Lancashire
Holdings Limited

Annual Report & Accounts 2023

Delivering together

Our culture and focus enables our success

Our values underpin everything we do and are at the core of our culture.

These embedded values create a culture which delivers in the right way for all our stakeholders, as we continue to grow and move forward.

Leadership

Exhibiting passion and commitment in all aspects of Lancashire life and inspiring others to do the same, we are…

Aspirational

aspiring to deliver a superior service for our clients, ourselves and our business partners, we are…

Nimble

in our decisions, actions and business processes, and considerate of our environment and wider society, we are…

Collaborative

valuing teamwork and a diversity of skills and experience and sharing in our success, and we are…

Straightforward

in conducting our business in an accountable, open, honest and sustainable way.

Strategic report

Environmental, social and governance report

Sustainability

Governance

Financial statements

Additional information

Delivering together

Our long-term strategy is to manage the market cycle and deliver strong returns for shareholders through a portfolio of diversified products. During 2023, we delivered on those objectives with a disciplined approach to managing risk.

Find out more about how we're delivering...

2023 was a year of delivering for all our stakeholders

A strong, growing and sustainable business

We are a provider of global specialty insurance and reinsurance products offering risk transfer solutions to brokers and clients.

We always strive for long-term and mutually beneficial relationships with our clients and stakeholders.

We want to be the best and we are building on our strengths

Delivering for our clients

Our (re)insurance products give people and businesses confidence to operate, thrive and recover quickly if loss events occur.

$484.8m gross losses paid in 2023

8 core product groups with associated business lines

- New visitor suite opened at our London office
- U.S. office opened to support the expansion of our client offering

Delivering for our communities

$0.7m donated through the Lancashire Foundation in 2023

60 individual organisations supported

12 employees attended our Project Transform volunteering programme in Tanzania

Delivering for our investors

During 2023, we paid a total of

$155.3m in dividends to our shareholders

Delivering sustainable operations

100% of calculated GHG emissions offset from our own operations

Delivering for our people

Our people are experts in their fields. From underwriting to support functions, we strive to have strong, diverse and inclusive teams who are focused on delivering our potential.

393 colleagues across our offices

Top10 employer in Bermuda in 2023

90% engagement score in 2023 all-staff survey

Change in DBVS

24.7%

An excellent result due to profit after tax of $321.5 million, reflecting a strong underwriting performance complemented by positive investment returns.

Combined ratio (undiscounted)

82.6%

During 2023, we continued to implement our long-term strategy to manage the market cycle and deliver strong profitable growth through a portfolio of diversified products. The combined ratio (undiscounted) of 82.6% is a strong result in a year with over $100bn of insured natural catastrophe events.

Total investment return

5.7%

The Group's investment portfolio, including unrealised gains and losses, returned 5.7% in 2023. The positive returns were driven by $108.5 million of interest and dividend income as our portfolio benefited from higher yields. The Group also benefited from net movement in unrealised gains on our fixed income portfolios due to the expectation of rate cuts in 2024.

Total shareholder return

9.5%

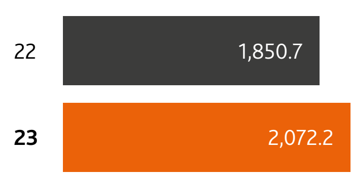
Our shares performed broadly in line with the FTSE 250 in 2023. However, the total shareholder return of 9.5% was supported by a special dividend of $0.50 per share in the year. This is in line with Lancashire's proven track record of returning excess capital to shareholders over time.

Insurance service result

$382.1m

Insurance revenue grew 23.9% to $1,519.9 million driven by growth in casualty reinsurance, specialty reinsurance, property insurance and energy and marine insurance. 2023 was reasonably active for natural catastrophe and weather loss activity and we also saw some risk losses in our energy classes. However, none of these were individually material to the Group.

Gross premiums written under management



$2.1bn

The Group continues to expand and diversify its underwriting portfolio by taking advantage of the current hard phase of the insurance market cycle and the associated rate increases across multiple lines of business. In 2023, the Group also announced the launch of Lancashire Insurance U.S., which will operate under a delegated underwriting arrangement with Lancashire's UK company platform. Underwriting will commence in 2024.

Key

KPI linked to Executive Directors' remuneration. For more information, see pages 101 to 117.

Alternative Performance Measures (APMs). Refer to page 205.

* Comparative figures have been restated to reflect the adoption of IFRS 9 and IFRS 17.

Our strength and resilience

"Our strong performance allowed us to pay a special dividend in December 2023. A further special dividend was announced in March 2024, along with an increase in our ordinary dividend of 50%."

Peter Clarke
Non-Executive Chair

The Board is very pleased with the performance of the business during 2023. As part of the Board's annual review of Lancashire's strategic priorities in 2023, we discussed and affirmed three areas of focus: underwriting comes first; balance risk and return through the cycle; and insurance market employer of choice.

The management team have been committed to delivering on these priorities and the performance of the business in 2023 is testament to their success.

From an underwriting perspective, the business has continued to grow with the market opportunity. These are some of the best market conditions in over a decade, and Lancashire has always been a business that is able to quickly and efficiently match capital to the best underwriting opportunities. Gross premiums written increased by 16.9%, and insurance revenue increased by 23.9%, as Alex discusses in his review on page 6. The growth has come from a more diversified portfolio which better mixes catastrophe risk with less volatile product lines.

This was the result of a strategic decision to diversify the portfolio that has been implemented over the past five years, and I am pleased that we are now seeing the results of that pivot come through in earnings and in a healthy combined ratio (undiscounted) of 82.6% for 2023.

The performance of the business also resulted in a positive change in diluted book value per share of 24.7%.

The strength of Lancashire's business model has also allowed us to increase our ordinary dividend by 50%.

Lancashire's strong performance during 2023 was discussed at our third quarter Board meeting, and the Board was pleased to approve a special dividend of $119.5 million, which was paid in December 2023. The Board also approved a buyback of Lancashire's common shares. However, no shares were repurchased under the programme. A further special dividend was announced in March 2024.

While the underwriting result is key, the business has also benefited from the higher interest rate environment within its investment portfolio. The portfolio delivered a return of 5.7%, which is a welcome outcome following the investment market volatility and negative returns reported during 2022.

As Natalie discusses in her review, Lancashire has an extremely robust capital position and has ample capital to fund its planned underwriting during 2024 while rewarding its shareholders. The Group's reserving philosophy has traditionally been conservative for both newer and more established lines of business. That remains the case, and there are no plans to change this successful approach.

During 2023, the Group has also continued its focus on environmental, social and governance matters. I discuss these in more detail in the introduction to the Sustainability and Governance sections of this report, starting on page 41. As always, I would like to commend the work of the Lancashire Foundation and its efforts to help those less fortunate. This includes putting 'ESG into action' through volunteering, particularly through Project Transform, and in assisting a range of causes, which during 2023 included a specific focus on the environment.

This is my final report to shareholders as I prepare to step down from my roles as Chair and Non-Executive Director following the 2024 AGM, having completed nine years' service. I am delighted that Philip Broadley has been appointed as Non-Executive Director of LHL and as the LHL Chair designate. Philip has a wide breadth of experience across the sector and beyond, and I know the Board and the Company will be in safe hands under his stewardship.

As I reflect on the past nine years, Lancashire has changed considerably and has grown from a relatively small underwriter of select risks to a much larger, diversified business and a respected leader across the (re) insurance sector. In 2016, my first year as Chair, the business wrote $633.9 million of premium – and underwrites three times that today. This growth has been accompanied by a commensurate investment across our business in underwriting, actuarial and support functions.

Lancashire's product suite has also expanded with the introduction of many new lines of business. While catastrophe risk is still a significant part of the portfolio, the less volatile lines now add ballast to the business. Lancashire remains a lean and efficient company and is able to react quickly when the right opportunities are available. None of this could have been achieved without a dedicated and committed team and I would like to thank Alex, Natalie and Paul, and the other members of the management team, for their leadership. It has not always been easy and we have seen some challenging periods, but I am confident that the business is in excellent hands and that their passion for ongoing success will be realised. I know that this commitment to the business is shared by all employees across the Group, and I would like to thank them for their hard work, enthusiasm and good humour. The Group's headcount has grown from 198 in my first year as Chair to nearly 400 today. Despite this rapid expansion, Lancashire has retained its distinctive and vibrant culture and will continue to do so.

So, as I sign off for a final time, I would like to thank all my colleagues at Lancashire, my fellow Board members, both past and present, and our shareholders for their fantastic support and dedication during my tenure as Chair. I am extremely proud to have been the Chair of this great company that places its clients, business partners, shareholders, people and all stakeholders at the centre of everything it does. I offer everyone at Lancashire my very best wishes for the future, and I look forward to the continued success of the business in 2024 and beyond.

Chair designate Philip Broadley

Philip Broadley was appointed as a Non-Executive Director in November 2023. Philip was also identified as the Chair designate, and his appointment as Chair is expected to take effect immediately following Lancashire's 2024 AGM in May 2024, subject to shareholder approval.

Philip is Senior Independent Director and Audit Committee Chair at AstraZeneca PLC and a Non-Executive Director of Legal & General Group Plc, and has held senior roles across financial services, including as Group Finance Director at Prudential plc and Old Mutual plc. He has also served as Chair of the 100 Group of Finance Directors and as a member of the Code Committee of The Takeover Panel.

Philip said: "Lancashire is in a period of robust growth in a strong market environment. I join a business which is in very good hands. I am extremely pleased to accept my appointment to the Board. I look forward to working with Alex and all my colleagues at Lancashire and to leading the LHL Board as Chair following the 2024 AGM."

Delivering our growth and profit ambitions

"At the heart of our business is our belief in the importance of managing the cycle. This means we will take opportunities to grow when the environment is right and, during 2023, we continued to focus on writing profitable business during the best market conditions we have seen for a decade."

Alex Maloney
Group Chief Executive Officer

I am extremely pleased with Lancashire's performance in 2023, its development as a growing organisation, and the future opportunities we see.

We have delivered on our growth and profit ambitions, delivered for our people, and within our communities. We have achieved this through our unique culture and way of approaching our work and, as I look into 2024, I am extremely encouraged by the opportunities that await us and our ability to continue to deliver on our strategic objectives.

Delivering our growth and profit ambitions

At the heart of our business is our belief in the importance of managing the cycle. This means we will take opportunities to grow when the environment is right and, during 2023, we continued to focus on writing profitable business during the best market conditions we have seen for a decade.

Gross premiums written increased by 16.9%, and insurance revenue increased by 23.9%, during the year, due to a combination of new business and rate rises across our portfolio. The insurance service result increased by 169.8%. This excellent underwriting performance resulted in a combined ratio (undiscounted) of 82.6% and, as our 2023 results demonstrate, we have built a better balanced and more diverse underwriting portfolio, which generated more profit against our capital base. Our ultimate goal at Lancashire is to maximise risk-adjusted returns for our shareholders. Our diversified product mix means we aim to have lower earnings volatility and the ability to produce better returns on capital and grow our diluted book value per share over the long term.

Due to the strong operational performance during the year, in the third quarter we announced a special dividend of $0.50 per share. At its March 2024 meeting, the Board also agreed a further special dividend of $0.50 per common share.

We are always led by the underwriting opportunity, and we believe there are significant opportunities going into 2024. We are well capitalised to be able to fund those opportunities through internal earnings growth while also rewarding our shareholders.

While Lancashire remains a significant insurer of catastrophe risk, since 2018 we have invested in our underwriting teams and added new product lines that better balance that risk and inherent volatility. At the same time, we have benefited from the positive underwriting conditions for catastrophe business during the past 12 months. This mix of products during this phase of the market cycle has resulted in higher returns and this has improved our portfolio's overall resilience to the impact of catastrophe losses.

We have now shown that we can manage volatility through a balanced portfolio whilst also substantially growing the business. During 2023, Lancashire did not incur any individually material catastrophe or large risk losses and we were able to release reserves on prior years. As Natalie discusses in her review on page 12, allocating our capital to the most profitable opportunities remains our focus.

Delivering for Lancashire's people and communities

We are fundamentally a people business, and we believe that focusing on our people as part of our strategy is crucial to our ongoing success. We instil high expectations in our people and aim to offer a culture that is diverse, unique and special. My role as CEO is to keep that positive culture alive because it seeps into all areas of our business. The promise we make to our people is that we will give them every opportunity to thrive and develop their careers. The growth we have seen over the past few years has increased the scope of the opportunities available. We also want to reward people for their hard work, and I am always proud to be able to announce our internal promotions – and we made 46 of those during 2023. We are all invested in Lancashire and committed to success.

I've been at Lancashire for 18 years, Paul Gregory has been here for 16 years and Natalie Kershaw for 14 years. We also have underwriters who have been with us for all or the majority of their careers. This tells its own story – that we have a dedicated team who like what we do and how we do it. That doesn't mean we are afraid to question ourselves, but we always do that in a positive way for a better outcome. We have also been incredibly successful at attracting new talent to the Group in recent years to help us challenge how we work across both underwriting and support services.

I was particularly pleased with the results of our 2023 employee survey which showed strong support for our culture and the experience we offer our people. Our overall engagement score (a common way to track how companies are doing based on four core questions: recommending a business as a good place to work, feeling proud to work there, being motivated to do your best work, and intention to stay) was 90%. It's an important measure, and one that has increased since our last survey in 2021 and is 14 points higher than our peer benchmark. Our highest scores were for being proud to work at Lancashire at 94%, while 92% of people responding said they are motivated to do their best work and would recommend Lancashire as a great place to work. This is great feedback, showing that we are on the right path, and I look forward to developing this engagement even further in 2024 and beyond (please see page 33 for more information).

