three-year business plan is produced annually. The plan is approved by the Board of Directors and is monitored, reviewed and updated on an ongoing basis;
- 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 has predetermined tolerances on probabilistic and deterministic losses of capital for certain single events, which are monitored on a regular basis;
- pricing and aggregation models are used to assist with the underwriting process; and
- reinsurance is purchased to mitigate both frequency and severity of losses on a facultative, excess of loss treaty or proportional treaty basis.

Some of the Group's business provides coverage for natural catastrophes (for example, hurricanes, earthquakes, wildfires and floods) and is subject to potential seasonal variation and the effects of climate change. A proportion of the Group's business is exposed to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact the Group's loss experience. The North American and Japanese wind seasons are typically June to November, and the European wind season November to March. The Group also has exposure to large losses arising from other non-seasonal natural catastrophes, such as earthquakes, tsunamis, droughts, floods and tornadoes, from risk losses throughout the year and from war, terrorism and political risk and other events.

Climate change may expose the Group to the risk of heightened severity and frequency of weather-related losses. Climate related risks are identified and assessed as part of the usual risk identification and management process, which includes but is not limited to: discussions with risk owners and subject matter experts across the LHL Group, discussions at the Emerging Risk Forum, and the LHL ESG Committee.

Climate-related risks specific to the (re)insurance portfolios are identified and assessed as part of the day-to-day underwriting process by individual underwriters in their analysis of specific risk information, and more broadly in the context of the wider portfolio during the individual class of business LHL Quarterly Business Review and through the LHL RRC meetings. These reviews include: the physical location of assets insured, weather-related perils that have impacted the location and their historical frequency and severity, as well as expected short-term and long-term changes. The insurance and reinsurance underwriting strategy days assess climate-related risks of both current and anticipated future risks, which include but are not limited to transition risk arising from a decline in the value of assets to be insured, changing energy costs, and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified is considered with respect to both magnitude and timescale.

The Group manages climate risk by using stochastic models from third-party vendors that have a long history of data quality governance. We adapt these models based upon our views of climate risk, as well as our clients' exposure data, to create aggregate loss scenarios. Underwriting guidelines support the underwriting process and provide guidance to assist underwriters in their decision making. Performance against guidelines is monitored through the regular meetings,the LHL 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 Group accepts risks for periods primarily of one year, which mitigates the potential short-term impacts of climate risk. The Group has the ability to re-evaluate the portfolio on an annual basis and therefore reprice physical risk and reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events.

Catastrophe management

The Group actively monitors risk levels and manages catastrophe risk accumulations using reinsurance and PML based risk tolerances, which are monitored as part of our climate related risks. The Group's exposures to certain peak zone elemental losses, excluding our QST agreement with CCL 1998, as a percentage of capital are shown below. Net loss estimates are before income tax and net of reinstatement premiums and outwards reinsurance on a first occurrence return period basis.

		100 year return period estimated net loss[1]		250 year return period estimated net loss[1]	
As at 31 December 2024		**$m**	**% of capital**	**$m**	**% of capital**
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**252.7**	**17.5**	**321.3**	**22.2**
Non-Gulf of Mexico – U.S.	Hurricane	**167.5**	**11.6**	**430.5**	**29.8**
California	Earthquake	**166.6**	**11.5**	**214.5**	**14.8**
Pan-European	Windstorm	**106.6**	**7.4**	**165.0**	**11.4**
Japan	Typhoon	**80.3**	**5.6**	**135.7**	**9.4**
Japan	Earthquake	**79.5**	**5.5**	**166.0**	**11.5**
Pacific North West	Earthquake	**16.3**	**1.1**	**107.8**	**7.5**

1 Estimated net loss balances presented in the table are unaudited.

2 Landing hurricane from Florida to Texas.

As at 31 December 2023		100 year return period estimated net loss[1]		250 year return period estimated net loss[1]	
		$m	% of capital	$m	% of capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	211.4	13.9	251.6	16.5
California	Earthquake	171.6	11.3	226.1	14.8
Non-Gulf of Mexico – U.S.	Hurricane	167.8	11.0	339.5	22.3
Pan-European	Windstorm	120.2	7.9	158.5	10.4
Japan	Earthquake	98.1	6.4	201.0	13.2
Japan	Typhoon	96.3	6.3	133.4	8.8
Pacific North West	Earthquake	13.6	0.9	70.7	4.6

1 Estimated net loss balances presented in the table are unaudited.

2 Landing hurricane from Florida to Texas.

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. In addition, any modelled loss scenario could cause a larger loss to capital than the modelled expectation from the above return periods.

Geopolitical conflict

We continue to monitor our loss exposure with regard to the ongoing conflict in Ukraine and Russia, which remains a complex and fluid situation. With the ongoing tensions in the Middle East, focus remains on monitoring our exposures in this area and seeking to ensure that such exposures are within an acceptable risk tolerance. As geopolitical risks can change and evolve rapidly, these are factors that we carefully consider in our underwriting decisions. Where appropriate, thematic reviews are performed to provide a more detailed analysis of the risk and potential impact.

Insurance revenue geographical location and operating segment

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

For the year ended 31 December	2024 Reinsurance $m	2024 Insurance $m	2024 Total $m	2023 Reinsurance $m	2023 Insurance $m	2023 Total $m
U.S. and Canada	**369.6**	**45.3**	**414.9**	276.6	39.9	316.5
Worldwide - multi territory	**283.8**	**57.7**	**341.5**	226.9	54.4	281.3
Europe	**48.3**	**18.4**	**66.7**	41.8	15.9	57.7
Rest of world	**34.3**	**7.7**	**42.0**	39.9	33.6	73.5
Total insurance revenue	**736.0**	**129.1**	**865.1**	585.2	143.8	729.0

I. Reinsurance segment

The Group's reinsurance segment comprises property reinsurance, specialty reinsurance and casualty reinsurance. The property reinsurance portfolio is predominantly written on an excess of loss basis with the 'catastrophe' portfolio exposed to large natural disasters and the 'risk' portfolio exposed to individual, man made losses such as fire and explosion. The specialty reinsurance portfolio has a mix of exposure, with natural disasters exposing the retrocession portfolio and large, man-made risks from complex exposures, such as offshore energy platforms, exposing the marine, energy, terror and aviation portfolios. This is underwritten through a combination of excess of loss and proportional reinsurance. Casualty reinsurance is written through quota share reinsurance, assuming a mix of general liability and professional lines exposures, predominantly from within the U.S.

II. Insurance segment

The Group's insurance segment is usually written on a direct or facultative basis and comprises aviation insurance, casualty insurance, energy and marine insurance, property insurance and specialty insurance. Within aviation, aviation deductible, aviation hull, aviation liability, aviation war, and AV52 are the main exposures. Casualty insurance covers accident and health policies, as well as a small number of consortia arrangements within Lloyd's. Energy insurance covers a variety of energy exposures, from upstream and energy construction, downstream processing and storage risks, power generation, and energy liability. Marine risks include cargo and specie risks as well as liability, hull and war. The property insurance account contains a worldwide property exposure with a mix of Fortune 500 business and smaller accounts with exposure in an individual location. Specialty insurance includes political risk, terror and credit exposures and is often written on a multi-year basis.

Outwards reinsurance

The Group, in the normal course of business and in accordance with its risk management practices, seeks to reduce certain types of losses that may arise from events that could cause unfavourable underwriting results by entering into external outwards reinsurance arrangements. Reinsurance does not relieve the Group of its obligations to policyholders. Under the Group's reinsurance security policy, reinsurers are assessed and approved based on their financial strength ratings, together with other factors. LHL 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. LHL ORIF monitors the Group's reinsurers on an ongoing basis, and formally reviews the Group's reinsurance arrangements as deemed necessary. Exposure to the Group's reinsurance counterparties, compared to the Board-approved tolerances, is reported to the Board of Directors on a quarterly basis.

Reinsurance protection is typically purchased on an excess of loss basis, however, it may also include ILW covers, or proportional treaty arrangements. The mix of reinsurance cover is dependent on the specific loss mitigation requirements, market conditions, and available capacity. Reinsurance may also be purchased to optimise the risk-adjusted return of the underwriting portfolio. The structure varies between types of peril and sub-class. The Group regularly reviews its catastrophe and other exposures and may purchase reinsurance to reduce it's net exposure to a large natural catastrophe loss and/or to reduce net exposures to other large losses. The Group can purchase both facultative and treaty reinsurance with varying cover and attachment points. The reinsurance coverage is not intended to be available to meet all potential loss circumstances. The Group will retain some losses, as the cover purchased is unlikely to transfer the totality of the Group's exposure. Any loss amount which exceeds the Group's reinsurance programme is retained by the Group. Some parts of the reinsurance programme have limited reinstatements, therefore the number of claims which may be recovered from second or subsequent losses in those particular circumstances is restricted.

Reserving

Estimates of future cash flows to fulfil insurance contracts issued

The Group measures the carrying amount of the LIC and the AIC at the end of each reporting period, being the amount of the FCF. The FCF in respect of the LIC and AIC comprises:

- unbiased probability-weighted best estimates of future cash flows within the boundary of each insurance and reinsurance contract;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (see interest rate risk section); and
- a risk adjustment for non-financial risk.

Further detail on each of these is provided in the section below.

Probability-weighted best estimate of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available at the reporting date. The Group uses internal and external information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes.

Cash flows within the boundary of an insurance contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount and timing. These include payments to or on behalf of policyholders, including where relevant, those made to intermediaries, together with other costs incurred in fulfilling contracts.

Other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Where expenses are contract specific, these costs are taken directly and aggregated, as required, to groups of insurance contracts. Where expenses are not contract specific (for example overheads), these are allocated to groups of insurance contracts in a systematic and rational way.

For the Group's insurance contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates.

The Group estimates the ultimate costs of settling claims incurred but unpaid at the reporting date, and the value of salvage and other expected recoveries, by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques (including the Bornhuetter-Ferguson, loss ratio and chain-ladder methods). Often actuarial techniques assume that historic claims experience is indicative of future claims development patterns and therefore the ultimate claims cost. The ultimate cost of settling attritional losses and large claims is estimated separately for each class of business.

The assumptions used, including loss ratios and future claims inflation, are derived from a combination of historical information and judgement where past trends may not apply in the future and future trends are expected to emerge.

For each nominal fulfilment amount, the timing of future cash flows is determined by applying cash flow assumptions based, where available, on the Group's historical experience for the given portfolio of contracts. Where there is insufficient historical experience, reliance may be placed on external benchmarks or portfolios which are believed to exhibit similar cash flow characteristics.

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

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Under the PAA, the risk adjustment for non-financial risk is limited to the LIC and the AIC, with the exception of an onerous contract, where it is implicitly considered in determining the required adjustment to the LRC and ARC. The undiscounted risk adjustment within the LIC and AIC is set with reference to the Group's reserve risk appetite and aligns with the management margin, which depends on the prevailing uncertainty in the FCF of the LIC and AIC at each reporting date. The management margin is set through a combination of initial expected loss ratio uplifts for IBNR provisions and on a case-by-case basis for individual reported events. This process is overseen by the Reserve and Audit Committees. Given this granular approach, no further allocation of the risk adjustment to groups of insurance contracts is required. The undiscounted risk adjustment is then discounted to allow for the time value of money alongside the wider FCF within the LIC and AIC. Changes in the risk adjustment for non-financial risk are disaggregated into insurance services and insurance financing components in the same way as the best estimate FCF.