Aside from our strong financial performance, I am also pleased with our continued focus on environmental, social and governance matters. This is particularly the case in our communities, where our ethos is supporting those less fortunate through the work of the Lancashire Foundation. During 2023, 12 employees travelled to Tanzania to assist with a construction project and we believe it is initiatives like this that bring social responsibility to life (please see page 48 for more information).

Seizing the opportunities and looking ahead to 2024

During 2023, we announced the first significant geographical expansion of our business since our inception. Lancashire Insurance U.S. will operate under a delegated underwriting arrangement with Lancashire's UK company platform. It will allow us to write business that we could not access before through new distribution channels and with new clients. This development has been driven by the compelling underwriting opportunity that we see in the U.S. Excess and Surplus market.

While we are being conservative in our initial approach, with our reputation for underwriting excellence and service to our clients we are excited by the long-term opportunities that we see. There will be significant opportunities for Lancashire in 2024 with the continuing strong rate environment across our product suite. Our strong capital base means we will continue to write profitable business that is within our appetite and respond quickly to new opportunities.

I remain focused on delivering our objectives and continuing the growth and momentum we have built during 2023. Our franchise remains resilient, and we have fantastic teams across the Group who are dedicated to achieving our goals.

I would like to thank everyone at Lancashire for their hard work during 2023 and their commitment to the business. Going into 2024, we have a strong vision for the future, and we have the right people, products and operational expertise to deliver it.

Delivering our strategy

"Our franchise remains resilient and we have fantastic teams across the Group who are dedicated to achieving our goals."

Group CEO
Alex Maloney

Our purpose

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

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

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

Our business model

Our vision is to be the leading underwriter of specialty insurance and reinsurance products. We work to deliver that vision through our business model which focuses on our core strengths.

Customer focus

- We value our long and mutually beneficial relationships with our clients and brokers
- Our aim is to enable our clients to recover from loss events as soon as practicable
- We focus on customer service and ensure we are responsive, open and honest at all times

Expert people and specialised products

- Our experienced management team has a diverse skill set and is focused on delivering our strategy
- We have skilled teams across the Group and make decisions quickly and effectively through our lean business operations
- We offer highly-specialised multi-class products with market barriers to entry

Disciplined risk and capital management

- We maintain rigorous systems for risk monitoring and management
- Our strong track record of capital management is central to our strategy
- We manage our underwriting portfolio through market cycles and reduce volatility by optimising our capital

A diverse offering

- We have the ability to write business across our platforms
- Through access to multiple markets we provide clients with bespoke solutions and ourselves with underwriting opportunities
- We have a stable core book of business and disciplined underwriting approach

Delivering value for

Our people
94%
of employees say they are proud to work at Lancashire

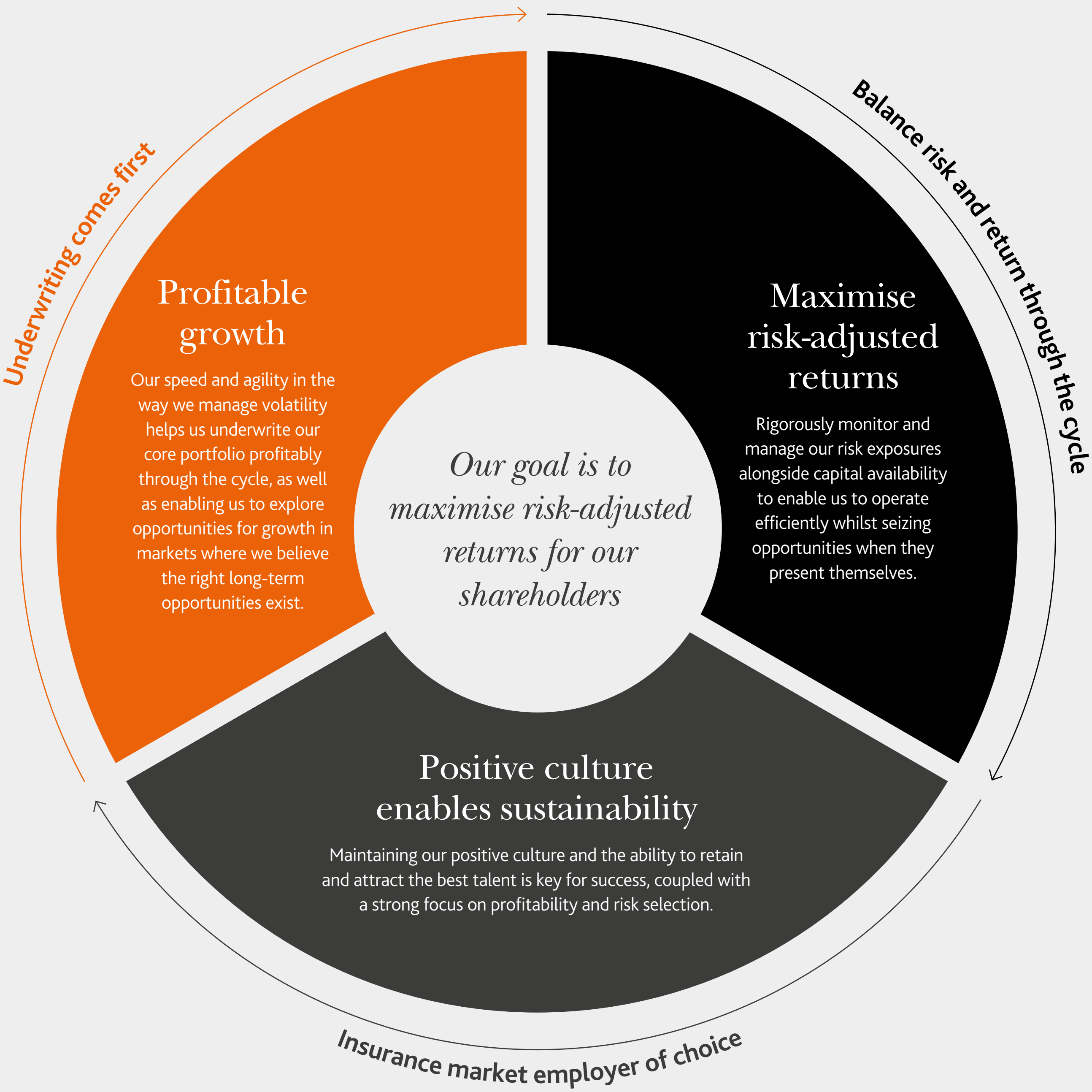
Our policyholders
$484.8m
gross losses paid in 2023

Our shareholders
24.7%
change in diluted book value per share

Society
$23m
donated through the Lancashire Foundation since 2007

The environment
2,907
carbon credits purchased to support our continued carbon-neutral status

Focusing on our strategy



Strategic pillar	Objective	Focus	Delivery
Underwriting comes first	Profitable growth	• Continue to grow in classes where favourable and improving market conditions exist, and explore new distribution opportunities • Reduce earnings volatility from natural catastrophe risk • Focus on maintaining a diversified portfolio structure and our core clients	• Gross premiums written of $1,931.7 million in 2023 • Insurance revenue of $1,519.9 million in 2023 • New U.S. operation to begin underwriting in 2024
Balance risk and return through the cycle	Maximise risk-adjusted returns	• Actively manage capital to support underwriting opportunities • Deploy capital quickly when it is needed and have the discipline to return it when it is not • Encourage a culture of risk challenge, questioning and understanding	• Total capital available of $1,954.5 million • Total dividends paid to shareholders of $155.3 million, including special dividend announced in Q3 2023 due to strong operational performance
Insurance market employer of choice	Positive culture enables sustainability	• Foster entrepreneurial, collaborative culture via Lancashire values • Further develop the Group's ESG principles to ensure we operate responsibly as a business • Continuously strive for operational efficiency alongside development of data capabilities	• Five-star employer award from survey organisation WorkBuzz • 90% Group-wide engagement score • First ClimateWise report published detailing progress on climate risk

A diversified and capital-efficient portfolio

Lancashire's strong financial performance in 2023 clearly demonstrated the benefits of our growth and diversification strategy.

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

1. Comparative figures have been restated to reflect the adoption of IFRS 9 and IFRS 17.
2. Dividends are included in the financial statement year in which they were recorded.

Natalie Kershaw
Group Chief Financial Officer

Our long-term aim has been to develop a more diversified and capital-efficient portfolio as we spread risk across catastrophe and non-catastrophe related business.

This approach has resulted in a robust underwriting profit and an undiscounted combined ratio of 82.6%, while maintaining our usual discipline and focus on balancing risk and return.

Our strong operating performance and very healthy capital position meant we were able to announce a special dividend of $0.50 per share at our third quarter results, as well as a potential share buyback scheme of up to $50 million. In March 2024 we also announced further capital return actions, including a 50% increase in our ordinary dividends. This illustrates the benefit of our diversified portfolio alongside our considered approach to balancing our capital requirements – shaped by the underwriting environment – and rewarding our shareholders.

Our undiscounted combined ratio of 82.6%, or 74.9% on a discounted basis, translated into a net insurance services result of $382.1 million. This was an increase of 169.8% compared to the same period last year. The benefit of our growth over the last few years and additional premiums written in newer and existing product lines resulted in insurance revenue of $1,519.9 million, a 23.9% increase compared to 2022.

Our overall profit after tax for the year was $321.5 million, resulting in a change in diluted book value per share of 24.7%.

During 2023, market loss environment was reasonably active with estimates for global insured losses from natural disasters hitting $118 billion, according to Aon research. This is more than 30% higher than the average since 2000.

Despite this, Lancashire did not incur any individually material loss events. Total catastrophe, weather and large losses, (undiscounted and net of reinstatement premiums), were $106.1 million.

The benefits of our diversification strategy to better balance the portfolio and our established underwriting discipline and risk selection expertise are clear in this context.

Lancashire has always maintained a conservative reserving philosophy and this has continued in 2023. The confidence level of our net insurance reserves is 88%, with a net risk adjustment of $239.1 million, or 16.7% of net insurance contract liabilities. Our confidence level remains within our preferred range of 80%-90%.

Additionally, favourable prior year loss development totalled $78.8 million, primarily due to releases on the 2022 and 2021 accident years across most lines of business. During 2023, our estimate of potential claims from the conflict in Ukraine has remained stable.

Within our investment portfolio we have benefited from higher interest rates and the portfolio returned 5.7% during the year, resulting in a net investment return of $160.5 million. The overall credit rating of our investment portfolio is AA-. We have always maintained a relatively conservative investment portfolio. During 2024, we plan to modestly increase the duration of the portfolio but we do not intend on making any material changes to our investment strategy.

All in all, 2023 was a very strong year for Lancashire in which we were able to demonstrate that we are delivering on our strategic objectives through disciplined underwriting and maximising risk adjusted returns.

While we were able to return some capital to shareholders in 2023, we ended the year with a strong capital position from which we can fund future growth in 2024. Looking forward, active capital management will continue to be at the heart of how we run the business.

This Annual Report is our first since the implementation of the IFRS 17 accounting standard. Although this has been a significant change in the presentation of our financial performance it has not had a significant impact on financial performance in 2023.

I would like to thank all my colleagues in the finance and actuarial teams for their hard work and diligence during 2023 in preparing our financial reports on the new basis. This has been a fantastic team effort and I am extremely grateful for the expertise and commitment they have brought to the task of continuing our established focus on transparency.

What is your thinking regarding Lancashire’s capital requirements going into 2024?

We have always focused on balancing risk and return through the market cycle, and we manage our capital to support the underwriting opportunities that we see. Our success has been built on being able to deploy capital quickly when it’s needed but also having the discipline to return it when it’s not. In fact, Lancashire has returned approximately $3 billion since inception and raised about $550 million. We believe that there will be significant opportunities for Lancashire in 2024, and we are confident that we have the capital headroom to make the most of those opportunities, including the U.S. operation.

So, overall, the work we have put in to diversify the business puts us in a really strong position to maximise the market opportunity from a solid base. Our focus is always to provide the best returns for our shareholders, and we will deploy our capital where it makes the most sense and offers the greatest rewards.

A more robust portfolio

Our underwriting strategy has remained simple since inception. We look to actively manage the underwriting cycle. Since 2018 we have been growing and diversifying our underwriting portfolio, taking advantage of market conditions that have been improving each year.

The intention of this strategy has been to build out a more robust portfolio that allows us to better absorb the inherent volatility of the business we underwrite. Whilst we have seen continued rating momentum over the past five years, there was a more marked improvement in trading conditions in 2023 and this allowed us to continue to deliver on our strategy. We are clearly seeing the benefits of the investments in our business we have made alongside the improved market conditions in our 2023 underwriting result. All classes within our underwriting portfolio have contributed to an exceptional underwriting result with an undiscounted combined ratio of 82.6%, which results in an insurance service result of $382.1 million.

Paul Gregory
Group Chief Underwriting Officer

Loss activity from natural catastrophes continued around the world in 2023, creating devastating consequences for those affected and leading to significant economic and insured losses. It was another year where estimated insured losses from natural catastrophes were above $100 billion, ranging from the earthquake in Turkey and Syria, hurricanes in Mexico, cyclones in Asia, to wildfires and severe convective storms in the U.S. and storm activity in Europe. Given the changes to our catastrophe exposed products in rating, attachment levels and structure we have been able to produce profitable underwriting returns despite a reasonably large amount of loss occurrences and cost.