The Group estimates that FCF within the net of reinsurance LIC (including the risk adjustment for non-financial risks) correspond to a confidence level of 83% (31 December 2023 – 83%) on an ultimate time horizon.

The risk adjustment for non-financial risk is subject to discounting, and the confidence level is inferred for the purpose of disclosure. The inference of the confidence level requires assumptions around the perceived volatility of each portfolio and the aggregation to the overall entity level. Volatility parameters are set with reference to historical internal and external data but may be adjusted at each reporting date to reflect the prevailing environment and associated reserve uncertainties. Given the inference of the confidence level, the Group generally expects this to fall within the range of the 80th-90th percentile. Movements within this range between periods are to be expected due to, for example, specific loss events or a change in the mix of business such as an increase in longer tail casualty business written. The Group would expect to remain within this range, unless there is a change in reserving risk appetite. The Group's reserve risk appetite and methods used to determine the risk adjustment for non-financial risk and resulting confidence level were not changed for the current financial year.

Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the Group impact the valuation of the net insurance contract liabilities, profit after tax and shareholders' equity. Under the PAA, and given the current amount of the Group's loss component, only the LIC component of insurance contract liabilities and the AIC component of reinsurance contract assets are considered sensitive to possible changes in insurance risk and interest rate risk variables.

	LIC as at 31 December 2024 $m	**Impact on profit and shareholder's equity $m**	LIC as at 31 December 2023 $m	Impact on profit and shareholder's equity $m
Insurance contract liabilities	**1,393.4**		1,114.8	
Reinsurance contract assets	**(167.1)**		(150.1)	
Net insurance contract liabilities	**1,226.3**		964.7	
20% increase in unpaid claims and expenses				
Insurance contract liabilities	**1,672.1**	**278.7**	1,337.8	223.0
Reinsurance contract assets	**(200.5)**	**(33.4)**	(180.1)	(30.0)
Net insurance contract liabilities	**1,471.6**	**245.3**	1,157.7	193.0

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

B. Market risk

Market risk is the risk that decisions, movements, trends, or other factors in financial markets impact the Group in a way that is financially detrimental. The main market risks include:

i. Insurance market risk;
ii. Investment risk; 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 Group operates, have a detrimental financial impact on the Group. The Group is exposed to insurance market risk from several sources, including the following:

- the advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain lines, or across all lines;
- the actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs;
- market events, including unusual inflation in rates, which may result in a limit in the availability of cover, resulting in political intervention or national remedies;
- failure to maintain broker, binding authority and client relationships, leading to a limited or substandard choice of risks which are inconsistent with the Group's risk appetite;
- changes in regulation including capital, governance or licensing requirements; and
- changes in the geopolitical environment.

The most important method to mitigate insurance market risk is to maintain strict underwriting standards. The Group manages insurance market risk in numerous ways, including the following:

- reviews and amends underwriting plans and outlook as necessary;
- reduces exposure to market sectors where conditions have reached unattractive levels;
- purchases appropriate, cost-effective reinsurance cover to mitigate loss exposures;
- closely monitors changes in premium rates and terms and conditions;
- ensures through continuous regulatory capital management that it does not allow surplus capital to unduly influence underwriting appetite;
- has a collegiate approach towards taking risk with most authority requiring at least 4 eyes and pre-authorisation peer review;
- reviews outputs from the economic capital models to assess up-to-date profitability of classes and sectors;
- LHL holds monthly RRC meetings to discuss risk and reinsurance;
- LHL holds quarterly UURC meetings to review underwriting strategy; and
- holds regular meetings with regulators.

II. Investment risk

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

Investment guidelines are established by LHL's Investment Committee of the Board of Directors to manage this risk. Investment guidelines set parameters within which the Group's external investment managers must operate. All of the Group's fixed income managers, and the majority of the private investment managers are signatories of the UNPRI, which approximates to 96.8% (31 December 2023 – 97.5%) of the Group's externally managed assets. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a monthly basis. Any adjustments to the investment guidelines are approved by the LHL Investment Committee and the Board of Directors.

The Group's fixed maturity portfolios are managed by external investment managers. The Group also has a portfolio consisting of a hedge fund, principal protected products and private investment funds. The performance of the managers is monitored on an ongoing basis.

During the period, the investment portfolio was restructured by merging the core and core plus categories due to their similar risk-return profiles. This consolidation simplifies the investment strategy, enhances portfolio management, and optimises returns without altering the overall risk exposure. The unified 'core' portfolio remains aligned with the company's long-term financial goals and risk tolerance while the 'surplus' portfolio will aim for higher returns and greater diversification by investing in a wider array of assets with higher risk-return profiles, such as high-yield securities, private investment funds, hedge funds, and equities.

Within the Group's investment guidelines are subsets of guidelines for the core portion of funds required to meet near-term obligations and cash flow needs following an extreme event. These guidelines add further requirements, including reducing permitted asset classes, higher credit quality, shorter duration, and higher liquidity. The primary objectives for this portion of assets are capital preservation and providing liquidity to meet insurance and other near-term obligations. Alongside internally managed cash, the core portfolio holds funds specifically allocated to cover potential liabilities, aligning their duration with that of the insurance liabilities within an agreed range. The core portfolio is invested in fixed maturity securities, fixed maturity funds, and cash and cash equivalents. The core portfolio may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.
Assets in excess of those required to be held in the core portfolio are typically held in the surplus portfolio. The surplus portfolio is invested in fixed maturity securities, principal protected products, derivative instruments, cash and cash equivalents, private investment funds, and hedge funds. In general, the duration of the surplus portfolio is slightly longer than the core portfolio.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of management's risk tolerance levels, an adjustment to the asset allocation may be made to reduce the risks in the portfolio.

The investment portfolio is currently structured to perform similarly in risk-on and risk-off environments. The Group endeavours to limit losses in risk-on, risk-off, and interest rate hike scenarios. The Group models various periods of significant stress to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur (albeit not in the exact form of the scenarios, which are based on historic periods of volatility). The Group also monitors the portfolio impact of more severe disaster scenarios consisting of extreme shocks.

The LHL Investment Committee oversees a strategic asset allocation study on a bi-annual basis, which assesses the Group's overall strategy and seeks to determine if there is an alternative asset allocation to achieve the highest risk-adjusted return within our risk tolerances. The LHL IRRC meets quarterly to ensure that the LHL Group's strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The LHL IRRC also helps further develop the risk tolerances to be incorporated into the ERM framework

The investment mix of the Group's investment portfolio is as follows:

As at 31 December 2024	Core $m	Surplus $m	Total $m
– Short-term investments	**22.8**	**4.6**	**27.4**
– U.S. treasuries	**250.2**	**127.1**	**377.3**
– Other government bonds	**—**	**33.8**	**33.8**
– U.S. municipal bonds	**1.8**	**6.6**	**8.4**
– U.S. government agency debt	**—**	**17.0**	**17.0**
– Asset backed securities	**55.8**	**190.1**	**245.9**
– U.S. government agency mortgage backed securities	**136.2**	**145.2**	**281.4**
– Non-agency mortgage backed securities	**9.7**	**33.0**	**42.7**
– Non-agency commercial mortgage backed securities	**—**	**20.5**	**20.5**
– Bank loans	**—**	**153.4**	**153.4**
– Corporate bonds	**457.7**	**280.1**	**737.8**
– Other fixed maturities	**—**	**2.2**	**2.2**
Total fixed maturity securities	**934.2**	**1,013.6**	**1,947.8**
Private investment funds	**—**	**253.1**	**253.1**
Hedge funds	**—**	**7.9**	**7.9**
Other investments	**—**	**0.1**	**0.1**
Total investments	**934.2**	**1,274.7**	**2,208.9**

As at 31 December 2023	Core $m	Surplus $m	Total $m
– Short-term investments	20.2	53.2	73.4
– U.S. treasuries	329.4	106.8	436.2
– Other government bonds	—	28.5	28.5
– U.S. municipal bonds	7.4	3.4	10.8
– U.S. government agency debt	4.6	50.8	55.4
– Asset backed securities	84.3	138.2	222.5
– U.S. government agency mortgage backed securities	69.0	36.8	105.8
– Non-agency mortgage backed securities	0.6	10.9	11.5
– Non-agency commercial mortgage backed securities	—	21.3	21.3
– Bank loans	—	142.6	142.6
– Corporate bonds	442.1	260.9	703.0
– Other fixed maturities	—	6.2	6.2
Total fixed maturity securities	957.6	859.6	1,817.2
Private investment funds	—	165.6	165.6
Hedge funds	—	9.9	9.9
Other investments	—	(0.1)	(0.1)
Total investments	957.6	1,035.0	1,992.6

The concentration risk of the Group'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	208.1	456.2	11.2	684.1	125.6	26.7	1,511.9
Cayman Islands	—	1.2	—	—	139.0	—	140.2
United Kingdom	26.5	12.9	—	—	—	—	39.4
Canada	22.0	8.3	—	4.8	—	—	35.1
Jersey	—	0.6	—	—	30.7	—	31.3
France	18.4	0.4	—	—	0.9	—	19.7
Bermuda	—	—	—	1.7	12.7	—	14.4
Japan	8.1	5.0	—	—	—	—	13.1
India	3.1	5.1	0.5	3.5	—	—	12.2
Germany	1.8	8.2	—	—	—	—	10.0
Chile	—	2.8	2.4	3.6	—	—	8.8
Netherlands	4.2	4.0	—	—	—	—	8.2
Spain	6.6	1.0	—	—	—	—	7.6
Indonesia	—	2.9	—	4.4	—	—	7.3
Luxembourg	0.6	6.5	—	—	—	—	7.1
Other	24.0	35.7	5.1	15.8	0.2	0.7	81.5
Total	323.4	550.8	19.2	717.9	309.1	27.4	1,947.8

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	Other[2] $m	Total $m
United States	204.9	410.3	16.1	607.9	123.6	20.2	1,383.0
Cayman Islands	—	1.8	—	—	99.8	—	101.6
United Kingdom	26.7	12.3	—	—	0.3	50.0	89.3
Canada	16.3	13.2	—	0.9	—	—	30.4
Jersey	—	0.8	—	—	23.3	—	24.1
France	20.9	0.8	—	—	2.2	—	23.9
Japan	10.7	6.1	—	—	—	—	16.8
Mexico	3.4	6.8	0.4	1.3	—	—	11.9
Netherlands	5.6	2.1	3.3	—	—	0.4	11.4
India	1.8	4.5	—	2.9	—	1.3	10.5
Germany	1.8	7.4	—	—	—	—	9.2
Singapore	0.3	7.4	0.4	0.5	—	—	8.6
Switzerland	7.5	—	—	—	—	—	7.5
Qatar	0.4	—	—	6.4	—	—	6.8
United Arab Emirates	5.0	1.4	—	—	—	—	6.4
Other	20.4	26.7	4.3	16.8	6.1	1.5	75.8
Total	325.7	501.6	24.5	636.7	255.3	73.4	1,817.2

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

The Group's net asset value is directly impacted by movements in the fair value of investments held. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook.

Interest rate risk

(i) Investments

Interest rate risk is the risk that movements 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 Group's assets and liabilities. The Group's investment portfolio is mainly comprises fixed maturity securities and cash and cash equivalents. The fair value of the Group's fixed maturity portfolio is generally inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Group's fixed maturity securities would tend to rise, and vice versa.

The sensitivity of the price of fixed maturity securities, and certain derivatives, to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of the Group's fixed maturity investment portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

As at 31 December	2024		2023	
	$m	%	$m	%
Immediate shift in yield (basis points)				
100	**(47.8)**	**(2.5)**	(31.2)	(1.7)
75	**(35.8)**	**(1.8)**	(23.4)	(1.3)
50	**(23.9)**	**(1.2)**	(15.6)	(0.9)
25	**(11.9)**	**(0.6)**	(7.8)	(0.4)
(25)	**10.4**	**0.5**	7.9	0.4
(50)	**20.9**	**1.1**	15.9	0.9
(75)	**31.3**	**1.6**	23.8	1.3
(100)	**41.8**	**2.1**	31.7	1.7

The Group mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The Group may also manage interest rate risk through the use of interest rate futures and swaptions. The duration of the core portfolio is matched to the modelled duration of the net insurance contract liabilities, within a permitted range. The permitted duration range for the surplus portfolio is between one and five years.

The overall duration for fixed maturity securities, managed cash and cash equivalents is 2.0 years (31 December 2023 – 1.5 years).

In addition to duration management, the Group monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling to capture the cash flows and embedded optionality of the investment portfolio. Securities are valued individually using standard market pricing models. These security valuations serve as the input to risk analytics, including full valuation risk analyses, as well as parametric methods that rely on option-adjusted risk sensitivities to approximate the risk and return profiles of the portfolio.

The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the investment portfolio value is not expected to decrease more than the VaR metric listed in the table below 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the LHL Investment Committee on behalf of the Board of Directors on an annual basis.

The Group's annual VaR calculations are as follows:

As at 31 December	2024		2023	
	$m	% of shareholder's equity	$m	% of shareholder's equity
99th percentile confidence level[1]	**128.1**	**8.9**	90.3	5.9

(1) Excluding the impact of internal foreign exchange hedges.

(ii) Discounting approach on LIC and AIC

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

The Group applies the bottom-up approach when deriving its rates for discounting the LIC and AIC. This approach requires the use of an appropriate (liquid) risk-free yield curve, plus a specific illiquidity premium above the risk-free yield curve to represent the reduced liquidity of the insurance contract cash flows compared to the observable risk-free rates. The risk-free yields and illiquidity premium are derived using reference data supplied by third parties with management judgement applied where appropriate, in particular in the derivation of the illiquidity premium, which is informed by the implied illiquidity premium of a representative portfolio of corporate bonds determined using the top-down method.

The table below sets out the one, three, five and seven year yield curves (risk-free rate plus illiquidity premium) used to discount the cash flows of insurance contracts issued and reinsurance contracts held for the Group's major currencies:

As at 31 December	2024				2023			
	1 year	3 years	5 years	7 years	1 year	3 years	5 years	7 years
USD	**4.78%**	**4.88%**	**4.98%**	**5.07%**	5.33%	4.40%	4.29%	4.34%
GBP	**5.06%**	**4.98%**	**4.97%**	**5.03%**	5.31%	4.34%	4.14%	4.16%
EUR	**2.93%**	**3.02%**	**3.18%**	**3.31%**	4.03%	3.21%	3.21%	3.33%
CAD	**3.48%**	**3.54%**	**3.68%**	**3.84%**	5.23%	4.51%	4.25%	4.27%
JPY	**1.12%**	**1.52%**	**1.71%**	**1.88%**	0.65%	0.96%	1.24%	1.52%
ZAR	**8.25%**	**8.44%**	**8.97%**	**9.63%**	8.92%	8.63%	9.15%	9.86%
AUD	**4.65%**	**4.74%**	**5.03%**	**5.26%**	4.77%	4.55%	4.76%	4.99%

The following table presents information on how reasonably possible changes in the yield curve could impact the valuation of the net insurance contract liabilities, profit after tax and shareholder's equity. Under the PAA, and given the current amount of the Group's loss component, only the LIC component of insurance contract liabilities and the AIC component of reinsurance contract assets are sensitive to possible changes in insurance risk and interest rate risk variables.

	LIC as at 31 December 2024 $m	Impact on profit and shareholder's equity $m	LIC as at 31 December 2023 $m	Impact on profit and shareholder's equity $m
Insurance contract liabilities	**1,393.4**		1,114.8	
Reinsurance contracts assets	**(167.1)**		(150.1)	
Net insurance contract liabilities	**1,226.3**		964.7	
1% increase in yield curves				
Insurance contract liabilities	**1,364.9**	**28.5**	1,094.4	20.4
Reinsurance contract assets	**(164.0)**	**(3.1)**	(147.2)	(2.9)
Net insurance contract liabilities	**1,200.9**	**25.4**	947.2	17.5

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.

Price risk

Price risk is the risk that the fair value of our investment portfolio will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual investment or other market factors.

The Group's price risk exposure relates to private investment funds and hedge funds. Listed investments that are quoted in an active market are recognised at quoted bid price, which is deemed to be the approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to note 9). This includes comparison to comparable orderly transactions between active market participants, reference to benchmarks or other indices to assess reasonableness, and other valuation techniques that are commonly used by market participants.

A 10% asset price decrease at 31 December 2024 would reduce the value of our private investment funds and hedge funds by approximately $26.1 million (31 December 2023 – $17.6 million).

Derivative financial instruments

The Group's investment guidelines permit the investment managers to utilise forward foreign currency contracts to manage foreign currency exposure. These positions are monitored regularly. The Group may also use OTC or exchange-traded managed derivatives to mitigate interest rate risk and foreign currency exposures. The Group principally has exposure to derivatives related to the following types of risks: interest rate risk, foreign currency risk, and credit risk.

Forward foreign currency contracts

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a defined rate. The Group may utilise forward foreign currency contracts to gain exposure to a certain currency or market rate, to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments, debt, insurance-related currency exposures and/or expenses.

Forward contracts expose the Group to credit, market and liquidity risks. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Group is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high volatility and financial stress. These risks are mitigated by requiring a minimum counterparty credit quality, restricting the maximum notional exposure as a percentage of the investment portfolio's estimated fair value, and restricting exposures to foreign currencies, individually and in aggregate, as a percentage of the investment portfolio's estimated fair value. Where forward foreign currency contracts are within externally managed investment portfolios, they are disclosed as other investments. Where they are managed directly by the Group, they are disclosed as either other receivables, or other payables, as appropriate.

The notional amount of a derivative contract is the underlying quantity upon which payment obligations are calculated. A long position is equivalent to buying the underlying currency whereas a short position is equivalent to having sold the underlying currency.

The net foreign exchange (losses) gains on the Group's derivative financial instruments recognised in the consolidated statement of comprehensive income are as follows:

For the year ended 31 December	2024	2023
	Net foreign exchange (losses) $m	Net foreign exchange gains $m
Forward foreign currency contracts	(2.3)	1.9

The estimated fair values of the Group's derivative instruments are as follows:

As at 31 December	2024			2023		
	Other investments $m	Other receivables $m	Other payables $m	Other investments $m	Other receivables $m	Other payables $m
Forward foreign currency contracts	0.1	0.2	(0.4)	(0.1)	2.0	(0.7)

The Group has the following open forward foreign currency contracts:

As at 31 December	2024			2023		
	Notional long $m	Notional short $m	Net notional long (short) $m	Notional long $m	Notional short $m	Net notional long (short) $m
Canadian Dollar	—	25.3	(25.3)	—	28.7	(28.7)
Euro	31.6	2.3	29.3	49.0	3.6	45.4
Sterling	—	0.5	(0.5)	77.8	0.7	77.1
Danish Krone	—	0.2	(0.2)	—	0.2	(0.2)
Total	31.6	28.3	3.3	126.8	33.2	93.6

III. Currency risk

Currency risk is the risk that movements in currency exchange rates have a detrimental financial impact on the Group. The Group underwrites from multiple locations and risks are assumed on a worldwide basis. Risks assumed are predominantly denominated in U.S. dollars.

The Group is exposed to currency risk to the extent its assets and liabilities are denominated in different currencies to its U.S. dollar reporting currency. The exchange gains and losses which arise on these assets and liabilities impact the consolidated statement of comprehensive income.

The Group hedges monetary non-U.S. dollar liabilities primarily with non-U.S. dollar assets, but may also use derivatives to mitigate foreign currency exposures. The Group's main foreign currency exposure relates to its insurance contract liabilities and reinsurance contract assets, investments and cash and cash equivalents, and other monetary assets and liabilities. The Group uses forward foreign currency contracts for the purposes of managing currency exposures.

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

Assets	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Cash and cash equivalents	**275.4**	**70.7**	**9.5**	**15.0**	**29.0**	**399.6**
Accrued interest receivable	**16.2**	—	—	—	**0.1**	**16.3**
Investments	**2,158.5**	**24.9**	**25.7**	—	**(0.2)**	**2,208.9**
Reinsurance contract assets	**155.0**	**7.1**	**10.7**	—	**(1.8)**	**171.0**
Other receivables	**154.0**	**(1.2)**	**(0.1)**	—	—	**152.7**
Right-of-use assets	**1.2**	—	—	—	—	**1.2**
Property, plant and equipment	**0.5**	—	—	—	—	**0.5**
Total assets as at 31 December 2024	**2,760.8**	**101.5**	**45.8**	**15.0**	**27.1**	**2,950.2**

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Insurance contract liabilities	**1,211.5**	**67.8**	**67.3**	**15.5**	**47.8**	**1,409.9**
Other payables	**93.1**	**0.6**	**0.2**	—	—	**93.9**
Lease liabilities	**1.2**	—	—	—	—	**1.2**
Total liabilities as at 31 December 2024	**1,305.8**	**68.4**	**67.5**	**15.5**	**47.8**	**1,505.0**

Assets	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Cash and cash equivalents	298.5	32.5	17.7	24.5	26.0	399.2
Accrued interest receivable	13.9	—	—	—	—	13.9
Investments	1,992.9	(0.1)	0.2	—	(0.4)	1,992.6
Reinsurance contract assets	142.4	3.8	10.6	0.2	(1.9)	155.1
Other receivables	110.1	1.2	—	—	—	111.3
Right-of-use assets	2.1	—	—	—	—	2.1
Property, plant and equipment	0.3	—	—	—	—	0.3
Total assets as at 31 December 2023	2,560.2	37.4	28.5	24.7	23.7	2,674.5

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Insurance contract liabilities	935.9	39.7	72.8	17.1	46.7	1,112.2
Other payables	35.3	1.8	0.2	—	0.1	37.4
Lease liabilities	2.1	—	—	—	—	2.1
Total liabilities as at 31 December 2023	973.3	41.5	73.0	17.1	46.8	1,151.7

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, taken at the year-end spot rates, would be an increase or decrease of $1.0 million (31 December 2023 – $6.4 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 Group's main exposures to liquidity risk are with respect to its insurance, investment, and operational activities. The Group is exposed to such risks if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts issued. The Group can be exposed to daily calls on its available investment assets, principally to settle insurance claims and to fund trust accounts, following a large catastrophe loss.