The geopolitical tensions of 2022 continued throughout 2023. The conflict in Ukraine continues with little sign of relenting, and the conflict between Israel and Gaza adds to increased tensions in the Middle East. Events such as these have far-reaching humanitarian and economic consequences and undoubtedly bring loss exposure to the (re)insurance market. The financial impact to (re)insurers remains uncertain, also bringing with it a number of challenges and complexities for the broader market and Lancashire. Whilst we have exposure to such events, this has remained very manageable and within our risk tolerances and expectations.

The market conditions in 2023 have been the most favourable we have seen in over 10 years. The underwriting environment was very supportive, as demonstrated by a portfolio RPI of 115%. Every class of business delivered a positive year-on-year rate increase. For the majority of product lines 2023 was the sixth straight year of positive rating. Given that the market has struggled to make adequate underwriting returns over the past few years this adjustment was needed.

It is these strong market conditions, as well as the continuing maturity of newer lines of business that have allowed us to grow premiums by 16.9% to $1.9 billion – a record high for the Group. Since the turn of the market in 2018 we have more than tripled our premiums, matching our long-held strategy of managing the cycle. Whilst we anticipate a more stable market in 2024, we again expect to grow our underwriting footprint, supported by the creation of Lancashire U.S.. This is an exciting next development for the Group, and a good example of the continued investment in people within the underwriting function. It will be spearheaded by Huw Jones as the CEO of that operation as he moves from his role of Group Head of Specialty. We have a long tradition of promoting from within to strengthen our underwriting team and this continues to be a vital part of our continued success. Complementing this, we continue to hire quality individuals externally to bring new thoughts and ideas as our underwriting function evolves.

The dynamics across all our business segments have varied and we cover these more specifically in the analysis that follows.

“Strong market conditions, as well as the continuing maturity of newer lines of business, have allowed us to grow premiums by 16.9% to $1.9 billion – a record high for the Group.”

	Gross premiums written $m			Insurance revenue $m			RPI	
Segment	2023	2022	Variance	2023	2022	Variance	2023	2022
Reinsurance	**967.5**	842.1	125.4	**714.9**	560.4	154.5	**122%**	108%
Insurance	**964.2**	810.2	154.0	**805.0**	666.1	138.9	**110%**	108%
Total	**1,931.7**	1,652.3	279.4	**1,519.9**	1,226.5	293.4	**115%**	108%

Reinsurance

Our reinsurance segment contains casualty reinsurance, property reinsurance and specialty reinsurance. There has been significant premium growth during 2023 of approximately 14.9%, with an RPI of 122%. This was expected given the continued build-out of casualty reinsurance and the strong rating environment for property and specialty reinsurance.

Casualty reinsurance comprises casualty, professional and financial lines, and accident and health reinsurance. The rating environment for all these sub-classes has been broadly stable with an RPI of 101%. Growth came from the continued maturity of the casualty sub-class and professional and financial lines sub-classes. For the casualty sub-class we are now close to a mature portfolio and if market conditions remain broadly stable then we will not see the same levels of growth we have seen in prior years. We understand that the inflationary and recessionary environment can bring challenges to some of these longer tail classes. Having entered these classes very recently, we have no legacy portfolio, where reserve deterioration can become a negative drag on results, and rating levels remain at historical highs. Whilst old casualty years written before our entry into the class have no direct impact on our portfolio, we continually review loss trends to ensure we are satisfied with the underlying margin of our book. Our underwriting and reserving approach to these lines will remain prudent as we build out this portfolio.

Property reinsurance comprises our catastrophe-exposed reinsurance classes, as well as our excess of loss risk and other property treaty portfolios. As anticipated, we saw a very dislocated market in 2023; this is seen in the RPI of 134% for property reinsurance. There was a real disconnect between demand and supply which resulted in hard market conditions. Inflationary pressure pushed demand whilst supply was restricted as carriers pulled back risk levels following multiple years of inadequate returns. As significant as rate change was, the changes to product structure and attachment levels meant the reinsurance product moved toward one of balance sheet protection rather than an earnings protection for buyers. This means that cedants have to retain more risk before their reinsurance coverage is triggered. For reinsurers this insulates the portfolio from the frequency of small to mid-size losses. The value of these changes in structure was seen in underwriting results during 2023. Despite a reasonable amount of loss activity, the majority of losses were small to mid-size, with less impact to reinsurance products than there would have been in prior years. In line with the Group's overall appetite for catastrophe risk, our aim was to keep net catastrophe risk broadly stable year on year whilst optimising the portfolio. The hard market conditions allowed us to achieve this objective in 2023. In 2024, we will continue to optimise the portfolio, and anticipate a more stable rating level.

Specialty reinsurance comprises our reinsurance offering for classes such as aviation, marine and energy, as well as our property retrocession portfolio. The rating environment across all of the sub-classes remained positive during 2023, with an RPI of 138%. We continue to build out our specialty treaty account in areas such as energy, marine and political violence, adding to the already well-established sub-classes of aviation reinsurance and property retrocession. Much like our property reinsurance class, our risk appetite for the property retrocession sub-class was broadly stable as we look to maintain the Group's natural catastrophe footprint. In line with the market our retrocession portfolio increased in attachment point which insulated it from natural catastrophe losses during 2023, yielding profitable underwriting results. We have seen significant hardening in the aviation reinsurance market as prior year market losses have deteriorated and capacity from a number of carriers reduced. In the specialty classes we had modest exposure to events, such as political unrest in the Middle East and some large energy losses.

Insurance

Our insurance segment includes aviation insurance, casualty insurance, energy and marine insurance, property insurance and specialty insurance. We have seen another year of growth opportunities across this segment with rates positive across all classes. The insurance segment RPI for 2023 was 110% with premium growth of approximately 19.0%. A combination of the positive rating environment, inflationary pressure increasing values at risk and the continued build out of new teams has contributed to the growth we have seen in 2023.

Aviation insurance saw a less dramatic year than 2022. As a result of the uncertainties arising from the Russia / Ukraine conflict the aviation market hardened again during 2023 as is demonstrated by an RPI of 112%. The aviation industry itself continues to successfully rebound strongly from COVID-19, with passenger demand continuing to climb globally which aids demand for the product. Within our portfolio there are sub-classes that are broadly stable from a rating perspective, given rates have increased steadily over the past five years but remain at healthy levels. War/terrorism exposed products have continued to see meaningful increases in rating levels, which skews the overall RPI positively. We remain underweight within certain segments of the aviation portfolio where rating is inadequate for a broader risk appetite. Should market conditions change, we would broaden our appetite, in line with our overall underwriting strategy.

16.9%

increase in gross premiums written

Casualty insurance is a small segment of the business and comprises our accident and health insurance sub-class and a small amount of professional lines insurance which is adjunct to our casualty reinsurance class. Market conditions remain positive with an RPI of 102%.

Energy and marine insurance provides products across the spectrum of the marine and energy sectors. The rating environment has remained positive, with an RPI of 107% for 2023. Whilst each product was driven by its own dynamics, all saw rate increases.

The challenges of inflation, volatile commodity prices and political unrest remain. Both the marine and energy industries have long been exposed to these risk factors, which we always consider in our underwriting decisions when assessing risk. Importantly, we consider such events both in terms of risk, as well as potential opportunity. Growth in our cargo book, for example, has been aided not only by rate improvement but also by the value of goods and commodities in transit rising which increases the values at risk and also the demand for the product and associated premium volumes. And within certain classes such as upstream energy, there remains an abundance of insurance capacity due to relatively low insured losses.

We continue to expand our knowledge and underwriting expertise to support the transition within the energy sector, in line with our stated strategy. The industry needs to evolve by offering products and services that cater to the changing risks our clients face. Insurance will continue to be a key risk management tool for the industry, supporting global net-zero goals and the wider transition. Please see the ESG report starting on page 41 for more information.

Property insurance comprises property direct and facultative insurance and construction insurance. Trading conditions have been very favourable with an RPI of 117% which is the highest within the insurance segment. Premium growth in property insurance this year has been driven by the favourable rating environment, inflationary pressures increasing demand, and significantly reduced capacity for natural catastrophe exposed risks. We anticipated favourable market conditions but our expectations were surpassed with more rate and demand flowing through. Our property offering in Australia has continued to mature well as market conditions have been supportive. We anticipate similar success in the U.S. with property insurance being a cornerstone product offering of this new venture. The construction team continued their impressive development since joining the Group with favourable market conditions allowing us to develop this class ahead of expectations. Attractive market conditions continue to support our property insurance segment in 2024 and this combined with the opening of the U.S. operation should provide ample profitable growth opportunities.

“We almost certainly have the most robust underwriting portfolio in our history.”

Specialty insurance comprises our terrorism, political violence and political and sovereign risks sub-classes. Following the conflict in Ukraine last year, the terrorism and political violence market saw rate improvement in 2023 – the first year for many years that has happened. The RPI of 102% is driven by the positive rate change in terrorism and political violence sub-classes. The world continues to be an extremely volatile place amplified in 2023, with the continuation of the conflict in Ukraine and the conflict in Israel and Gaza both adding further pressure to global geopolitical tensions. We continue to navigate these challenges in our underwriting and to date any losses have been very manageable. As ever we remain vigilant to the ever-changing risk landscape and how this should influence our underwriting decisions. The political and sovereign risk portfolio is predominantly non-renewable business and therefore is not subject to RPIs but the rating levels remain strong against this backdrop, and the higher-interest rate environment has seen improvement in the underlying terms and conditions. We have delivered strong premium growth in these classes with a number of new opportunities. The outlook for 2024 is currently relatively stable from a rating perspective but, as the broader landscape remains volatile, this is a class that could change quite quickly.

We are extremely proud of what the underwriting team achieved in 2023. We almost certainly have the most robust underwriting portfolio in our history. Rating adequacy in almost all of our products is in a very strong position. The successful diversification of product lines, investment in our underwriting team and growth at the right time in the market cycle has created an excellent foundation to continue to develop our underwriting footprint in the coming years.

We have always said that underwriting is a team sport, and the exceptional underwriting result in 2023 is because of the underwriters and all those across the business that support them in delivering together as a team.

Underwriting results

James Irvine
Group Chief Underwriting Officer – Reinsurance

James Flude
Group Chief Underwriting Officer – Insurance

For the year ended	31 December 2023			31 December 2022		
	Reinsurance $m	Insurance $m	Total $m	Reinsurance $m	Insurance $m	Total $m
Gross premium written	**967.5**	**964.2**	**1,931.7**	842.1	810.2	1,652.3
RPI	**122%**	**110%**	**115%**	108%	108%	108%
Insurance revenue	**714.9**	**805.0**	**1,519.9**	560.4	666.1	1,226.5
Insurance service expenses	**(254.2)**	**(442.0)**	**(696.2)**	(528.3)	(466.3)	(994.6)
Insurance service result before reinsurance contracts held	**460.7**	**363.0**	**823.7**	32.1	199.8	231.9
Allocation of reinsurance premium	**(174.6)**	**(250.2)**	**(424.8)**	(152.7)	(219.1)	(371.8)
Amounts recoverable from reinsurers	**(78.2)**	**61.4**	**(16.8)**	140.0	141.5	281.5
Net expense from reinsurance contracts held	**(252.8)**	**(188.8)**	**(441.6)**	(12.7)	(77.6)	(90.3)
Insurance service result	**207.9**	**174.2**	**382.1**	19.4	122.2	141.6
Net insurance ratio	**61.5%**	**68.6%**	**65.1%**	95.2%	72.7%	83.4%
Other operating expenses			**9.8%**			6.8%
Combined ratio (discounted)			**74.9%**			90.2%
Combined ratio (undiscounted)[1]			**82.6%**			98.7%

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

Gross premiums written

Gross premiums written increased by $279.4 million or 16.9% during 2023 compared to the same period in 2022. Excluding the impact of reinstatement premiums and multi-year contracts, underlying growth in gross premiums written was 17.8%. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance segment

The increase in the reinsurance segment was primarily driven by new business in the casualty reinsurance classes as well as the continued successful build out of our specialty reinsurance classes in a strong rating environment. The property reinsurance classes also benefited from strong RPIs and new business, albeit these were somewhat offset by a lower level of reinstatement premiums than in 2022 due to higher catastrophe losses in that year. Overall, the RPI was 122% for the reinsurance segment up from 108% in the prior year.

Insurance segment

The increase in the insurance segment was primarily due to strong growth in our property insurance lines of business, which include property direct and facultative and also property construction. In these classes we are seeing the benefit of a strong rating environment and also a more mature book of business following the decision to add new teams in recent years. Gross premiums written in the energy and marine lines also increased meaningfully with new business across all lines of business and rate and exposure increases in power and energy liabilities classes. To a lesser extent, new business contributed to growth across all of our casualty insurance lines of business. Rate and exposure increases were the driver of growth in aviation insurance. Overall, the RPI was 110% for the insurance segment.

Insurance revenue

Insurance revenue comprises gross premiums earned less inwards reinstatement premium, and is net of commission costs. Insurance revenue increased by $293.4 million or 23.9% in 2023 compared to the same period in 2022. The market factors driving the increase in casualty reinsurance, property insurance and energy and marine insurance gross premiums written also drove the increase in insurance revenue recognised in the period.

Allocation of reinsurance premiums

Allocation of reinsurance premiums comprises ceded earned premium less outward reinstatement premiums, and is net of outward commission costs. Allocation of reinsurance premiums increased $53.0 million or 14.3% in 2023 compared to the prior year. This increase was largely the result of the rate increases experienced upon renewal of the Group's outwards reinsurance programme, additional cover purchased for some of the newer lines of business and a higher level of quota share reinsurance spend driven by the growth in insurance revenue. Overall the allocation of reinsurance premiums as a percentage of insurance revenue was 27.9% down from 30.3% in the prior year.