Exposures in relation to insurance activities are as follows:

- large catastrophic events, or multiple medium-sized events in quick succession, resulting in a requirement to pay a large value of claims within a relatively short time frame, or to fund trust accounts;
- failure of insureds or cedants to meet their contractual obligations with respect to the payment of premiums in a timely manner; and
- failure of reinsurers to meet their contractual obligations with respect to the payment of claims in a timely manner.

Exposures in relation to investment activities are as follows:

- adverse market movements and/or a duration mismatch to obligations, resulting in investments being disposed of at a significant realised loss; and
- an inability to liquidate investments due to market conditions.

The maturity dates of the Group's fixed maturity portfolio are as follows:

As at 31 December	2024 Core $m	2024 Surplus $m	2024 Total $m	2023 Core $m	2023 Surplus $m	2023 Total $m
Less than one year	**150.8**	**39.7**	**190.5**	259.1	116.4	375.5
Between one and two years	**183.2**	**77.3**	**260.5**	169.5	123.6	293.1
Between two and three years	**131.4**	**67.9**	**199.3**	180.8	106.9	287.7
Between three and four years	**112.5**	**120.4**	**232.9**	59.4	73.3	132.7
Between four and five years	**41.5**	**88.9**	**130.4**	105.8	105.0	210.8
Over five years	**113.1**	**230.6**	**343.7**	29.1	127.2	156.3
Asset backed and mortgage backed securities	**201.7**	**388.8**	**590.5**	153.9	207.2	361.1
Total fixed maturity securities	**934.2**	**1,013.6**	**1,947.8**	957.6	859.6	1,817.2

The maturity profile of the insurance contracts issued and financial liabilities of the Group is as follows:

As at 31 December 2024	Statement of financial position $m	Years until liability becomes due – undiscounted values: Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Liabilities						
Insurance contract liabilities[1]	**1,409.9**	**531.2**	**570.4**	**246.7**	**210.5**	**1,558.8**
Other payables	**93.9**	**93.9**	**—**	**—**	**—**	**93.9**
Lease liabilities	**1.2**	**1.2**	**—**	**—**	**—**	**1.2**
Total	**1,505.0**	**626.3**	**570.4**	**246.7**	**210.5**	**1,653.9**

1 Since the Group applies the PAA model for all insurance contracts issued, the maturity profile represents only the liability for incurred claims, and has been presented on an undiscounted basis.

As at 31 December 2023	Statement of financial position $m	Years until liability becomes due – undiscounted values: Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Liabilities						
Insurance contract liabilities[1]	1,112.2	478.7	442.6	169.5	129.6	1,220.4
Other payables	37.4	37.4	—	—	—	37.4
Lease liabilities	2.1	1.2	1.1	—	—	2.3
Total	1,151.7	517.3	443.7	169.5	129.6	1,260.1

1 Since the Group applies the PAA model for all insurance contracts issued, the maturity profile represents only the liability for incurred claims, and has been presented on an undiscounted basis.

Within the tables shown above, the insurance contract liabilities balance discloses the period when the claims in respect of insurance contracts issued by the Group are expected to be settled. All other liability balances within the table disclose the earliest period in which the relevant counterparty could contractually require the Group to make payment. Actual maturities of the above may differ from contractual maturities because certain counterparties have the right to call or prepay certain obligations with or without call or prepayment penalties.

While the estimation of future cash flows in relation to ultimate claims settlement is complex and incorporates a significant amount of judgement, the timing of the payment of claims is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience, and management's judgement have been used to determine a likely settlement pattern based on the earliest period in which the Group could be required by the relevant counterparty to make payment. There are no amounts contained within the insurance contract liabilities or reinsurance contract assets as at 31 December 2024 (31 December 2023 – none) that are payable on demand.

As at 31 December 2024, cash and cash equivalents were $399.6 million (31 December 2023 – $399.2 million). The Group manages its liquidity risks through its investment strategy to hold high quality, liquid securities, sufficient to meet its insurance liabilities and other near-term liquidity requirements. The core portfolio, with its subset of guidelines, aims to ensure funds are readily available to meet potential insurance liabilities, plus other liquidity requirements, in an extreme event. In addition, the Group has established asset allocation and duration parameters within the investment guidelines, such that the majority of the investments are in high-quality assets which could be converted into cash promptly and at minimal expense. The Group monitors market changes and outlook, and reallocates assets as deemed necessary.

As at 31 December 2024, the Group considers that it has more than adequate liquidity to pay its obligations as they fall due.

D. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation.

The Group is exposed to credit risk in respect of its fixed maturity investment portfolio, cash and cash equivalents, accrued interest receivable, derivative financial instruments, amounts recoverable from reinsurers within reinsurance contract assets, amounts receivable from insureds and cedants included within insurance contract liabilities, and other receivables.

Credit risk on the fixed maturity portfolio is mitigated through the Group's policy to invest in instruments of high credit quality issuers, and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB-/Baa3 may comprise no more than 15.0% of total market value of the fixed maturity portfolio. In addition, no one issuer, with the exception of U.S. government and agency securities, other G10 government guaranteed securities (excluding Italy), and Australian sovereign debt, should exceed 5.0% of total market value of the fixed maturity portfolio. The Group is therefore not exposed to any significant credit concentration risk on either its fixed maturity investment portfolio, or cash and cash equivalents, except for fixed maturity securities issued by the U.S. government and government agencies, and other highly-rated governments.

Credit risk on insurance contract cash flows from insureds and cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Binding authorities are subject to standard market controls, including credit control. Credit risk from reinsurance contract cash flows is primarily managed by the review and approval of reinsurer security.

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

The table below presents an analysis of the Group's maximum exposures to counterparty credit risk, based on their rating:

As at 31 December	2024			2023		
	Cash and cash equivalents $m	**Fixed maturity securities $m**	**Credit exposed component of reinsurance contracts held $m**	Cash and cash equivalents $m	Fixed maturity securities $m	Credit exposed component of reinsurance contracts held $m
AAA	**341.2**	**206.1**	**—**	291.0	219.6	—
AA+, AA, AA-	**—**	**827.7**	**1.8**	—	715.5	3.6
A+, A, A-	**57.9**	**486.0**	**148.1**	103.1	432.8	119.4
BBB+, BBB, BBB-	**0.5**	**271.4**	**0.3**	5.1	307.4	0.8
Other[1]	**—**	**156.6**	**31.5**	—	141.9	42.9
Total	**399.6**	**1,947.8**	**181.7**	399.2	1,817.2	166.7

1 Reinsurance contracts held classified as 'other' include $30.6 million as at 31 December 2024 (31 December 2023 - $41.4 million) which are fully collateralised.

Reinsurance is ceded across all geographic regions in which the Group operates. The Group does not have a significant concentration of credit risk with any single reinsurer.

The Group's maximum exposure to credit risk arising from insurance contracts issued is $361.0 million (31 December 2023 – $380.8 million), which relates to the elements of the insurance contract liabilities balance which are considered to be exposed to credit risk, specifically, premium receivables and reinstatement premium receivables, net of profit commissions payable on inwards reinsurance business.

ECL have been determined to be immaterial as at 31 December 2024 and 31 December 2023.

E. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems, or non-insurance external events. The Group has identified and evaluated its key operational risks and these are incorporated in the risk registers and modelled within BLAST. The Group has also established, and monitors compliance with, internal operational risk tolerances. The LHL 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 of Directors.

In order to manage operational risks, the Group has implemented a robust governance framework. Policies and procedures are documented and identify the key risks and controls within processes. Key risk indicators have been established and are monitored on a regular basis and a formal loss event and near-miss reporting process has been implemented. The risk management function facilitates a quarterly risk and control affirmation process and performs detailed control testing, the outcomes of which inform the CRO's quarterly opinion of the overall control environment. The Group's internal audit function provides independent feedback with regard to the accuracy and completeness of key risks and controls, and independently verifies the effective operation of these through sample testing. All higher risk areas are subject to an annual audit while compliance with tax operating guidelines is reviewed quarterly. Frequency of consideration for audit for all other areas varies from quarterly at the most frequent to a minimum of once every four years, on a rotational basis.

It is widely recognised that the current increasing geopolitical risks have also increased the risk of cyber attacks. Whilst the Group does not write standalone cyber as a separate class of business, it does have some limited exposure within broader policy coverage of existing classes of business. The Group's main exposure comes from the operational risk of suffering a cyber attack on its systems, the resultant downtime of systems, the expense in getting back up and running and the potential for missed business opportunities during the downtime.

To mitigate this risk, the Group has established an information security function which works with a specialist third-party to identify, assess, monitor and manage cyber risk. A robust cyber risk framework has been developed, this includes a range of key risk and performance indicators which are monitored and reported against regularly. A cyber incident response plan has been developed and is tested on an annual basis.

The operational cyber risk that comes with employees working from home is managed through enhanced monitoring of network activity, targeted staff training, a quarterly risk and control affirmation process, annual testing of business continuity plans and disaster recovery plans, and 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 Group's information security function.

Management continue to closely monitor the progress of the legislative process in the jurisdictions in which it operates as it relates to OECD global minimum tax and Bermuda corporate income tax. Further details are outlined in note 7.

F. Strategic risk

Strategic risk is the risk that the Group does not develop and implement an appropriate long term strategy to meet its business goals. The Group has identified several strategic risks. These include:

i. business planning risk;
ii. inflation risk;
iii. capital management risk;
iv. retention risk;
v. growth risk; and
vi. climate change risk.

I. Business planning risk

Business planning risk is the risk that either the poor execution of the business plan or an inappropriate business plan, results in a strategy that fails to adequately consider and reflect the current trading environment, resulting in an inability of the Group to optimise performance, increasing reputational risk. The Group addresses the risks associated with the planning and execution of the business plan through a combination of the following:

- an iterative annual forward-looking business planning process with cross departmental involvement;
- evaluation and approval of the annual business plan by the Board of Directors;
- regular monitoring of actual versus planned results;
- periodic review and re-forecasting as market conditions change; and
- evaluation of climate change and the potential short, medium and long-term implications/considerations for the business.

The forward-looking business planning process covers a three-year period from 2025 to 2027, and applies a number of sensitivity, stress and scenario tests. These tests include consideration of climate change risks. The sensitivity and stress testing has confirmed that even under the more extreme stress scenarios, the Group had more than adequate liquidity and regulatory solvency capital headroom.

II. Inflation risk

Worldwide inflation measures have increased significantly in recent years. Whilst the Group has already been monitoring inflation, macro-economic factors, together with the actions of central banks and the views of economists, indicate that a period of sustained high inflation 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

Capital management risk is the risk of failing to maintain adequate capital, accessing capital at an inflated cost, or the inability to access capital. This includes unanticipated changes in vendor, regulatory and/or rating agency models, that could result in an increase in capital requirements, or a change in the type of capital required.

The total capital of the Group as at 31 December 2024 is $1,445.2 million (31 December 2023 – $1,522.8 million).

Risks associated with the effectiveness of the Group's capital management are mitigated as follows:

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

The Group reviews the level and composition of capital on an ongoing basis with a view to:

- maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and

- meeting internal, rating agency and regulatory capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. All capital actions require approval by the Board of Directors.

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

The Group's aim is to maximise risk-adjusted returns across the cycle. The return is generated within a broad framework of risk parameters. The return is measured by management in terms of ROE. This aim is a long-term goal, acknowledging that management expects both higher and lower results in the shorter term. The cyclical and volatile nature of the insurance market is expected to be the largest driver of this pattern. Management monitors these peaks and troughs by adjusting the Group's insurance portfolio to make the most effective use of available capital and seeking to maximise the risk-adjusted return.

The only source of capital used by the Group is equity shareholder's funds. The Group's ability to pay dividends and make capital distributions to LHL is subject to the legal and regulatory restrictions of the jurisdictions in which they operate.

The Group is regulated by the BMA and is required to monitor their enhanced capital requirement under the BMA's regulatory framework, which has been assessed as equivalent to the Solvency II regime. Bermuda is also recognised as a qualified and reciprocal jurisdiction by the U.S. NAIC, and LICL is approved as a reciprocal reinsurer. The Group's capital requirements are calculated using the BSCR standard formula model. For the years ended 31 December 2024 and 31 December 2023, the Group was more than adequately capitalised under the BMA's regulatory regime.

IV. Retention risk

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

- the identification of key personnel, together with appropriate succession plans;
- documented recruitment procedures, position descriptions and employment contracts;
- resource monitoring and the provision of appropriate compensation, including equity based compensation which vests over a defined time horizon;
- the use of KRIs for the voluntary turnover of members of staff; and
- training schemes.

V. Growth risk

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

VI. Climate change risk

The Group is exposed to both climate change-related risks and opportunities. The two major categories of risk being transition risk and physical risk.

Transition risks are those risks relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate-related events) or chronic (due to longer-term shifts in climate patterns). As a (re)insurance company, the Group is more significantly affected by physical risk through its potential exposure to acute and chronic climate change. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy.

The Group's process in identifying, assessing and managing climate risk with respect to insurance risk, investment risk (a component of market risk) and business plan risk (a component of strategic risk) is discussed further within the relevant sections above.

1. General information

The Group is a provider of global specialty (re)insurance products. The Group was incorporated under the laws of Bermuda on 28 October 2005 and is authorised by the BMA as a Class 4 general insurer under The Insurance Act 1978 and related Regulations ('the Act'). The registered office of the Company is Power House, 7 Par-La-Ville Road, Hamilton HM 11, Bermuda. The Group is a wholly owned subsidiary of LHL, a company listed on the LSE, with a secondary listing on the BSX. The Group's consolidated financial statements are prepared in accordance with the Bermuda Companies Act 1981.

The consolidated financial statements for the year ended 31 December 2024 include the Group's subsidiary company. A full listing of the Group's related parties can be found in note 16.

2. Segmental reporting

Management and the Board of Directors review the Group's business primarily by its two principal segments: reinsurance and insurance. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Lines of business are underwritten within each operating segment. These lines of business are, written primarily, but not exclusively, on a reinsurance or insurance basis. The QST agreement with LUK is recorded within the insurance segment based on the products underwritten by LUK.

Operating segment performance is measured by the insurance service result and net insurance ratio. The performance of the overall Group is measured by the combined ratio on both an undiscounted and discounted basis.

All amounts reported are transactions with external parties. There are no significant inter-segmental transactions and there are no significant insurance or reinsurance contracts that insure or reinsure risks in Bermuda, the Group's country of domicile.

For the year ended 31 December	2024			2023		
	Reinsurance $m	Insurance $m	Total $m	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	736.0	129.1	865.1	585.2	143.8	729.0
Insurance service expenses	(377.9)	(164.1)	(542.0)	(216.0)	(97.4)	(313.4)
Insurance service result before reinsurance contracts held	358.1	(35.0)	323.1	369.2	46.4	415.6
Allocation of reinsurance premium	(141.5)	(10.4)	(151.9)	(143.0)	(4.7)	(147.7)
Amounts recoverable from reinsurers	(3.0)	28.8	25.8	(60.6)	3.6	(57.0)
Net expense from reinsurance contracts held	(144.5)	18.4	(126.1)	(203.6)	(1.1)	(204.7)
Insurance service result	213.6	(16.6)	197.0	165.6	45.3	210.9
Finance expense from insurance contracts issued	(33.3)	(12.1)	(45.4)	(43.7)	(12.8)	(56.5)
Finance income from reinsurance contracts held	8.8	1.5	10.3	12.0	0.9	12.9
Net insurance financing result	(24.5)	(10.6)	(35.1)	(31.7)	(11.9)	(43.6)
Net investment return			128.5			125.7
Other operating expenses			(28.3)			(29.2)
Net other unallocated income and (expenses)			70.3			75.8
Profit before tax			332.4			339.6
Net insurance ratio	64.1%	114.0%	72.4%	62.6%	67.4%	63.7%
Net operating expense ratio			4.0%			5.0%
Combined ratio - discounted			76.4%			68.7%
Discounting impact on combined ratio			13.1%			10.7%
Combined ratio - undiscounted			89.5%			79.4%

3. Net insurance financing result

IFRS 17 requires insurance contracts issued and reinsurance contracts held to be accounted for on a discounted basis. The table below shows the total impact of discounting is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2024 and 31 December 2023:

For the year ended 31 December	2024			2023		
	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	**105.4**	**(12.0)**	**93.4**	67.2	(5.0)	62.2
Unwind of discount	**(57.5)**	**11.1**	**(46.4)**	(47.2)	11.6	(35.6)
Impact of change in assumptions	**12.1**	**(0.8)**	**11.3**	(9.3)	1.3	(8.0)
Finance (expense) income	**(45.4)**	**10.3**	**(35.1)**	(56.5)	12.9	(43.6)
Total net discounting income (expense)	**60.0**	**(1.7)**	**58.3**	10.7	7.9	18.6

The discounting approach and the yield curves used to discount the cash flows of insurance contracts issued and reinsurance contracts held for our major currencies are provided in the interest rate risk disclosures.

The relationship between the Group's total finance income(expense) from insurance contracts issued, and reinsurance contracts held, is not typically expected to correlate directly with the Group's net investment return since:

- the Group's investment portfolio is of greater magnitude than its insurance contract liabilities, net of its reinsurance contract assets;
- in accordance with the requirements of IFRS 17, the discount rates used in respect of the Group's insurance contract liabilities, and reinsurance contract assets, are set with specific reference to the Group's insurance contracts, and not its investment portfolio; and
- there are a mixture of securities within the Group's investment portfolio, certain of which do not have their valuation directly or primarily affected by changes in interest rates.

4. Net investment return

For the year ended 31 December	2024 $m	2023 $m
Interest and dividend income on financial investments	**98.5**	72.7
Interest on cash and cash equivalents	**18.7**	12.5
Net realised gains	**—**	3.6
Net unrealised gains	**16.4**	41.8
Investment income	**133.6**	130.6
Investment management fees	**(5.1)**	(4.9)
Total net investment return	**128.5**	125.7

5. Expenses

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

For the year ended 31 December	2024			2023		
	Other operating expenses $m	DAE $m	Total expenses $m	Other operating expenses $m	DAE $m	Total expenses $m
Employee remuneration costs	**14.5**	**12.8**	**27.3**	16.6	11.4	28.0
Operating expenses	**13.8**	**14.4**	**28.2**	12.6	9.4	22.0
Total	**28.3**	**27.2**	**55.5**	29.2	20.8	50.0

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

Auditor's remuneration included within other operating expenses incurred by the Group in the reporting period totalled $1.0 million (2023 – $1.2 million). During 2024 and 2023, no non-audit services were provided by KPMG Audit Limited.

6. Employee benefits

For the year ended 31 December	2024			2023		
	Other operating expenses $m	**DAE $m**	**Total $m**	Other operating expenses $m	DAE $m	Total $m
Employee remuneration costs	**14.5**	**12.8**	**27.3**	16.6	11.4	28.0
RSS – performance	**0.2**	**—**	**0.2**	0.4	—	0.4
RSS – ordinary	**3.1**	**—**	**3.1**	2.5	—	2.5
RSS – bonus deferral	**0.2**	**—**	**0.2**	—	—	—
Total equity based compensation	**3.5**	**—**	**3.5**	2.9	—	2.9
Total employee benefits	**18.0**	**12.8**	**30.8**	19.5	11.4	30.9

7. Tax

OECD global minimum tax and Bermuda corporate income tax

As a response to the Pillar Two reform, legislation was passed in Bermuda to implement a CIT regime from 1 January 2025. To the extent the Bermuda CIT results in an effective tax rate of less than 15%, the shortfall in tax will be collected by applying the Pillar Two under taxed payments rule, which was implemented on 1 January 2025. Any shortfall in tax will be collected in a jurisdiction that has implemented the under taxed payments rule and in which the Group has operating subsidiaries. For Lancashire this is likely to be the UK, however based on its limited international presence and provided it continues to meet the relevant conditions, Lancashire expects to benefit from exclusion from the under taxed payment rule for a period of five years, from 2025 to 2029.

The Group is also not expected to become subject to Bermuda CIT until 1 January 2030, provided it continues to meet the relevant conditions within the Bermuda CIT rules that means groups with a limited international presence are excluded from scope for a period of up to five years.

At 31 December 2023, in light of emerging guidance and uncertainty as to the potential impact for the Group, no decision had yet been taken as to whether to take advantage of available tax deduction arising from the Economic Transition Adjustment, a transitional measure introduced by Bermuda CIT, or to use the opt out available. Management's current assessment is that these uncertainties have not diminished and therefore its position as at 31 December 2024 is unchanged and therefore no deferred tax asset has been recognised. Management will continue to monitor developments during 2025.

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

8. Cash and cash equivalents

As at 31 December	**2024 $m**	2023 $m
Cash at bank and in hand	**124.7**	134.7
Cash equivalents	**274.9**	264.5
Total cash and cash equivalents	**399.6**	399.2

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 13 for the cash and cash equivalent balances on deposit as collateral.

9. Investments

As at 31 December	2024				2023			
	Cost $m	**Unrealised gains $m**	**Unrealised losses $m**	**Fair value $m**	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities[1]	**1,964.1**	**15.1**	**(31.4)**	**1,947.8**	1,844.9	18.5	(46.2)	1,817.2
Private investment funds	**259.0**	**10.4**	**(16.3)**	**253.1**	174.4	4.2	(13.0)	165.6
Hedge funds	**5.8**	**2.1**	**—**	**7.9**	8.5	1.4	—	9.9
Other investments	**—**	**0.1**	**—**	**0.1**	—	—	(0.1)	(0.1)
Total investments	**2,228.9**	**27.7**	**(47.7)**	**2,208.9**	2,027.8	24.1	(59.3)	1,992.6

1 The nature of our fixed maturity securities are presented in the investment risk disclosures.

The Group determines the fair value of each individual security utilising the highest-level inputs of the fair value hierarchy, as defined below. The fair value of fixed maturity investments is determined from quotations received from third-party recognised pricing services. The Group receives independence assurance reports to assess the design and operating effectiveness of controls over these processes. The fair value of private investment funds is estimated based on the most recently available NAV as advised by the external fund manager or third-party administrator.