Net claims

During 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million. None of these events were individually material for the Group.

In comparison, during 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events of $329.4 million. Within this, catastrophe and weather related losses for the year ended 31 December 2022, were $232.4 million. This included $181.0 million from hurricane Ian. Large losses for the year amounted to $97.0 million.

Prior year development comprises the undiscounted movement in loss reserves, expense provisions and reinstatement premiums. Favourable development was $78.8 million in 2023 compared to favourable development of $134.3 million in 2022. In 2023, there were reductions in reserves for some of the 2022 natural catastrophe events. The 2022 year included reserve reductions from natural catastrophe loss events in the 2019 and 2018 accident years as well as relatively large beneficial claims settlements on risk losses in the 2017 accident year.

Net discounting benefit

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

For the year ended 31 December 2023	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	**101.9**	**(17.2)**	**84.7**
Unwind of discount	**(84.2)**	**28.4**	**(55.8)**
Impact of change in assumptions	**(14.1)**	**3.3**	**(10.8)**
Finance (expense) income	**(98.3)**	**31.7**	**(66.6)**
Total net discounting income	**3.6**	**14.5**	**18.1**

For the year ended 31 December 2022	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	109.1	(36.6)	72.5
Unwind of discount	(39.7)	13.7	(26.0)
Impact of change in assumptions	59.8	(20.4)	39.4
Finance income (expense)	20.1	(6.7)	13.4
Total net discounting income (expense)	129.2	(43.3)	85.9

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

In comparison, 2022 began in a relatively low discount rate environment, which then experienced significant increases across all currencies throughout the year. This increase in rates resulted in a favourable $39.4 million impact from the change in discount rate assumptions. This was only partly offset by $26.0 million unwind of the initial discount previously recognised in relation to prior accident years that had been set in a lower rate environment.

Investment results

Denise O'Donoghue
Group Chief Investment Officer

Investments and liquidity

Since inception, the primary objectives for our investment portfolio have been capital preservation and liquidity, and we position our portfolio to limit down-side risk in the event of market shocks. Those objectives remain unchanged and are more important than ever in today's volatile markets. The year started with elevated yields, which only continued throughout the year, finishing with a 5.7% return. The higher yield environment was a positive for the reinvestment of income, maturities and sales of securities. While rates were higher, there was continued volatility with respect to geopolitical tensions around the world and risk of a U.S. recession, given the inverted yield curve. However, despite the inverted yield curve, fundamentals remain strong in the U.S. and recession risk has reduced toward the latter part of the year. Given the volatility and inverted yield curve, we remain cautious but will look to modestly increase duration in the first half of 2024. We will continue to maintain a short, high credit quality portfolio with some portfolio diversification to balance the overall risk-adjusted return.

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

Investment performance

Net investment income, excluding realised and unrealised gains and losses, was $108.5 million in 2023, an increase of 94.8% compared to 2022. Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was $160.5 million in 2023 compared to a loss of $76.7 million in 2022.

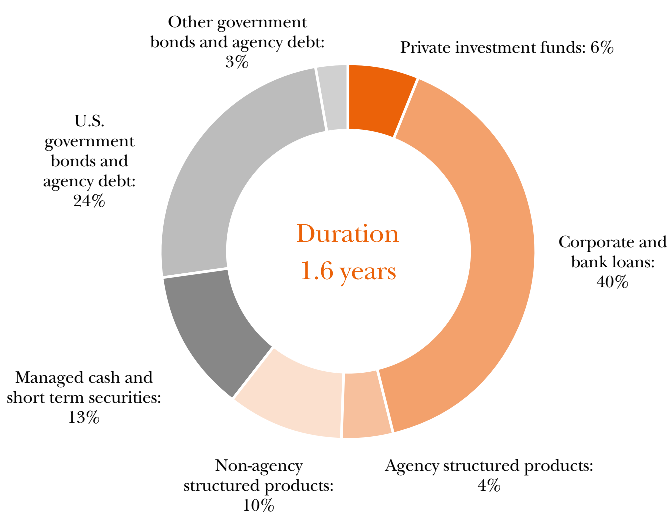
In a year of continued volatility, the investment portfolio generated an investment return of 5.7%. The returns were driven primarily from investment income given the higher yields during the year. While the Federal Reserve raised rates by 1.0% this year, the higher yields and tighter spreads mitigated any losses on the portfolio. In addition, the risk assets, notably the bank loans, hedge funds and private credit, all contributed positively to the overall investment return.

In 2022, the investment portfolio generated a negative return of 3.5%. The returns were driven primarily from interest rate increases and the widening of credit spreads, resulting in losses in all asset classes, most of which were unrealised.

Conservative portfolio structure – quality

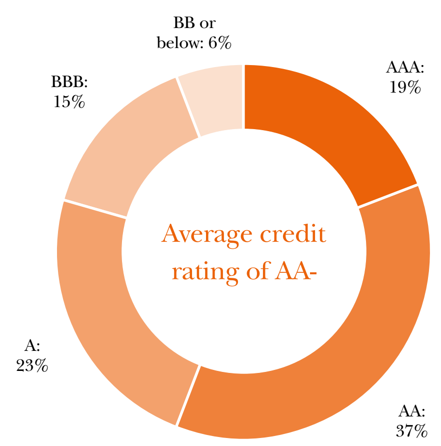
Asset allocation

Total investment portfolio and managed cash



Credit quality

Fixed maturities and managed cash



Other financial information

Hayley Johnston
Chief Executive Officer, Lancashire Insurance Company Limited and Reinsurance Manager

John Cadman
Group General Counsel and Chief Executive Officer, Lancashire Insurance Company (UK) Limited

John Spence
Chief Executive Officer, Lancashire Syndicates Limited

Other operating expenses

For the year ended 31 December	2023 $m	2022 $m
Operating expenses – fixed	**147.9**	118.9
Operating expenses – variable	**41.7**	9.8
Total operating expenses	**189.6**	128.7
Directly attributable expenses allocated to insurance service expenses	**(82.2)**	(70.4)
Other operating expenses	**107.4**	58.3

A significant driver of the increase in operating expenses is the increase in variable costs related to remuneration of $31.9 million given the strong financial performance of the Group. Fixed expenses have increased by 24.4% or $29.0 million largely due to the Group's growth and subsequent impact on headcount. IT and consulting expenses also increased during the year as we focused on upgrading our systems and data capabilities.

For the year ended 31 December 2023, $82.2 million of operating expenses were considered directly attributable to the fulfilment of (re)insurance contracts issued, and have therefore been re-allocated to insurance service expenses and form part of the insurance service result. This compares to $70.4 million in 2022.

Bermuda corporate income tax

During 2024, the Group will continue to assess the potential impact of the Economic Transition Adjustment introduced by the recent Bermuda Corporate Income Tax legislation. Based on its current plans, the Group does not anticipate that it will become subject to Bermuda corporate income tax until 1 January 2030, as it expects to fall within the exclusion within the Bermuda corporate income tax rules that means groups with a limited international presence are excluded from scope for a period of up to five years.

Capital

As at 31 December 2023, total capital available to Lancashire was approximately $2.0 billion, comprising shareholders' equity of $1.5 billion and $0.5 billion of long-term debt. Tangible capital was $1.8 billion. Leverage was 22.8% on total capital and 25.2% on tangible capital. Total capital and total tangible capital as at 31 December 2022 was approximately $1.8 billion and $1.6 billion respectively.

Share repurchase

During the period commencing 22 November 2023 and ending on 29 February 2024, the Company had authorised a share repurchase programme of its common shares of $0.50 each up to a maximum consideration of $50 million. No shares were repurchased under the programme. No other share repurchase programmes were conducted during the year ended 31 December 2023.

Dividends

Lancashire's Board of Directors has declared a special dividend of $0.50 per common share (approximately £0.39 per common share at the current exchange rate), which will result in an aggregate payment of approximately $119.0 million. The dividend will be paid in Pounds Sterling on 12 April 2024 (the "Dividend Payment Date") to shareholders of record on 15 March 2024 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date. Lancashire also announces that its Board of Directors has declared a final dividend of $0.15 (approximately £0.12) per common share, subject to a shareholder vote of approval at the AGM to be held on 1 May 2024, which will result in an aggregate payment of approximately $36.0 million. On the basis that the final dividend is approved by shareholders at the AGM, the dividend will be paid in Pounds Sterling on 7 June 2024 (the "Dividend Payment Date") to shareholders of record on 10 May 2024 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Delivering for our clients

"If our clients are impacted by a loss, our aim is to support them in recovering as quickly and as fairly as possible. It is our opportunity to deliver on our promise to pay, and we strive to do that consistently across all claims in a manner that is clear and transparent to our client and broker stakeholders."

Steve Yeo
Group Head of Claims

Everyone is a risk manager

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

Louise Wells
Group Chief Risk Officer

Over the last five years, as Lancashire has focused on growing in a strengthening market, our corporate infrastructure has developed to manage the changing risk and support our growth.

Effective risk management, underpinned by a strong collaborative risk culture, has been vital in our success, enabling the business to deliver on its strategic objective of balancing risk and return through the cycle. The risk culture starts with us, the employees: everyone is a risk manager at Lancashire.

During 2023, the risk management function expanded further to ensure it had sufficient capacity and expertise to drive the development required and deliver the expanding remit.

Key areas of development in 2023 were the emerging risk process, more detail on which can be found on page 27; our forward-looking risk assessments which articulate our opinion on future trends, risk mitigation requirements and business actions by risk, and our ESG reporting, both internal and external.

Our ClimateWise report was published on our website for the first time in August 2023 and our TCFD report, which complements our ClimateWise report, starts on page 49 of this report.

Geopolitical risk and macro-economic risks have continued to be a focus during 2023 and that focus will carry over into 2024.

The ongoing conflict in Ukraine, as well as other potential areas of conflict, and the increasing tensions in the Middle East, are examples of issues that are closely monitored by the business to seek to ensure exposure remains within appetite and expectations. 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.

Cyber security risk has also been a key area of focus in 2023 and again will continue to be so in 2024. Cyber security risk is included within the principal risk of operational risk, which is discussed on page 31.

Risk strategy

Our risk management strategy remains closely aligned with the Group strategy, focused on adding value to the business and providing assurance over both the most material risks and the emerging risks to the Group. The Board is responsible for managing risk and retains responsibility for the oversight of risk management activities. The risk management function, led by the Group CRO, ensures there is appropriate risk governance and a risk management framework to support the Board, CEO and Group Executive Committee in managing risk. It is critical that the risk management framework can adapt to the changes associated with the delivery of the Group's strategy. The risk strategy is updated annually and the associated plan of work is approved by the Board.

Risk management framework

The Group takes an enterprise-wide approach to managing risk. The primary objective being to ensure that the capital resources held are matched to the risk profile of the Group and that the balance between risk and return is considered as part of all key business decisions. The Group risk management framework sets out our approach to identifying, assessing, mitigating, and monitoring the principal risks the Group faces. The diagram on page 25 illustrates how the various parts of the risk management framework come together to form Lancashire's overall Own Risk and Solvency Assessment (ORSA) process.

Our ORSA process is an ongoing analysis of the Group's risk profile and its capital adequacy to support the business strategy over the business plan horizon. The key activities within this process consider how the financial and principal risks to which we are exposed may change over the planning cycle, what drives these changes, and how resilient the Group's resources are to a range of extreme but possible events. As such, it is a key business management tool which is used to inform key business decisions.

The ERM and ORSA activities are underpinned by our risk culture and governance. Our collaborative risk culture is driven from the 'top down' via the Board and the executive management team to the business, with the management Risk Return Committee central to these processes. The RRC is the key management tool for monitoring and challenging the assessment of risk on a regular basis. It seeks to optimise risk-adjusted returns and facilitate the appropriate use of the Group's internal models, including considering their effectiveness. Risk culture is also driven from the 'bottom up' through the risk and control affirmation process. The primary role of the Group CRO is to facilitate the effective operation of ERM and the ORSA processes throughout the Group and to provide day-to-day oversight and challenge on risk-related issues.