9. Investments continued

The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' own pricing.

During the year, the Group has changed its independent pricing services provider of the fixed maturity investments. The valuation of fixed maturity investments is still estimated in accordance with the fair value hierarchy. The Group has not made any adjustments to the pricing provided by its third-party investment managers for either the year ending 31 December 2024 or the year ending 31 December 2023.

The fair values of securities within the Group's investment portfolio are estimated using the following valuation techniques in accordance with the fair value hierarchy:

Level (i)

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

Level (ii)

Level (ii) investments are securities with quoted prices in active markets for similar assets or liabilities, or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued through independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically of an industry-accepted standard and include broker-dealer quotes and pricing models, including present values and future cash flows, together with inputs such as yield curves, interest rates, prepayment profiles and default rates.

Level (iii)

Level (iii) investments are securities for which valuation techniques are not based on observable market data, and therefore require significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include private investment funds and hedge funds.

The fair value of the Group's private investment funds are determined using statements received from each fund's investment managers on either a monthly or quarterly in arrears basis. In addition, these valuations will be compared with benchmarks or other indices to assess the reasonableness of the estimated fair value of each fund. Given the Group's knowledge of the underlying investments and the size of the Group's investment therein, we would not anticipate any material variance between statements and the final actual NAVs reported by the investment managers.

The fair values of the Group's hedge funds are determined using a combination of the most recent NAVs, provided by each fund's independent administrator, and the estimated performance provided by each hedge fund manager. Independent administrators provide monthly reported NAVs with up to a one-month delay in valuation. The most recent NAV available for each hedge fund is adjusted for the estimated performance, as provided by the fund manager, between the NAV date and the reporting date. Historically, estimated fair values incorporating these performance estimates have not been significantly different from subsequent NAVs. Given the Group's knowledge of the underlying investments, and the size of the Group's investment therein, we would not anticipate any material variance between estimated valuations and the final NAVs reported by the administrators.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers between Level (i) to (ii) securities amounted to $27.4 million and transfers from Level (ii) to (i) securities amounted to $188.9 million during the year ended 31 December 2024.

9. Investments continued

The fair value hierarchy of the Group's investment holdings is as follows:

As at 31 December 2024	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
- Short-term investments	27.4	—	—	27.4
- U.S. treasuries	377.3	—	—	377.3
- Other government bonds	5.3	28.5	—	33.8
- U.S. municipal bonds	2.6	5.8	—	8.4
- U.S. government agency debt	7.0	10.0	—	17.0
- Asset backed securities	8.5	237.4	—	245.9
- U.S. government agency mortgage backed securities	120.4	161.0	—	281.4
- Non-agency mortgage backed securities	—	42.7	—	42.7
- Non-agency commercial mortgage backed securities	—	20.5	—	20.5
- Bank loans	—	153.4	—	153.4
- Corporate bonds	691.3	46.5	—	737.8
- Other fixed maturities	—	2.2	—	2.2
Total fixed maturity securities	**1,239.8**	**708.0**	**—**	**1,947.8**
Private investment funds	—	—	253.1	253.1
Hedge funds	—	—	7.9	7.9
Other investments	—	0.1	—	0.1
Total investments	**1,239.8**	**708.1**	**261.0**	**2,208.9**

As at 31 December 2023	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
- Short-term investments	21.4	52.0	—	73.4
- U.S. treasuries	436.2	—	—	436.2
- Other government bonds	7.7	20.8	—	28.5
- U.S. municipal bonds	—	10.8	—	10.8
- U.S. government agency debt	40.1	15.3	—	55.4
- Asset backed securities	—	222.5	—	222.5
- U.S. government agency mortgage backed securities	—	105.8	—	105.8
- Non-agency mortgage backed securities	—	11.5	—	11.5
- Non-agency commercial mortgage backed securities	—	21.3	—	21.3
- Bank loans	15.0	127.6	—	142.6
- Corporate bonds	385.6	317.4	—	703.0
- Other fixed maturities	—	6.2	—	6.2
Total fixed maturity securities	906.0	911.2	—	1,817.2
Private investment funds	—	—	165.6	165.6
Hedge funds	—	—	9.9	9.9
Other investments	—	(0.1)	—	(0.1)
Total investments	906.0	911.1	175.5	1,992.6

9. Investments continued

The table below analyses the movements in investments classified as Level (iii) investments:

	Private investment funds $m	Hedge funds $m	Total $m
As at 31 December 2022	108.1	103.9	212.0
Purchases	63.5	0.9	64.4
Sales	(5.1)	(99.6)	(104.7)
Net realised gains recognised in profit or loss	—	12.2	12.2
Net unrealised losses recognised in profit or loss	(0.9)	(7.5)	(8.4)
As at 31 December 2023	165.6	9.9	175.5
Purchases	**84.6**	—	**84.6**
Sales	—	**(3.2)**	**(3.2)**
Net realised gains recognised in profit or loss	—	**0.5**	**0.5**
Net unrealised gains recognised in profit or loss	**4.1**	**0.7**	**4.8**
Net unrealised foreign exchange losses recognised in profit or loss	**(1.2)**	—	**(1.2)**
As at 31 December 2024	**253.1**	**7.9**	**261.0**

Apart from the purchases and sales shown in the table above, there have been no other transfers into or out of the level (iii) investments during either the current period or the prior period.

Included within net unrealised gains (losses) recognised in profit or loss as shown in the table above are net unrealised gains related to level (iii) investments held as at 31 December 2024 of $5.2 million (31 December 2023 – $1.2 million net unrealised gains).

10. Interest in structured entities

Consolidated structured entities

As at 31 December 2024 the Company held $14.1 million (31 December 2023 – $8.0 million) of private investment funds through LICL Investments Holdings Limited, a wholly owned subsidiary of LICL.

Unconsolidated structured entities in which the Group has an interest

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

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

As at 31 December	2024 $m	2023 $m
Fixed maturity securities		
– Asset backed securities	**245.9**	222.5
– U.S. government agency mortgage backed securities	**281.4**	105.8
– Non-agency mortgage backed securities	**42.7**	11.5
– Non-agency commercial mortgage backed securities	**20.5**	21.3
Total fixed maturity securities	**590.5**	361.1
Investment funds		
– Private investment funds	**239.0**	157.6
– Hedge funds	**7.9**	9.9
Total investment funds	**246.9**	167.5
Total	**837.4**	528.6

The fixed maturity structured entities are created to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets. As such, they provide liquidity to the borrowers in these markets and provide investors with an opportunity to diversify risk away from standard fixed maturity securities. Whilst individual securities may 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.

10. Interest in structured entities continued

The primary risks that the Group faces in respect of its investments in structured entities are similar to the risks it faces in respect of other financial investments held on the consolidated statement of financial position, in that the fair value is determined by market supply and demand. This is in turn driven by investor evaluation of the credit risk of the structure and changes in the term structure of interest rates which change investors' expectation of the cash flows associated with the instrument and, therefore, its value in the market. The total assets of these structured entities are not considered meaningful for the purpose of understanding the related risks, and therefore have not been presented.

The maximum potential exposure to loss in respect of these structured entities is the carrying value of the instruments that the Group holds as at 31 December 2024. Generally, default rates would have to increase substantially from their current level before the Group would suffer a loss on maturity and this assessment is made prior to investing and regularly through the holding period for the security. The Group has not provided any financial or other support in addition to that described above as at either the current or prior reporting date, and there is no intention to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

As at 31 December 2024 the Group has a commitment of $50.0 million (31 December 2023 – $50.0 million) in respect of one credit facility fund. The Group, through the fund, provides collateral for revolving credit facilities purchased at a discount from financial institutions and is at risk for its portion of any defaults on those revolving credit facilities. The Group's proportionate share of these revolving credit facilities purchased by the funds as at 31 December 2024 is $6.1 million (31 December 2023 – $15.9 million), which currently remains unfunded. The maximum exposure to the credit facility funds is $50.0 million. As at 31 December 2024 there have been no defaults under these facilities.

11. Insurance contracts issued and reinsurance contracts held

A. Movements in the carrying amount - Insurance contract liabilities

The table below shows how the net carrying amounts of insurance contracts issued changed during the year ended 31 December 2024:

	Liability for remaining coverage	Liability for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract (assets) liabilities as at 31 December 2023	**(2.6)**	**915.9**	**198.9**	**1,112.2**
Insurance revenue	**(865.1)**	**—**	**—**	**(865.1)**
Insurance service expenses				
- Incurred claims and other insurance service expenses	**1.2**	**496.3**	**85.5**	**583.0**
- Changes in liability for incurred claims	**—**	**(63.7)**	**(70.6)**	**(134.3)**
- Amortisation of insurance acquisition cash flows	**93.3**	**—**	**—**	**93.3**
Insurance service result before reinsurance contracts held	**(770.6)**	**432.6**	**14.9**	**(323.1)**
Finance expense from insurance contracts issued	**—**	**37.2**	**8.2**	**45.4**
Effects of movements in exchange rates	**(0.7)**	**(5.5)**	**(0.3)**	**(6.5)**
Total changes in consolidated statements of comprehensive income	**(771.3)**	**464.3**	**22.8**	**(284.2)**
Investment components	**(57.8)**	**57.8**	**—**	**—**
Other changes	**(57.8)**	**57.8**	**—**	**—**
Premiums received net of insurance acquisition cash flows	**848.2**	**—**	**—**	**848.2**
Claims and other expenses paid	**—**	**(266.3)**	**—**	**(266.3)**
Total cash flows	**848.2**	**(266.3)**	**—**	**581.9**
Net insurance contract (assets) liabilities as at 31 December 2024	**16.5**	**1,171.7**	**221.7**	**1,409.9**

The liability for remaining coverage as at 31 December 2024 includes an onerous loss component of $2.2 million (31 December 2023 – $1.0 million).

11. Insurance contracts issued and reinsurance contracts held 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		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract (assets) liabilities as at 31 December 2022	(67.3)	860.7	176.1	969.5
Insurance revenue	(729.0)	—	—	(729.0)
Insurance service expenses				
- Incurred claims and other insurance service expenses	(1.7)	303.0	60.4	361.7
- Changes in liability for incurred claims	—	(77.5)	(49.4)	(126.9)
- Amortisation of insurance acquisition cash flows	78.6	—	—	78.6
- Losses and reversals of losses on onerous contracts	—	—	—	—
Insurance service result before reinsurance contracts held	(652.1)	225.5	11.0	(415.6)
Finance expense from insurance contracts issued	—	45.3	11.2	56.5
Effects of movements in exchange rates	1.0	3.8	0.6	5.4
Total changes in consolidated statements of comprehensive income	(651.1)	274.6	22.8	(353.7)
Investment components	(26.9)	26.9	—	—
Other changes	(26.9)	26.9	—	—
Premiums received net of insurance acquisition cash flows	742.7	—	—	742.7
Claims and other expenses paid	—	(246.3)	—	(246.3)
Total cash flows	742.7	(246.3)	—	496.4
Net insurance contract (assets) liabilities as at 31 December 2023	(2.6)	915.9	198.9	1,112.2

The liability for remaining coverage as at 31 December 2023 includes an onerous loss component of $1.0 million (31 December 2022 – $0.8 million).

11. Insurance contracts issued and reinsurance contracts held continued

B. Movements in the carrying amount - Reinsurance contracts held

The table below shows how the net carrying amounts of reinsurance contracts held changed during the year ended 31 December 2024:

	Asset for remaining coverage	Asset for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract assets as at 31 December 2023	**(5.0)**	**(100.0)**	**(50.1)**	**(155.1)**
Allocation of reinsurance premium	**151.9**	**—**	**—**	**151.9**
Amounts recoverable from reinsurers				
- Recoveries of incurred claims and other insurance service expenses	**—**	**(47.1)**	**(8.9)**	**(56.0)**
- Change in assets for incurred claims in relation to past service	**—**	**14.4**	**19.7**	**34.1**
- Reinsurance expenses	**(1.7)**	**—**	**—**	**(1.7)**
- Recoveries and reversals of recoveries of losses on onerous underlying contracts	**(0.4)**	**—**	**—**	**(0.4)**
Effect of changes in non-performance risk of reinsurers	**—**	**(1.8)**	**—**	**(1.8)**
Net expenses from reinsurance contracts held	**149.8**	**(34.5)**	**10.8**	**126.1**
Finance income from reinsurance contracts held	**—**	**(8.1)**	**(2.2)**	**(10.3)**
Effects of movements in exchange rates	**(0.1)**	**1.0**	**—**	**0.9**
Total changes in consolidated statement of comprehensive income	**149.7**	**(41.6)**	**8.6**	**116.7**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	**(148.6)**	**—**	**—**	**(148.6)**
Recoveries from reinsurance	**—**	**16.0**	**—**	**16.0**
Total cash flows	**(148.6)**	**16.0**	**—**	**(132.6)**
Net reinsurance contract assets as at 31 December 2024	**(3.9)**	**(125.6)**	**(41.5)**	**(171.0)**

The asset for remaining coverage as at 31 December 2024 includes an onerous loss recovery component of $0.5 million (31 December 2023 – $0.1million).

11. Insurance contracts issued and reinsurance contracts held 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		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract liabilities assets as at 31 December 2022	(1.5)	(142.8)	(69.1)	(213.4)
Allocation of reinsurance premium	147.7	—	—	147.7
Amounts recoverable from reinsurers				
- Recoveries of incurred claims and other insurance service expenses	0.2	(4.5)	(0.7)	(5.0)
- Change in assets for incurred claims in relation to past service	—	41.0	23.0	64.0
- Reinsurance expenses	(0.8)	—	—	(0.8)
- Recoveries and reversals of recoveries of losses on onerous underlying contracts	(0.2)	—	—	(0.2)
Effect of changes in non-performance risk of reinsurers	—	(1.0)	—	(1.0)
Net expenses from reinsurance contracts held	146.9	35.5	22.3	204.7
Finance income from reinsurance contracts held	—	(9.6)	(3.3)	(12.9)
Effects of movements in exchange rates	(0.1)	(0.6)	—	(0.7)
Total changes in consolidated statement of comprehensive income	146.8	25.3	19.0	191.1
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	(150.3)	—	—	(150.3)
Recoveries from reinsurance	—	17.5	—	17.5
Total cash flows	(150.3)	17.5	—	(132.8)
Net reinsurance contract assets as at 31 December 2023	(5.0)	(100.0)	(50.1)	(155.1)

The asset for remaining coverage as at 31 December 2023 includes an onerous loss recovery component of $0.1 million (31 December 2022 – $0.1 million).

11. Insurance contracts issued and reinsurance contracts held 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 of the undiscounted liability for incurred claims, and the undiscounted asset for incurred claims below claim, as at 31 December 2024.

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	2024 $m	Total $m
Liability for incurred claims - undiscounted								
Estimate of ultimate liability[1]								
At end of accident year	200.0	121.8	188.9	476.0	601.5	439.1	700.2	
One year later	204.1	104.0	166.0	445.0	533.1	426.0		
Two years later	178.7	96.1	143.4	422.2	481.6			
Three years later	171.7	80.8	140.3	372.5				
Four years later	157.0	83.0	138.5					
Five years later	151.6	85.3						
Six years later	148.6							
Cumulative claims and other directly attributable expense paid	(136.6)	(81.9)	(92.1)	(275.0)	(199.9)	(104.4)	(64.3)	
Liability for incurred claims - undiscounted	**12.0**	**3.4**	**46.4**	**97.5**	**281.7**	**321.6**	**635.9**	**1,398.5**
Liability for incurred claims - undiscounted - prior years								63.0
Effect of discounting								(165.2)
Non-distinct investment components								97.1
Liability for incurred claims								**1,393.4**

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

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	2024 $m	Total $m
Asset for incurred claims - undiscounted								
Estimate of ultimate asset[1]								
At end of accident year	49.6	27.9	9.5	106.9	157.8	5.8	62.9	
One year later	78.8	20.9	13.2	104.0	112.2	5.9		
Two years later	73.2	18.8	15.2	95.4	95.0			
Three years later	68.1	8.4	13.0	84.3				
Four years later	58.1	9.8	13.1					
Five years later	56.1	9.5						
Six years later	55.9							
Cumulative claims and other directly attributable expenses paid	(47.7)	(7.6)	(13.1)	(25.2)	(52.0)	—	(0.4)	
Asset for incurred claims - undiscounted	**8.2**	**1.9**	**—**	**59.1**	**43.0**	**5.9**	**62.5**	**180.6**
Asset for incurred claims - undiscounted - prior years								2.5
Effect of discounting								(16.0)
Asset for incurred claims								**167.1**

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

During 2024, the Group had exposure to catastrophe, weather and large losses in respect of hurricanes Milton and Helene as well as storm Boris. The ultimate net losses incurred in respect of all these catastrophe and weather events (undiscounted, including reinstatement premiums) was $53.8 million, with hurricane Milton being the most significant. The Group also experienced net losses (undiscounted, including reinstatement premiums) from large risk events totalling $67.4 million during 2024. None of these were individually material for the Group, with the MV Dali Baltimore bridge collision loss being the most significant.

In comparison, during 2023, the Group experienced net losses(undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totaling $52.7 million. None of these events were individually material for the Group.

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 Group, together with the potential for unforeseen adverse developments, could lead to a material change in estimated losses and loss adjustment expenses.

There were no other individually significant net loss events for the years ended 31 December 2024 and 2023.

12. Leases

As at 31 December 2024 and 31 December 2023, the Group leased two properties and various items of office equipment.

Right-of-use assets

The Group had the following right-of-use assets in relation to the leases it has entered into:

	Total property $m
As at 31 December 2022	0.9
Modification	2.1
Depreciation charge	(0.9)
As at 31 December 2023	2.1
Modification	**0.2**
Depreciation charge	**(1.1)**
As at 31 December 2024	**1.2**

During the year ended 31 December 2024, the Group modified the lease term on its existing office apartment lease agreement.

Lease liabilities

As at 31 December	2024 $m	2023 $m
Due in less than one year	**1.2**	1.2
Due between one and five years	**—**	1.1
Total undiscounted lease liabilities	**1.2**	2.3
Total discounted lease liabilities as per the consolidated statement of financial position	**1.2**	2.1
Current	**1.2**	1.1
Non-current	**—**	1.0

During the year ended 31 December 2024, the Group recognised a net non-cash increase of $0.3 million (31 December 2023 – $2.2 million) in respect of its lease liabilities. The Group does not face a significant liquidity risk regarding its lease liabilities.

Amounts recognised in profit or loss

For the year ended 31 December	2024 $m	2023 $m
Depreciation charge of right-of-use assets	**1.1**	0.9
Interest expense on lease liabilities	**0.1**	0.1
Expenses relating to short-term and variable leases	**0.2**	0.2
Total	**1.4**	1.2

Total lease payments amounted to $1.2 million for the year ended 31 December 2024 (2023 – $1.2 million).

13. Financing arrangements

Letters of credit

As the Company is a non-admitted insurer or reinsurer throughout the U.S., the terms of certain contracts require LOCs to be provided to policyholders as collateral. The following LOCs have been issued by the Group:

As at 31 December	2024 $m	2023 $m
Issued to third parties	**3.5**	5.6

These LOCs are required to be fully collateralised.

13. Financing arrangements continued

LICL has a $150.0 million (31 December 2023 – $250.0 million) syndicated collateralised credit facility, which is guaranteed by LHL. The credit facility was renewed in 2024 and the expiry date extended to 28 March 2028. The facility is available for the issue of LOCs to ceding companies. The facility is also available for LICL to issue LOCs to LUK to collateralise certain insurance obligations.

The terms of the $150.0 million syndicated collateralised credit facility include standard default and cross-default provisions, which require certain covenants to be adhered to. These include the following:

i. an A.M. Best financial strength rating of at least B++;

ii. a maximum debt to capital ratio of 30.0%, where the junior subordinated notes are excluded as debt from this calculation;

iii. unsecured indebtedness incurred by LHL or LICL must be subordinated in right of payment to the obligations and liabilities of LHL and LICL under the facility; and

iv. a maximum aggregated indebtedness incurred by CCL 1998, LHL or LICL in the ordinary course of business in connection with coming into line requirements of $400.0 million.

A syndicated uncollateralised LOC facility for an original amount of $215.5 million and a $70.0 million collateral pledge facility have been in place since 25 October 2023 and 5 December 2023 respectively. The syndicated uncollateralised LOC facility was increased to $265.5 million on 31 October 2024. They are available for utilisation by LICL and guaranteed by LHL for FAL purposes. As at 31 December 2024, a $265.5 million LOC was issued under the syndicated uncollateralised LOC facility, due to expire on 31 December 2028, and $70.0 million of agreed collateral had been deposited, due to expire on 31 December 2025.

The terms of these facilities include standard default and cross-default provisions, which require certain covenants to be adhered to. These include the following:

i an A.M. Best financial strength rating of at least B++;

ii a maximum debt to capital ratio of 30.0%, where the LHL junior subordinated loan notes are excluded as debt from this calculation; and

iii maintenance of a minimum net worth requirement.

As at all reporting dates the LHL Group was in compliance with all covenants under these facilities.

Trust and restricted balances

LICL has several trust arrangements in place in favour of policyholders and ceding insurers in order to comply with the security requirements of certain reinsurance contracts and/or the regulatory requirements of certain jurisdictions.

In 2012, LICL established an MBRT to collateralise certain reinsurance liabilities associated with U.S. domiciled clients. LICL continues to maintain its accredited or trusteed reinsurer status in those U.S. states where there are outstanding liabilities collateralised through the MBRT. However, following LICL's approval as a reciprocal reinsurer in all relevant U.S. states and territories, the MBRT is no longer required for new business written with policyholders domiciled in the U.S. and its relevant territories where LICL has received reciprocal reinsurer approval.

The MBRT is subject to the relevant U.S. state rules and regulations, and the respective deeds of trust. These rules and regulations include minimum capital funding requirements, investment guidelines, capital distribution restrictions, and regulatory reporting requirements.