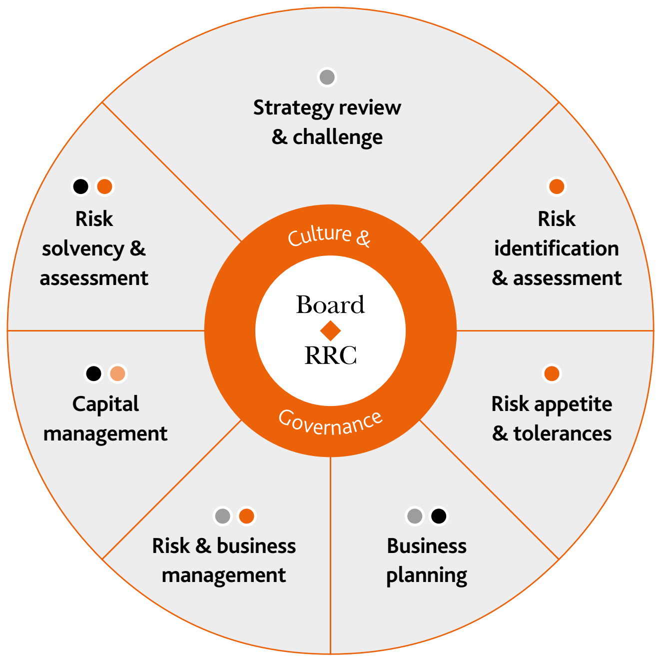
ERM & ORSA
Key activities

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

Key elements of ORSA
- Board sign-off and embedding
- Business strategy
- Risks
- Capital and solvency
- Stress and scenario testing

Risk solvency & assessment
- Group CRO reports to Board and Group Executive Committee
- Production of quarterly ORSA report for review and approval by the Board

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



Risk identification & assessment
- Quarterly risk and control affirmations
- Quarterly emerging risk working group
- Quarterly internal audit reports to the Audit Committee providing an update on work performed and analysis of root causes of audit findings
- External audit reports to the Audit Committee
- Audit Committee annual review of the effectiveness of financial controls
- Monthly CCWG
- Monthly ESG Committee

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

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

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

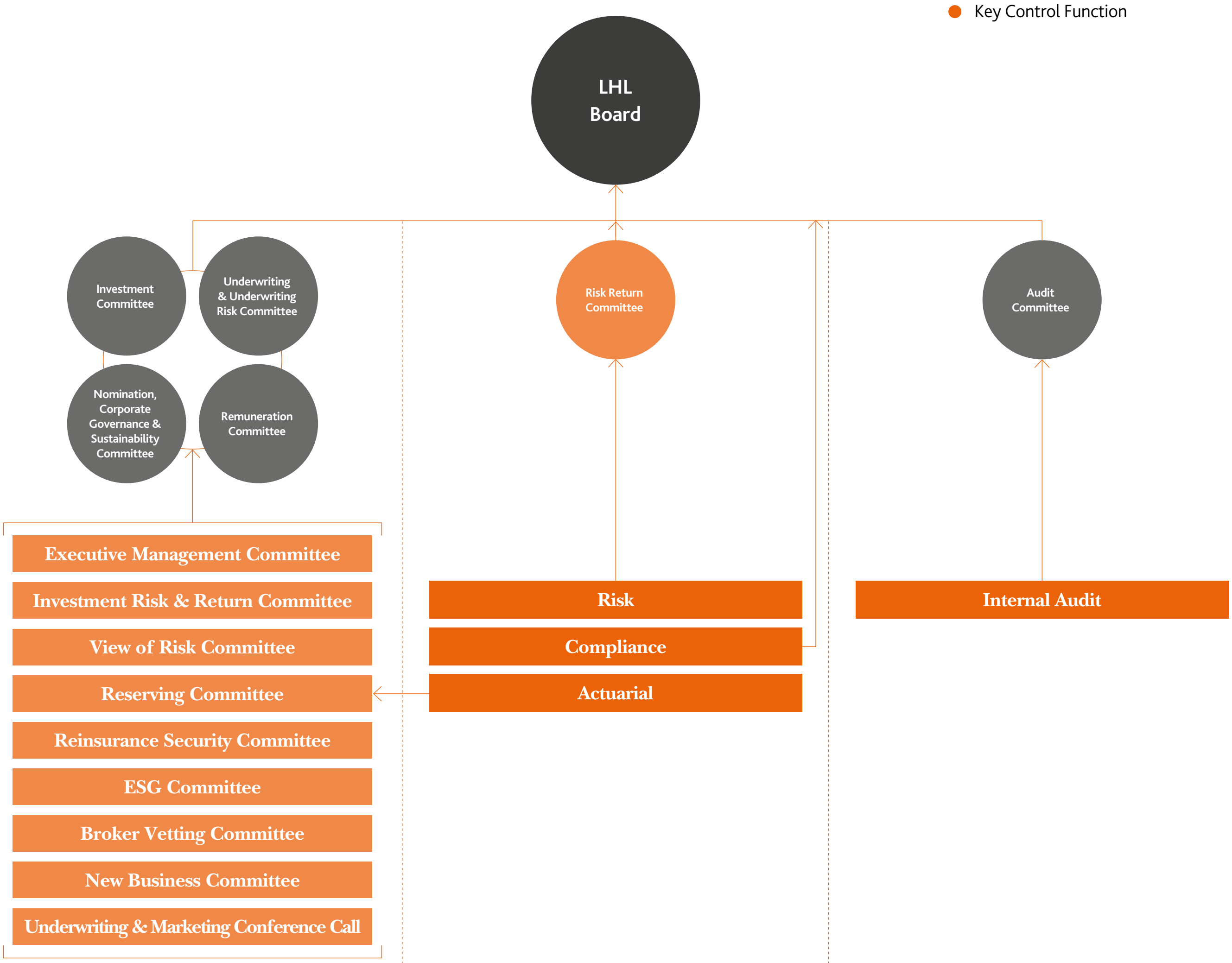
The ORSA processes are ongoing and operate throughout the year, with the annual ORSA report summarising their outcome for management and the Board on an annual basis. The quarterly ORSA update report provides the Board with a point in time update on the key activities listed above and the challenge provided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

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

Three lines of defence – governance framework

Key

- Committee of the Board
- Management Committee
- Key Control Function



1st line of defence

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

2nd line of defence

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

3rd line of defence

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

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

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

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

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

As at 31 December 2023, all Group entities were operating within their Board-approved risk tolerances.

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

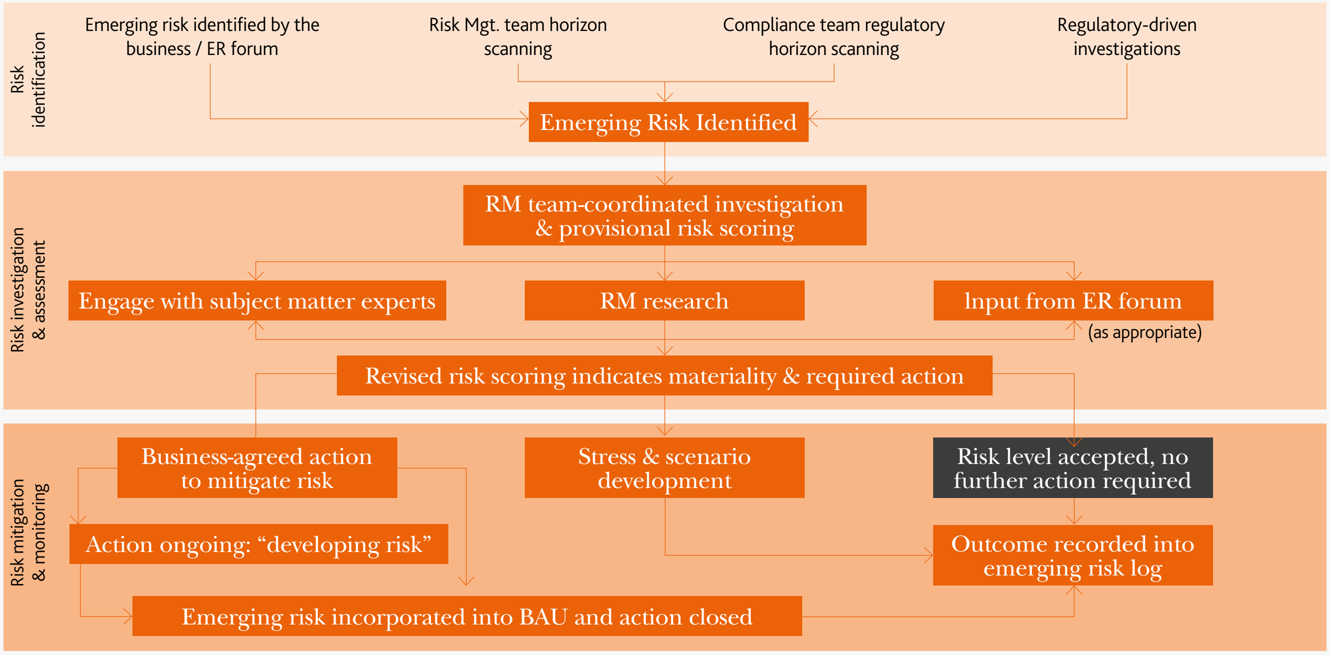
The 2024 annual ORSA report will be presented to the Board for review, challenge and approval at the Q1 2024 Board meeting. The equivalent reports for the operating subsidiaries will also be presented to their boards for review, challenge and approval during Q1 2024. As a Lloyd's managing agent, LSL falls within the Society of Lloyd's for Solvency II reporting, preparing ORSA reports for each syndicate. LSL has its own ERM framework to ensure it operates in line with the principles for doing business at Lloyd's.

Emerging risk

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

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

Emerging risk process



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

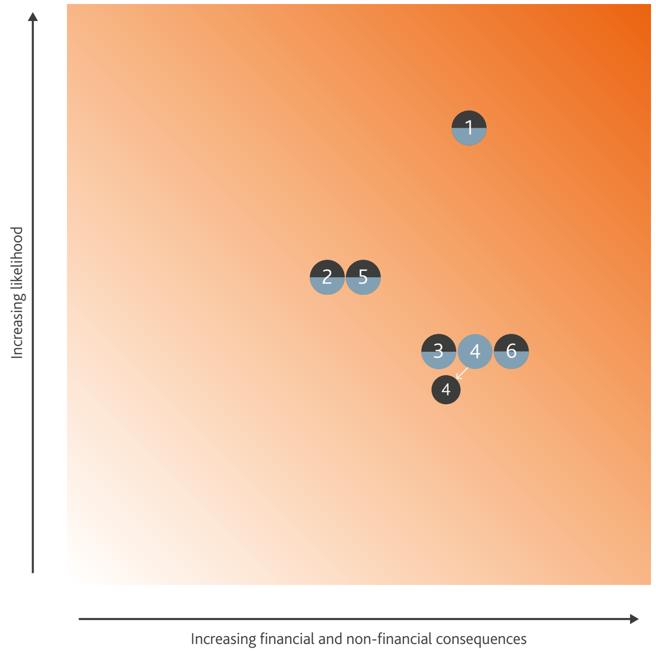
A growing number of emerging risks are identified by the business and the emerging risk forum run by the risk management function, a Group-wide forum with cross-functional membership. A detailed log of all emerging risks identified is maintained including the anticipated impact, likelihood, time horizon,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

The top emerging risks for the Group are recorded on our emerging risk radar and discussed with risk owners, executive committees, the Board and entity boards of directors each quarter. The emerging risk radar is therefore subject to an iterative process of review and oversight. Examples of emerging risks discussed by the Board during the year include: climate change, operational strain (driven by growth), geopolitical risk, inflation, tax and regulatory change, OECD global minimum tax and Bermuda corporate income tax, and cyber security risks.

Thematic reviews were performed during the year on potential geopolitical areas of conflict and on the potential impact of the OECD minimum global tax and Bermuda corporate income tax.

Principal risks

Current assessment of principal risks



The Board evaluated the risks disclosed, alongside other factors, in the assessment of the Group's viability and prospects as set out in the going concern and viability statement in the Directors' report at page 118.

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

Key

Principal risk

1 Underwriting	4 (Re)insurance counterparty
2 Investment and Liquidity	5 Operational
3 Reserving	6 Strategic
2023	2022

Principal risks

Principal risk category/risk owner	Key mitigating actions	How the Board reviews this risk
Underwriting UURC **Risk description and performance** Inadequate pricing of risk resulting in insufficient premium to cover any losses arising. Failure to monitor exposure accurately such that losses exceed expectation. Our underwriting performance is discussed on page 14. Our RPI for the insurance and reinsurance segments was 122% and 110% respectively. We remained within tolerance for all PMLs and RDSs during 2023.	We define our underwriting risk appetite and set risk tolerances as a percentage of capital we are willing to risk for both natural catastrophe events and man-made disasters. PMLs for natural catastrophe perils are modelled monthly, and RDSs for non-elemental perils are updated quarterly. Both are provided to the RRC for review. We model our portfolio against Lloyd's RDS to assess potential losses. We apply loads to and stress test stochastic models and develop alternative views of losses using exposure damage ratios. We review assumptions periodically to ensure they remain appropriate. We use our RPI measure to track trends in premium rates for our renewed business. The RRC considers accumulations, clashes and parameterisation of losses and models. Underwriters' have individual underwriting authorities they must comply with. Reinsurance is purchased to manage exposure and protect our balance sheet.	The Board delegates oversight of underwriting risk to the UURC. See page 96 for how the committee discharged its responsibilities in this area. Management reports to the UURC on underwriting performance, strategy and risk tolerances. The Board is engaged in the development and implementation of the Group's underwriting strategy, including the potential risks to this such as geopolitical risks and climate-related physical, transition and litigation risks. The Board reviews and approves the underwriting risk appetite, the risk tolerances and the structure of the outwards reinsurance programme on an annual basis. The Board reviews performance against risk tolerances on a quarterly basis.
Investment & liquidity Investment Committee **Risk description and performance** The risk of insufficient liquid assets to pay claims when due. The Group continues to have excess liquidity compared to tolerance and remained within investment guidelines.	We stress our portfolio to understand the impact of a range of realistic loss scenarios including risk-on, risk-off and interest rate hike scenarios. A biannual strategic asset allocation study is performed, the recommendations from which are discussed at the Investment Committee and presented to the Board for approval. The IRRC meets quarterly and reports to the RRC and to the Investment Committee via the CRO. External investment managers are used to manage the portfolios. The Group's principal investment managers are signatories to the UN Principles for Responsible Investment.	The Board delegates oversight of investment risk to the Investment Committee. See page 94 for how the committee discharged its responsibilities this year. Management reports to the Investment Committee on investment performance, strategy including asset allocation, and risk tolerances. The Investment Committee receives and reviews the investment strategy, guidelines and policies, risk appetite and associated risk tolerances and makes recommendations to the Board in this regard. The Committee monitors performance against risk tolerances, investment guidelines, carbon intensity scores and a climate value at risk measure quarterly.

Principal risks

Principal risk category/risk owner	Key mitigating actions	How the Board reviews this risk
Reserving Audit Committee **Risk description and performance** The risk that established reserves are inadequate and claims exceed them. The confidence level of 88% is within our desired range.	Lancashire adopts a conservative reserving approach for all new classes of business until they are established. Actuarial and statistical data is used to set estimates of future losses. These are reviewed by underwriters, claims staff and actuaries to ensure they reflect the actual experience of the business. Reserves are reviewed and approved by the Reserve Committee whose members include representation from finance, actuarial and claims; there are additional attendees from underwriting, legal and risk. An independent review by external actuaries of reserve adequacy is performed twice a year.	The Board delegates oversight of reserving risk to the Audit Committee. See page 83 for how the committee discharged its responsibilities this year. Management reports to the Audit Committee quarterly on reserves for material new claims, developments on established reserves, the reserve margin and confidence levels. The Audit Committee receives and considers the report from the external actuary on reserve adequacy. The Committee's review is also informed by the work performed by the external auditor.
(Re)Insurance and intermediary counterparty risk UURC **Risk description and performance** The risk our reinsurance counterparties are unable or unwilling to pay us in the event of a loss. The risk of mishandling by, or failure of, our intermediaries. The Group was within our stated risk appetite and tolerance during the year.	Our Broker Vetting Committee is responsible for the broker vetting approval process and monitoring credit risk in relation to brokers. Business is conducted using non-risk transfer TOBAs. Monies are held by brokers in segregated client money accounts. Board-approved counterparty credit limits are used, reinsurers must meet minimum rating standards and collateral agreements are used where appropriate. The RSC approves counterparties within the framework set and monitors first loss and aggregate limits against the approved tolerances.	The UURC receives quarterly information from management with regard to broker distribution. The CRO reports to the Board on performance against Board-approved risk tolerances.

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

Principal risks

Principal risk category/risk owner	Key mitigating actions	How the Board reviews this risk
Operational Audit Committee & Board **Risk description and performance** The risk of inadequate or failed internal processes, personnel, systems or (non-insurance) external events. The Group did not have any material operational loss events during the year.	The Group has a robust quarterly risk and control affirmation process in place which is supported by detailed control testing. IT availability risk is mitigated through disaster recovery and business continuity plans which are tested annually. IT integrity risk is mitigated through independent penetration tests and restricting access to key systems to individuals who are qualified and need to use them. We have a cyber incident response plan to guide management in the event a third party gains access to our systems. The annual test of this is facilitated by a third-party specialist. KRIs and KPIs are used to monitor performance against our cyber risk appetite.	The Board delegates oversight of internal controls and risk management systems to the Audit Committee. See page 83 for how the committee discharged its responsibilities this year. The Board retains the responsibility for risk oversight of IT and cyber risk. The Group CEO and management team manage the operation of the business and report to the Board and its committees. The Audit Committee receives a quarterly report form the Group CRO summarising the results from the quarterly risk and control affirmation process and detailed control testing, along with the Group CRO's opinion on the overall control environment. The Audit Committee reviews this alongside the quarterly update from the Head of Internal Audit. The Board receives a quarterly ORSA update report from the CRO which includes by exception details of loss events, performance against operational risk KRIs, and changes in the risk and control environment. The COO reports to the Board on operational matters, including the programme of change, IT and cyber security.
Strategic Board **Risk description and performance** The risk of failing to devise and/or implement an effective business strategy that is aligned with risk appetite and/or not adapting the strategy/business plan for the prevailing market conditions.	Strategic opportunities and capital planning are discussed at a dedicated session attended by all Directors and members of the management team. A clear vision and strategic objectives that are well communicated internally allowing the whole Group to understand their role and contribution to the whole. Town halls with all employees to communicate performance against the strategic objectives. Succession planning to ensure awareness of the strength in depth, or lack of, and the necessary action in the event a key role becomes vacant.	The Board retains responsibility for the oversight of strategic risk. The Group CEO and management team lead in the delivery of strategy. The Directors are involved in setting the strategy and approve the annual business plan. The Board receives quarterly updates on the Group's performance against the plan in its execution of the strategy.

Delivering for our people

"We believe that giving our people an opportunity to feedback on their experience of working at Lancashire is vital in ensuring we deliver the best possible environment, in which colleagues can thrive and reach their full potential."

Sarah Rogers
Group Chief Human Resources Officer

94%

of our people say they are proud to work at Lancashire

A respectful, rewarding and thriving work environment

Our people strategy helps us deliver one of our key goals – to make Lancashire an employer of choice.

We are committed to retaining and attracting the best talent across our markets and focus on delivering a respectful, rewarding and thriving work environment across our locations.

At the heart of this are the Lancashire values (see insider cover). These are the bedrock of what we do and how we expect our people to behave whether in the office or outside with clients, brokers and other stakeholders.

Lancashire has continued to grow during 2023, and we have been pleased to welcome a large number of new colleagues to the business who each bring their own expertise and experiences.

We believe this makes Lancashire both a diverse place to work and a true catalyst for collaboration.

Total number of employees

393

(permanent and FTC)

Voluntary annual employee turnover

7.11%

Permanent employees eligible for RSS awards

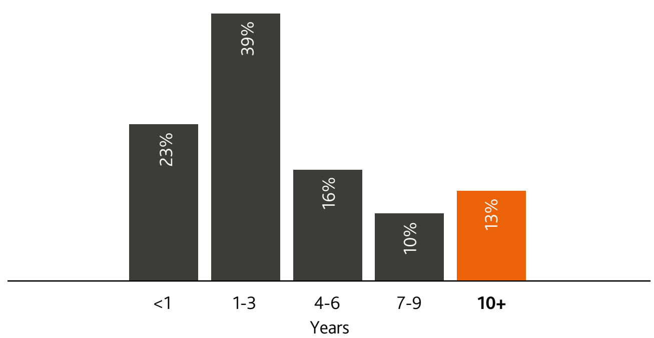
100%

Gender split of employees

61%

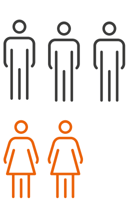
39%

Average tenure of employees



% of women in senior management

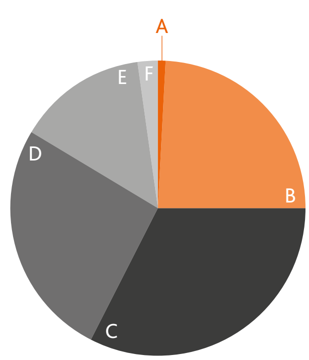
45%



% of women on the Group Executive Committee

56%

Average age of employees



Key	
A: <20	1%
B: 20-29	24%
C: 30-39	32%
D: 40-49	26%
E: 50-59	14%
F: 60-69	2%

Listening to our people

We believe that giving our people an opportunity to feedback on their experience of working at Lancashire is vital in ensuring we deliver the best possible environment in which colleagues can thrive and reach their full potential. During 2023, we carried out a full survey which was open to all employees in all locations to complete.

Importantly, the survey was confidential and carried out on our behalf by a third-party. This third-party support also enables us to benchmark our responses to organisations of a similar size.

Based on our results and the response rate, Lancashire was awarded a five-star employer award from the survey company, which is given to top-performing employers based on the surveys it runs for hundreds of clients. Results were collated both for the Group and for individual functions and teams with more than five employees.

We are pleased that the response rate was extremely high at 87%. This was 13 points higher than the last survey in 2021.

Our overall engagement score was 90%, an increase of 2% on the last survey and 14 points higher than the benchmark. The results were presented to the Boards and Group Executive Committee. Team managers were also supplied with local results to allow them to review and discuss these with colleagues.

Our highest scores were for being proud to work at Lancashire, at 94%, while 92% of responders said they are motivated to do their best work and would recommend Lancashire as a great place to work.

We welcome the honest and constructive feedback, and areas that did not score so highly will be reviewed and action plans put in place to address these.

The top ten words used by our employees to describe working at Lancashire are:

Hard-working *Friendly* *Supportive*
Flexible *Focused* *Collaborative*
Ambitious *Respectful* *Positive* *Results-orientated*

Engagement score

90%

Response rate

87%

Proud to work at Lancashire

94%

Recommend Lancashire as a great place to work

92%

Enhancing support for our people

A top ten employer

Lancashire was named a Top Ten employer in Bermuda in the annual awards run by the island newspaper *Royal Gazette*. Lancashire was placed seventh in the top 10 (out of 30+ participating companies). In 2021, we came eighth. Our employees in Bermuda were instrumental in our nomination, showing high levels of engagement.

Delivering leadership

Due to the growth of Lancashire in terms of headcount, management are aware of the importance of communication to create a sense of community and understanding.

We encourage a culture of meritocracy and openness, and senior executives are available to discuss issues with employees on both a formal and ad hoc basis.

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

A Non-Executive Director attends these events where they are asked to discuss their role, recent Board discussions, and answer questions.

The Lancashire Employee Network

The Lancashire Employee Network (LEN) was launched in 2023 to give colleagues an opportunity to get together to share knowledge and experiences.

The LEN is led and managed by a group of employees from across the business. Its initial focus is on running 'lunch and learn' sessions, hosting internal and external speakers, and offering 'soft skills' training. Events held during the year included a talk by a former SAS member on how experiences from differing environments can be carried across to business operations, a discussion with one of Lancashire's shareholders on their expectations of the business, and internal team events focusing on individual areas of expertise to share knowledge and understanding.

Group CEO Alex Maloney was also interviewed for LEN sessions in London and Bermuda, discussing his career and offering advice to employees on maximising the opportunities available to them.

Delivering a best-in-class working environment

During 2023, our London office was expanded and redesigned to offer our employees a better working environment and our guests an enhanced experience when visiting.

The work included a new visitor lounge and reception area and state-of-the-art meeting rooms. Floor space was also reconfigured to give colleagues more space and further encourage collaboration within and across functions.

A modern organisation

Following the 2021 employee survey, a number of benefits, with a particular focus on 'family-friendly' employment policies, were introduced.

These included enhancements to maternity, paternity and adoption leave, and the addition of a benefit of paid leave for IVF treatment and pregnancy loss.

In line with other organisations, following the period of remote working during the COVID-19 pandemic, Lancashire's UK employees are able to work flexibly. This includes both flexible working hours and working from home for a period each week. These are discussed with managers to ensure business operations continue as normal.

During 2023, we also developed a support framework for employees experiencing the menopause, as part of our commitment to providing a safe and inclusive environment and encouraging colleagues to have open conversations. We recognise that there is no 'one size fits all' approach, but expect people to be supportive of colleagues who may be affected by the menopause. Additionally, some employees may benefit from reasonable adjustments at work to support their symptoms.

Recognising long service

Lancashire has a long history of retaining employees, due to the focus we place on wellbeing, rewarding people appropriately, and developing their skills and talents.

We benefit from the experience and expertise of our people, many of whom have spent large parts of their career with us. To acknowledge this contribution, since 2022, we have offered a sabbatical benefit for those who have served for 10 years or more.

Attracting and growing talent

Delivering a diverse talent pool

Lancashire aims to attract people to the business who share our values and can bring their talents to the benefit of the Group.

We actively recruit new employees at all levels from a range of backgrounds and through a number of channels, whether direct outreach, corporate social media, and through our website.

While it is important to attract experienced employees when appropriate vacancies arise, we also believe that offering less experienced people, who are beginning their careers, or who are making a significant career change, is valuable to the business.

This includes recruiting a number of apprentices, who are offered the opportunity to work with more experienced colleagues and begin to progress in their chosen field.

In addition to attracting new employees, we are also focused on developing our existing colleagues and promoting them to new roles when opportunities arise.

During 2023, 46 colleagues were promoted internally across our underwriting and support functions.

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

Apprentices

During 2023, Lancashire was pleased to welcome a cohort of apprentices to the business.

The group were recruited into a number of functions including HR and IT. The Lancashire apprentice scheme aims to give young people starting their careers an opportunity to learn through on-the-job practical support and guidance while working towards formal qualifications. Group HR Apprentice Sienna Ray applied for the scheme after finding out about it online. She said one of the attractions was the mix of live work and the ability to study.

"It's been really good so far and I am lucky that I can work with people with lots of different skills and experience. It gives you a different perspective."

Sienna will be working towards a Foundation Certificate in People Practice. "There are several qualifications you can work towards, right up to degree level. I am really glad I joined Lancashire as it's a big step forward in my career," she said.

IT Business Support Apprentices Tyreque Muhammad and Jenna Webster also applied for their roles after seeing an online advertisement for the scheme. Jenna had been studying fashion but decided that she wanted to move into IT, while Tyreque had completed a self-taught IT course.

Jenna said: "It's been really interesting coming from a different background and into IT – it was a huge jump. I have learnt a lot already and the team has been really good. The key thing is to remember that there are no stupid questions – just ask and someone will help. I am really proud of myself for joining Lancashire and I wouldn't have learnt as much just doing a course."

Tyreque and Jenna will be working towards a professional qualification as IT Business Support Technicians. Tyreque said:

"There's been a lot to learn, and it is good to be able to mix practical work with course work. I wouldn't have developed as much at this stage without being in a team with experienced people, and actually doing the job."

Training and development

To help employees make the best of their talents and meet their ambitions, Lancashire has a number of training and professional development initiatives.

We see real benefit in increasing people's skills, experience and knowledge – whether at a more junior level or within our manager community.

During 2023, we carried out a pilot Management Development Programme in order to gain feedback on the planned training and ensure that it meets the needs of our team leaders.

The full programme will be rolled out in 2024 for new and existing managers with three or more direct reports.

It is designed to equip managers with tools and techniques to help drive individual and team performance across departments. Key objectives include the role of managers at Lancashire, and what is expected of them; inclusive leadership; how to appropriately manage team members' performance; and adapting to change.