Under the terms of the QST agreement with CCL 1998(see note 16 for further details), LICL holds a portion of its assets as FAL to support the underwriting capacity of both Syndicate 2010 and Syndicate 3010. FAL are restricted in its use and can only drawn down by Lloyd's to pay cash calls to syndicates supported by the Group. FAL requirements are formally assessed twice a year.

As at and for the years ended 31 December 2024 and 2023, LICL was in compliance with all covenants under its trust facilities.

The following cash and cash equivalents, and investment balances are held in trust collateral accounts in favour of third parties, or are otherwise restricted:

	2024			2023		
As at 31 December	**Cash and cash equivalents $m**	**Fixed maturity securities $m**	**Total $m**	Cash and cash equivalents $m	Fixed maturity securities $m	Total $m
FAL	**0.3**	**137.5**	**137.8**	7.0	245.3	252.3
MBRT accounts	**1.5**	**217.4**	**218.9**	0.2	266.0	266.2
In trust in favour of afflliates	**22.8**	**241.4**	**264.2**	0.4	213.7	214.1
In favour of LOCs	**2.6**	**6.4**	**9.0**	2.4	17.3	19.7
In trust accounts for policyholders	**43.3**	**132.8**	**176.1**	104.0	28.4	132.4
Total	**70.5**	**735.5**	**806.0**	114.0	770.7	884.7

14. Share capital

Authorised common shares of $1.00 each	Number	$m
As at 31 December 2024 and 2023	**1,000,000**	**1.0**

Allocated, called up and fully paid	Number	$m
As at 31 December 2024 and 2023	**1,000,000**	**1.0**

Dividends

The board of Directors has authorised the following dividends:

Date	$m
8 November 2023[1]	175.0
28 February 2024[2]	**200.0**
31 October 2024[2]	**210.0**

1 As at 31 December 2023 other payables included a dividend payable to LHL of $10.4 million. This was paid in full on 31 January 2024.

2 As at 31 December 2024 other payables included a dividend payable to LHL of $46.0 million.

15. Commitments and contingencies

Credit facility fund

As at 31 December 2024, the Group has a commitment of $50.0 million (31 December 2023 – $50.0 million) relating to one credit facility fund (refer to note 10).

Private investment funds

The table below shows the dates on which the Group committed to invest in six different private investment funds and the amount of the total commitment that remains undrawn as at 31 December 2024.

Amount and date of commitment to invest in private investment fund	Undrawn commitment $m
GBP 50 million on 20 November 2024	**38.2**
USD 50 million on 31 July 2024	**45.0**
Euro 40 million on 11 January 2024	**18.1**
USD 34 million on 28 July 2021	**8.5**
USD 25 million on 9 December 2020	**0.5**
USD 25 million on 5 November 2019	**1.0**
Total	**111.3**

Legal proceedings and regulations

The Group operates in the insurance industry and is therefore, from time to time, subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on the Group's results and financial position.

16. Related party disclosures

The consolidated financial statements include LICL and the entity listed below:

Name	Principal Business	Domicile
Subsidiary		
LICL Investment Holdings Limited	Holding company	Bermuda

16. Related party disclosures continued

Key management compensation

Remuneration for key management, the Group's Executive and Non-Executive Directors, was as follows:

For the year ended 31 December	2024 $m	2023 $m
Short-term compensation	**5.4**	5.7
Equity based compensation	**1.6**	1.3
Director's fees	**0.1**	—
Total	**7.1**	7.0

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of the Group's incentive, performance or pension plans.

Transactions with affiliates

The Company entered into various services agreements with its parent company and other LHL Group subsidiaries. Within the consolidated statement of comprehensive income, insurance service expenses and other operating expenses includes service fee expenses of $14.2 million (2023 – $11.6 million) and other income includes service fee income of $4.3 million (2023 – $3.2 million) relating to such transactions.

As at 31 December 2024, other payables includes $44.5 million net payable due to LHL (31 December 2023 – $7.2 million).

LHL's equity based compensation scheme is its RSS. LHL has issued RSS options to certain LICL employees. LHL charges the Group for equity based compensation granted. Charges are based on the underlying estimated fair values and vesting conditions, adjusted by actions taken by LHL's Remuneration Committee as required. Refer to note 6 for the equity based compensation expense included in the consolidated statement of comprehensive income.

LICL has entered into a QST agreement with LUK. Under this agreement LUK cedes a share of all its business written or assumed. The following balances and transactions with LUK under the QST are included in the Group's consolidated financial statements:

Consolidated statement of financial position	As at 31 December 2024 $m	As at 31 December 2023 $m
Liabilities		
Insurance contract liabilities	**332.7**	271.0

Consolidated statement of comprehensive income	For the year ended 31 December 2024 $m	For the year ended 31 December 2023 $m
Insurance revenue	**97.7**	117.2
Insurance service expenses	**(113.1)**	(90.4)
Insurance service result before reinsurance contracts held	**(15.4)**	26.8
Finance expense from insurance contracts issued	**(9.1)**	(10.1)

LICL holds $266.4 million (31 December 2023 – $215.5 million) of cash and cash equivalents, fixed maturity securities and accrued interest in trust for the benefit of LUK in relation to the QST agreement.

LICL has entered into a QST agreement with CCL 1998. Under this agreement CCL 1998 cedes 85.0% of its financial result, which includes both insurance and non-insurance balances, to LICL. Other income in the consolidated statement of comprehensive income includes income of $71.5 million (2023 – $73.4 million) relating to the QST agreement. As at 31 December 2024, other receivables includes $128.2 million (31 December 2023 – $56.7 million) relating to the QST agreement.

Under this QST agreement, LICL holds $137.8 million (31 December 2023 – $252.3 million) of cash and cash equivalents and fixed maturity securities in FAL with the remaining FAL requirement covered by an LOC and collateralised pledge facility (refer to note 13). Since 15 October 2021, LICL agreed to provide 100% of FAL an increase from the previous 85%. During the year LICL increased the uncollateralised facility for FAL purposes to $265.5 million (31 December 2023 – $215.5 million). As at 31 December 2024, $265.5 million (31 December 2023 – $215.5 million) of the LOC was issued under this facility. See note 13 for further details.

16. Related party disclosures continued

Excerpts from the CCL 1998 statement of comprehensive income are shown below. LICL's share of the CCL 1998's net financial result is shown in the consolidated statement of comprehensive income within net other income.

For the year ended 31 December	2024 $m	2023 $m
Insurance revenue	**673.4**	602.7
Insurance service expenses	**(595.9)**	(339.2)
Insurance service result before reinsurance contracts held	**77.5**	263.5
Allocation of reinsurance premium	**(178.2)**	(173.3)
Amounts recoverable from reinsurers	**225.2**	34.6
Net expense from reinsurance contracts held	**47.0**	(138.7)
Insurance service result	**124.5**	124.8
Net investment return	**26.1**	21.2
Finance expense from insurance contacts issued	**(27.6)**	(35.5)
Finance income from reinsurance contracts held	**11.0**	14.9
Net insurance and investment result	**134.0**	125.4
Other expense	**(20.5)**	(8.3)
Other operating expenses	**(29.4)**	(30.8)
Net result	**84.1**	86.3
LICL 85.0% share of the net result of CCL 1998	**71.5**	73.4

Transactions with subsidiary of affiliate

During 2021, the Group entered into reinsurance agreements with KRL. The following balances are included in the Group's consolidated financial statements:

Consolidated statement of financial position	As at 31 December 2024 $m	As at 31 December 2023 $m
Reinsurance contract asset	**16.0**	19.1

Consolidated statement of comprehensive income	For the year ended 31 December 2024 $m	For the year ended 31 December 2023 $m
Allocation of recoverable from reinsurers	**(3.9)**	(1.0)
Net Expense from reinsurance contracts held	**(3.9)**	(1.0)
Finance income from reinsurance contracts held	**0.8**	1.1

17. Subsequent events

In January 2025, the California wildfires caused major catastrophe losses across the Los Angeles area. For these events, the Company has estimated a provisional net ultimate loss in the range of $125.0 million to $145.0 million. This estimate falls within the Company's modelled loss ranges for this type of catastrophe event. The estimate is undiscounted, after anticipated recoveries from our outwards reinsurance programme and the impact of outwards and inwards reinstatement premiums.

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

Glossary

AI
Artificial Intelligence

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

A.M. Best Company (A.M. Best)
A.M. Best is a full-service credit rating organisation dedicated to serving the financial services industry, focusing on the insurance sector

ARC
Asset for remaining coverage

Board of Directors
Unless otherwise stated refers to the Company's Board of Directors

Best Lancashire Assessment of Solvency over Time (BLAST)
The Company's economic internal capital model

BMA
Bermuda Monetary Authority

BSX
Bermuda Stock Exchange

BSCR
Bermuda Solvency Capital Requirement

CCL 1998
Cathedral Capital (1998) Limited

Ceded
To transfer insurance risk from a direct insurer to a reinsurer and/or from a reinsurer to a retrocessionaire

CEO
Chief Executive Officer

CFO
Chief Financial Officer

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

CIT
Corporate Income Tax

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

Company
Lancashire Insurance Company Limited

Consolidated financial statements
Includes the independent auditor's report, consolidated primary statements, accounting policies, risk disclosures and related notes

CRO
Chief Risk Officer

DAE
Directly attributable expenses

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

ETA
Economic Transition Adjustment

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

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

FAL
Funds at Lloyd's

FCF
Fulfilment cash flows

FVTPL
Fair value through profit or loss

FVOCI
Fair value through other comprehensive income

GMM
General Measurement Model

The Group
Lancashire Insurance Company Limited and its subsidiary

IBNR
Incurred But Not Reported

IFRS
International Financial Reporting Standard(s)

IFRS 9
International Financial Reporting Standard on Financial Instruments: Classification and Measurement

IFRS 17
International Financial Reporting Standard on Insurance Contracts

ILW
Industry loss warranty

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

IRR
Internal rate of return

IRRC
Investment Risk and Return Committee

KRI
Key risk indicator

KRL (Kinesis Re)
Kinesis Reinsurance I Limited

LHL
Lancashire Holdings Limited

The LHL Group
Lancashire Holdings Limited and its subsidiaries

LIC
Liability for incurred claims

LICL
Lancashire Insurance Company Limited

Lloyd's
The Society of Lloyd's

LOC
Letter of credit

Losses
Demand by an insured for indemnity under an insurance contract

LSE
London Stock Exchange

LRC
Liability for remaining coverage

LUK
Lancashire Insurance Company (UK) Limited, an entity under common control

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

MBRT
Multi-beneficiary reinsurance trust

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

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

ORIF
Outwards Reinsurance Forum

PAA
Premium Allocation Approach

PML
Probable maximum loss. The Group'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

QST
Quota Share Treaty

Retrocession
The insurance of a reinsurance account

ROE
Return on equity. Profit for the year divided by average shareholder's equity

RRC
Risk and Return Committee

RSC
Reinsurance Security Committee

RSS
Restricted share scheme

SPPI
Solely payments of principal and interest

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

ULAE
Unallocated loss adjustment expense

UNPRI
UN-supported Principles for Responsible Investment

UTPR

Under taxed Profits Rule

Value at Risk (VaR)

A measure of the risk of loss of a specific portfolio of financial assets