Lancashire's training and professional study programme also offers employees a range of support through our online 'LMS – Insurance Assess' e-learning platform.

This provides compliance, soft skills, management and health and wellbeing training, along with (re)insurance-specific training courses.

In some cases, financial incentives for professional qualifications are available. All employees are encouraged to discuss training requirements with their manager on an on-going basis and through more formal performance review discussions.

Compulsory training

Additionally, we have a clear set of policies and procedures to uphold our high standards of behaviour and to educate our employees on what is expected of them.

Compulsory training is delivered to all new permanent employees, including people working part time, and those on fixed-term contracts. Topics covered include tax/regulatory operating guidelines, disclosure (including the requirements of the Market Abuse Regulation 2016), inspections, financial crime, ERM, cyber security, communications etiquette/equality, diversity and inclusion, GDPR and conduct rules. New employees are expected to complete this training during the first three months of employment.

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

Diversity, equity and inclusion

Since its inception, Lancashire has had a strong focus on diversity, equity and inclusion (DE&I). We believe that these important themes should reflect not just gender and ethnicity but also ensure that we have a range of talents available to the Group.

Our internal initiatives are led by our DE&I working group, which is formed of employees from across the business. It is important that our activities match the expectations of our people, and the Group is reviewing the outputs from the 2023 employee survey and will set out its agenda for the coming year in early 2024.

For a number of years, Lancashire has actively supported external initiatives which seek to build more diverse, equitable and inclusive businesses. These include the Hampton-Alexander and Davies Reviews on gender diversity; and the FTSE Women Leaders Review, to improve the representation of women on boards and in leadership positions. The Group submits data annually to the Review.

The gender and ethnic diversity of the Board and the senior management group is set out in the tables below. Additionally, the Chair's statement on our Diversity Policy is available on our website.

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

We operate a zero-tolerance approach to bullying and harassment and all employees are encouraged to speak up about any issues of concern.

Our open corporate culture is a key driver in this and our Dispute Resolution Policy, where issues cannot be initially resolved, can be used by employees, without fear that they will be penalised in any way.

Our Anti-Harassment and Bullying Policy also offers employees a mechanism through which they can raise issues of concern.

The tables below set out data about the sex and ethnicity of the Board and executive management as at 31 December 2023, in the format prescribed by the Listing Rules.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	70	3	4	44
Women	3	30	1	5	56
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	90	4	9	100
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	10	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Employee support and industry initiatives

Supporting and rewarding

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

For a number of years the Group has provided free lunches on specific days for employees to encourage them to interact in the office during breaks.

Offering advice and information on health, wellbeing and financial matters is also part of being a responsible and understanding employer.

During 2023, we held a number of events including marking World Mental Health Day, highlighting the support available through our Employee Assistance Programme (EAP), promoting the benefits available from our health care provider, including health checks, and financial wellbeing workshops focusing on topics such as cost of living support and pensions.

Expert telephone support is available 24 hours a day through the EAP, along with resources and information to support home life, work life and physical and emotional health, and the opportunity to enrol in self-help programmes.

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

Our responsibility as an employer

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

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

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

Employees who believe they may have been discriminated against are encouraged to raise the matter through our Grievance Procedure.

Abusive or discriminatory behaviour by an employee towards another will be seriously and confidentially investigated and will be dealt with in accordance with the Group's disciplinary procedure.

We are also an Accredited Living Wage Employer, for our business and our supply chain.

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

Leading market-wide discussion

Lancashire is a partner for the Insider Progress initiative, launched by the *Insurance Insider*. Our support will ensure events are free for participants across the industry from all backgrounds. Insider Progress is designed to promote discussions around building an insurance workplace for the future with a focus on DE&I. Our Group CFO Natalie Kershaw is a member of the Insider Progress advisory board, which sets the agenda for events and highlights topics and areas for discussion.

Lancashire is also a member of the Insurance Breakfast Club and offers selected employees the valuable opportunity to participate in its events. The Insurance Breakfast Club programme involves 10 months of structured development and provides connections for people at a crucial time in their careers. Its overall aim is to assist companies in their development of female talent.

Delivering sustainably

"The depth of experience and insight within our teams is invaluable in ensuring that ESG matters are considered and implemented across the Company's operations."

Jelena Bjelanovic
Chair of the Lancashire ESG Committee

Embedding a sustainable culture for a profitable business

Peter Clarke
Non-Executive Chair

Lancashire's approach to environmental, social and governance matters continues to evolve and support our purpose.

The strong financial results which the Company has delivered in 2023 are a result of our values-driven sustainable business culture. The Board, and Alex and the management team, have a strong focus on the Group's operational effectiveness, which informs much of our debate in the Board and its committees.

During 2023, the Group made considerable progress in delivering on the areas of focus aligned with the pillars of our ESG strategy: being a sustainable and responsible underwriter and investor; operating responsibly in our own business practices and in managing and monitoring our own carbon emissions; and delivering social good through the Lancashire Foundation.

The Board debates and approves the ESG strategy and oversees its implementation by management and within the business.

A report on the work of the Lancashire Foundation, including the Project Transform volunteering initiative, can be found on pages 45 to 48 and information on our progress against our strategic objective to be an employer of choice is outlined on page 33. Reporting on our own emissions can be found on page 68.

The Group's ESG Committee, chaired by our Group Head of Investor Relations, reports quarterly to the Board and includes representatives from across Lancashire's operations, including senior members of the underwriting, risk, legal, HR, finance and communications teams. This depth of experience and insight is invaluable in ensuring that ESG matters are considered and implemented across the Company's operations. Senior management also receive regular reports on the ESG Committee's activities and are fully engaged with all decision-making.

We believe our attention and influence is best put to use in focusing on those areas where we can have a meaningful and more immediate impact on society, our people and the environment. This includes developing the potential of our people, and managing our own carbon emissions through positive action such as carbon offsetting. Additionally, the activities of the Lancashire Foundation are clear examples of the importance of putting ESG into action rather than just words.

As in previous years, the discussion around climate change and other environmental factors, and the best way to respond to those challenges, has continued at both a governmental and local level in 2023.

As a responsible business, Lancashire actively plays a role in this debate through our engagement with our clients as they go through their own transition away from carbon-based energy, and we welcome the opportunity to utilise our expertise in areas of risk management in these discussions. During 2023, Lancashire also published its first report to ClimateWise, which is available on our website, and continued to support the aims of the Task Force on Climate-related Financial Disclosures (TCFD). Our full TCFD report can be found on pages 49 to 64 which sets out clearly our progress in the area of climate change management of risk and opportunity.

During 2023, the Board has continued its active engagement with the Group's stakeholders. In particular, our Non-Executive Directors regularly meet with employees from across the business to discuss a range of matters on both a formal and informal basis. Board members welcome the opportunity to attend the quarterly Town Hall events which are led by Alex Maloney to discuss the work of the Board and to answer questions from employees. Presentations were also received at various committees on a range of topics including feedback from the 2023 employee survey, underwriting opportunities within product classes, and wider corporate developments and enhancements, such as the plans for a U.S. operation.

Succession planning is also an important part of the Board's work to ensure that we have the appropriate skills, experience and expertise to support the business.

During the year, we welcomed two new Non-Executive Directors to Lancashire. In April, Bryan Joseph joined the Board and as a member of the Audit and Underwriting and Underwriting Risk Committees. Bryan has over 40 years' experience as an actuary in the global insurance and reinsurance industry. Later in the year, we announced the appointment of Philip Broadley as a Non-Executive Director and as the LHL Chair designate. He is expected to succeed me in that role, subject to shareholder approval, following Lancashire's 2024 AGM.

Our Senior Independent Director Robert Lusardi led the search for a Chair successor and on behalf of the Board. I would like to thank him and colleagues on the Nomination, Corporate Governance and Sustainability Committee for their hard work and diligence.

Due to its relatively small size, the appointment or departure of a single director may temporarily impact Board diversity and that is the case at present, where the percentage of women on the Board is below our stated objective of 40%. We plan to address this during 2024 and the Board will continue to explore opportunities to further improve diversity within its own make-up and across the wider Group.

We fully recognise the benefits of diversity across the Group, and the importance of appointing high-quality Directors with a wide range of backgrounds, skills, gender, ethnicity and diversity of thought. However, the need to identify the best person for a role to best advance the business and interests of the Group and all its stakeholders is also important.

With regard to the Group's disclosure reporting obligations for diversity targets under listing rule 9.8.6 R (a) the Company is able to report the following position at the 2023 year end.

The Board has a 40% objective for women Directors on the Board and on the Group's principal executive management team. As at 31 December 2023, the percentage of female representation on the Board stood at 30% and within the executive management team at 56%. The Board intends to take action as part of its succession planning to meet this objective in the short to medium term. With Natalie Kershaw as our Group CFO we are able to confirm that the Board continues to have at least one woman in one of the four most senior positions on the Board. In line with the recommendations set out in the Parker Review on ethnic diversity, the Board has adopted the Parker Review objective to have at least one qualifying Director on the Board by 2024. This objective is currently met following the appointment of Bryan Joseph in 2023.

As a premium-listed company on the LSE, Lancashire measures its corporate governance compliance against the requirements of the UK Corporate Governance Code published by the UK FRC. This requires each company with a premium listing to disclose how it has complied with Code provisions or, if the Code provisions have not been complied with, provide an explanation for the non-compliance. The Board's Nomination, Corporate Governance and Sustainability Committee monitors the Group's Code compliance quarterly and more information can be found in the report starting on page 89. In addition, the Company also monitors compliance with applicable corporate governance requirements under Bermuda law and regulations. The Company is subject to group supervision by the BMA, which also regulates LICL, the Group's Bermuda-incorporated (re)insurance entity. The Group's UK insurance entities are regulated by the PRA and the FCA, and Lloyd's in the case of LSL and Syndicates 2010 and 3010.

The Board has continued to focus on proactive and constructive stakeholder engagement aligned to the Section 172 responsibilities of boards under the UK Companies Act 2006. While not formally subject to Section 172 as a matter of law, due to the Company's incorporation in Bermuda, we believe that, as a responsible business, complying with those responsibilities is a matter of importance and that they provide practical working tools by which we can monitor our engagement. The Board's statement regarding matters covered by Section 172 can be found on page 80 which outlines examples of how the Board and the business have factored in the needs of our stakeholders in their discussions and decision-making.

I am pleased to say that, in the judgement of the Board, the Company has complied with the principles and provisions as set out in the Code throughout the year ended 31 December 2023, and has appropriately considered those duties set out in Section 172.

Our ESG strategy, impact, progress and areas of focus

During 2023, we have continued to deliver on the Group's ESG strategy and priorities.

	Progress in 2023	Focus
1. People and culture Giving our people the environment, tools, skills and support they need to thrive in an open, honest and diverse culture.	• High levels of employee engagement measured through 2023 all-employee survey. • Reported diversity aligned to FCA disclosure requirements. • Lancashire Employee Network launched offering peer-to-peer information sessions and external speakers. • Increased use of social media to expand hiring pool for vacancies. • New employees continue to receive training on diversity matters in employee induction programme.	• Maintain high levels of engagement and continue to offer formal and informal channels for employee feedback. • Gender Pay Gap reporting. • Expand activities for Lancashire Employee Network to include soft skills training, following feedback. • Continue to monitor applications to ensure we attract a diverse talent pool. • Management Development Programme to continue to be rolled out in 2024 for new and existing managers.
2. Sustainable insurance Ensuring our business considers climate change and other ESG issues in our underwriting decision-making.	• ESG insurance underwriting guidelines reviewed and approved by the Board. • ESG-related premium evaluated and reported to the Board quarterly. • Regular monitoring of energy clients' transition plans. • Maintained active dialogue on ESG issues with clients and brokers. • Published first public ClimateWise report.	• Annual reporting aligned to ClimateWise requirements. • ESG insurance underwriting guidelines reviewed by Board to ensure they are appropriate. • Maintain ESG-related premium metrics and report to Board quarterly. • Continue engagement with ClimateWise and seek to improve reporting and disclosures for 2024.
3. Responsible investment Demonstrating our commitment to ESG, including responsibility for our environment, through the management of our investments.	• 96.7% of the Group's principal investment managers are signatories to the UN Principles for Responsible Investment. • Continued to review and monitor ESG investment guidelines as embedded in external investment managers' guidelines.	• Continue to monitor principal investment managers as signatories to the UN Principles for Responsible Investment. • Monitor the climate change risk sensitivity, ESG profile and carbon intensity profile of the Group's investment portfolio with regard to developing expectations and methodologies and keeping within agreed guidelines.
4. Operating responsibly Running our business as a good corporate citizen, being a responsible preserver of resources, and holding our supply chain to the high standards we apply to ourselves. Supporting wider society through our corporate and charitable activities including the Lancashire Foundation. Meeting and complying with legal, regulatory and investor obligations on ESG.	• Group emissions reduced per FTE. • Fully offset calculated 2023 GHG market-based emissions by purchasing verified credits. • More than $23 million donated to charitable organisations since 2007. • 2023 report submitted to Carbon Disclosure Project. • Continued to support and report against the aims of the TCFD. • Sustainable lighting installed as part of London office refurbishment.	• Monitor and report annually the Group's emissions. • Continue to fully offset calculated GHG market-based emissions through purchasing verified credits. • Maintain and support the work of the Lancashire Foundation through funding and volunteering. • Continue to engage with Carbon Disclosure Project and report against the aims of the TCFD. • Maintain awareness of emerging frameworks for future reporting requirements (for example the Taskforce on Nature-related Financial Disclosures (TNFD)).

Delivering for our communities

"The Lancashire Foundation's funding is linked to the Group's financial results. Our employees know that strong business performance will allow us to continue to support charities in the communities where we operate, as well as in communities around the world."

Jennifer Wilson
Chair of the Lancashire Foundation Donations Committee

Our support is our way of giving back

The Lancashire Foundation is funded through a donation pool which is linked to the Group's financial results. This means that our employees know that strong business performance will assist in supporting the wider community.

The Lancashire Foundation, which has been a UK-registered charity since September 2012, receives 0.75% of Group profits with a minimum threshold of $250,000 to a maximum of $750,000. The Board periodically receives reports from the Foundation's Trustees and a designated Board representative meets with employees involved in the Foundation annually to discuss the strategy for giving for the upcoming year.

During 2023, the Lancashire Foundation continued its work supporting a range of causes in our home markets and further afield. Since it was formed in 2007, over $23 million has been donated by the Foundation to charitable organisations.

A number of these causes have long-standing relationships with Lancashire, and we are proud of the ongoing support we have given them.

During 2023, the Foundation has focused on supporting causes working to protect the environment. This followed a successful programme of support for social causes in 2022.

The Foundation made a $50,000 donation as part of our partnership with the charity Waterstart Bermuda, which plans to open a sustainable campus and other initiatives on Burt Island. It will ultimately serve as a microcosm of an ideal community and a role model in Bermuda and more widely. Waterstart Bermuda's mission is to promote personal growth and environmental awareness through experiential education.

The British Mountaineering Council's Access and Conservation Trust was also a beneficiary of a £45,000 donation. This charity funds projects to protect cliffs, uplands, mountains and outdoor spaces across the United Kingdom and Ireland.

The Foundation has also supported the Bermuda Underwater Exploration Institute's 2023 Youth Climate Summit. The week-long event engages young people on global climate issues and is the foundation for a year of youth-led activities focused on local climate action on conservation and sustainability. Over 150 students aged 13 to 22, from across Bermuda, were involved.

More widely, the Foundation has also helped those in need following earthquakes in Turkey and Syria in early 2023. A donation of £50,000 was made to the Disasters Emergency Committee (DEC) via the British Red Cross. The DEC is a group of 15 UK aid charities that work together to raise funds quickly and efficiently at times of crisis overseas.

The Foundation also matched all employee donations to the DEC/British Red Cross.

The Foundation also donates funds to enhance the impact of a range of activities undertaken by colleagues.

For example, during 2023, colleagues in Bermuda took part in the Relay for Life to raise funds to increase access to cancer prevention, early detection, treatment and support at the Bermuda Cancer and Health Centre.

Alongside a donation from the Foundation, employees made generous personal donations via the proceeds from a silent auction and bake sale. Lancashire's people raised almost $21,000 and the overall event raised over $800,000.

$23m

Since it was founded in 2007, over $23 million has been donated by the Foundation to charitable organisations.

$50,000

donation as part of our partnership with the charity Waterstart Bermuda which plans to open a sustainable campus and other initiatives on Burt Island.

£50,000

The Foundation has also helped those in need following earthquakes in Turkey and Syria in early 2023 donating to the Disasters Emergency Committee via the British Red Cross.

> *"We are proud of the ongoing support we have given to our long-term partners."*

Our long-standing partnerships

The Family Centre in Bermuda

Lancashire has been supporting The Family Centre in Bermuda since 2007 to aid their work helping children suffering from emotional, social, behavioural and trauma-based challenges. Assistance is available to any Bermuda resident that meets the criteria and has the need. During the year, in addition to the ongoing donation, a $100,000 donation was made in honour of the Family Centre's founder, Martha Dismont, who passed away in 2023.

Tomorrow's Voices

Tomorrow's Voices is a Bermudian autism early intervention centre which has been helping the community since 2007. It aims to assist people diagnosed with autism or on the autism spectrum, starting at the age of two.

Cancer Research UK

Cancer Research UK is the world's largest independent cancer research organisation and is dedicated to saving lives through research, influence and information.

Causes close to our people

Importantly, the Foundation also encourages employees to nominate charities that they believe would benefit from funding. We know that even a relatively small single donation can have a big impact. More than $56,000 was donated to organisations nominated by employees during 2023. Donations to employee-nominated charities are a minimum of £2,000. The Foundation's Donations Committee meets quarterly to review submissions from employees and make recommendations for donations. The Committee is made up of employees and their recommendations are submitted for approval by the Foundation's Trustees. Additionally, the Foundation provides matching donations for fundraising endeavours such as marathons, triathlons, and other activities by employees.

St Giles Trust

The Lancashire Foundation is proud to have been supporting the St Giles Trust for 10 years.

The charity helps people held back by poverty, dealing with addiction or mental health problems, caught up in crime or a combination of these issues and others.

During 2023, employees Sharyl Jauod and Florinda DeMaio volunteered their time to restock the St Giles Trust pantry in London. The pantry offers high-quality, nutritious and healthy food to those struggling to feed themselves and their families.

Just some of the charities nominated by employees which received funding from the Foundation during 2023.

Forget Me Not Support Group
Supporting bereaved parents and families of babies.

SCARS Bermuda
Reducing the risk of child sexual abuse by raising public awareness, educating adults on prevention, and lobbying decision-makers to protect children.

Haven House Children's Hospice
Providing high-quality palliative and holistic care services to babies, children and young people and their families.

Usher Kids UK
Serving the needs of children and young people and their families living with Usher syndrome – a rare cause of progressive deafness and blindness.

Waves Music Therapy – Toby's Fund
Assisting children suffering from complex trauma and/or emotional and behavioural issues through specialist music therapy.

WeSeeHope
Helping vulnerable children in Southern and Eastern Africa through early childhood development, educational and vocational-based training.

Friends of Treetops School
Refurbishing a sensory room for children with disabilities.

Oakhaven Hospice
Providing support through hospice and home care services.

Crohn's & Colitis UK
Funding research into potential cures and treatments and also supporting those suffering from these illnesses.

The Kevin Bell Repatriation Trust
Assisting bereaved families to repatriate the bodies of loved ones.

George's Windmills
Supporting children's wards and family areas connected to hospitals.

It Takes a Village Foundation
Supporting vulnerable women with education, food vouchers and other necessary items, not currently offered by the statutory authorities or other charitable organisations in Bermuda.

The Royal Marsden Cancer Charity
Improving diagnosis and personalised care for cancer patients.

Home for Good
Providing a home for every child who needs one via fostering, adoption or supported lodgings.

Plymouth Hospitals Charity – Derriford Children's Wards
Improving a hospital ward or area that needs extra care to make it more friendly or calming for people who need it.

Trees for Cities
Creating high-quality green spaces in socially and environmentally deprived areas. They hope to plant their 2,000,000th tree in 2024.

PROJECT TRANSFORM
Tanzania 2023

Project Transform

During 2023, Lancashire was pleased to relaunch Project Transform, which offers employees the opportunity to take part in volunteering activities overseas.

The first Project Transform visit took place in 2010 in the Philippines and since then annual trips have been arranged, with a pause during the COVID-19 pandemic. The Tanzania programme was organised with the International Volunteer HQ organisation.

Figures from the UN Development Programme show that more than 57% of the population in Tanzania lives in poverty, making assistance initiatives, such as Project Transform, extremely valuable.

The 2023 activity saw 12 employees from across the Group travel to the country to assist with a construction project to build a new home for 68-year-old widow Beatrice.

Team member Jamie Grant said: "When we arrived, she welcomed us into her current house, a tumbledown shack with a low tin roof (secured with rocks), no windows but plenty of holes in the mud walls, and only a narrow sofa for a bed."

During the week-long programme, the team helped clear an adjoining plot, dig and pour the foundations and begin the construction of the new home. The group were welcomed by members of the local community. Team member Kelly Turner said: "Saying farewell to the local children was very tough. These kids had been with us all week – watching our progress, entertaining us with their singing and their dancing, as well as taking every opportunity to encourage us to down tools and join them in a game of street football."

"The project team had coordinated gift bags for 25 children, colouring books and pencils for the younger ones and exercise books and maths sets for the older ones who were soon to be heading to senior school."

"The team left Tanzania after a truly amazing experience, with many team members having been inspired to consider further volunteering work when back in the UK/Bermuda, or further afield."

2023 TCFD report

Meeting the challenges and opportunities of ESG and climate issues has been a focus within the Lancashire business for many years.

Our underwriting mindset is grounded in a pragmatic understanding of potential perils, their nature, and mitigation factors. The risks of climate change on the insurance industry affect the asset and liability side of the balance sheet. That double exposure drives us to work with our clients to assist them with risk solutions that help them recover from the impact of catastrophic events, including those associated with climate change.

We also act as a partner with our clients during their journey through this phase of global carbon transition.

Lancashire operates in a subscription market that allows us to adjust our insurance solutions and provide policyholders with flexibility as their needs change to address climate-related challenges and planning.

Our approach to reporting

Every year, we build upon our increasing knowledge to move discussions further in identifying the opportunities to work alongside our clients, investors, and other stakeholders to address complex climate change issues. The summary on the following pages details our disclosures, which are consistent with the TCFD's four core elements – governance, strategy, risk management, and metrics and targets – underpinned by 11 recommendations.

About this report

In compliance with the Financial Conduct Authority (FCA) listing rules, these disclosures are consistent with the TCFD recommendations and recommended disclosures.

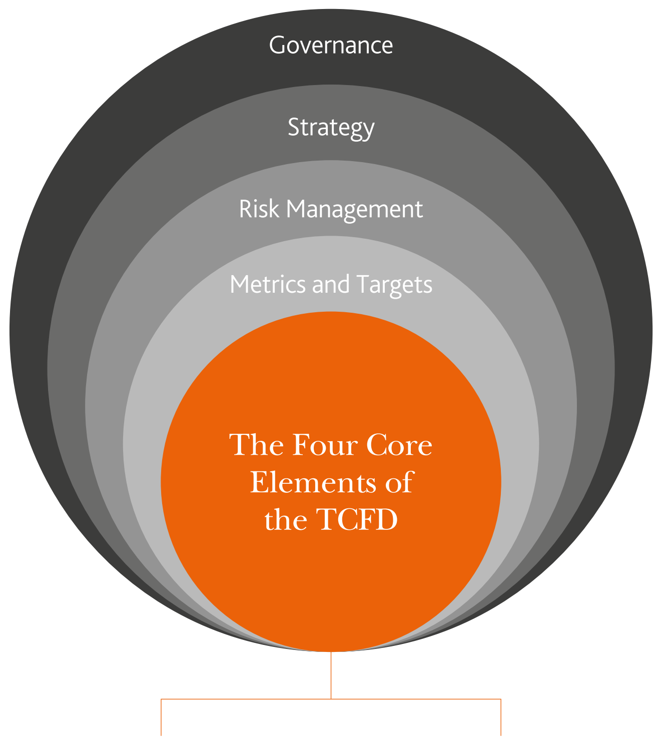
Lancashire is a TCFD supporter and recognises the value of consistent disclosures. Annual reporting against TCFD allows us to understand climate-related business risks and opportunities. Some additional guidance in the October 2021 TCFD Annex requires more time for us to consider fully. We will continue this review throughout 2024.

Our Scope 3 disclosures relate to the measurable emissions referable to our own operations, as more specifically detailed in this report. At this time, there is no commonly-adopted methodology, nor the available data for accurate and comparable measurement and apportionment of Scope 3 emissions referable to the economic activity associated with the Group's investment portfolio or its (re)insureds; further details on our approach can be found in the Strategy section of this report.

This report complements Lancashire's ClimateWise Report dated August 2023, our Principles for Sustainable Insurance disclosures and our CDP submission.

Lancashire's TCFD roadmap

In 2023, the Board assessed the prominent risks facing the Group, including those that could threaten our business model, future performance, solvency, or liquidity. This review stressed the 2023 business plan for several severe but plausible scenarios, including climate change and the impact on capital evaluated. Since then, we have completed annual disclosures relating to GHG emissions, focusing on continuous improvement over time. Looking at our progress to date, we can identify areas to focus on and prioritise combining short- and long-term actions and commitments that support meeting the UK government's net-zero target by 2050.



Governance

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets to assess and manage relevant climate-related risks and opportunities

Core areas of TCFD disclosure

Governance

Disclosure elements	2023 Practice
Board's oversight of climate-related matters See page 51	• Continued to evolve Board oversight and monitoring of climate-related risks and opportunities, actioned through Board committees with climate-specific related duties. • Oversaw the strategic planning process and approved the annual update of the strategic plan, including building on climate change risks and opportunities.
Management's role in assessing and managing climate-related matters See page 51	• Continued to focus on the actual and potential impacts of climate-related risks and opportunities through our underwriting, risk and exposure management with wider oversight by the ESG Committee across the business. • Carried out climate-related risk and opportunities analysis, governed by the RRC, facilitated by our Group CRO and delivered through strategic business units and functional groups.

Strategy

Disclosure elements	2023 Practice
Climate-related risks and opportunities identified over the short, medium and long term See page 54	• Identified climate-related risks and opportunities using an internal view of risks and the impact of physical and transitional risks.
Impact of climate-related risks and opportunities See page 57	• Continued to explore opportunities and manage risks and the impact they have on all aspects of our business and strategy. • Linked underwriting guidelines to our formal risk appetite and focused on assisting the broader set of efforts to mitigate climate change's impact on the economy and society.
Resilience to climate-related risks using scenarios analysis See page 59	• Conducted stress and scenario testing as part of our business planning process to get insight into the impact natural catastrophe events could have on our business. • Supplemented the underwriting approach with several sophisticated models that model exposures and predict losses for hurricanes and other weather occurrences. • We manage our capital by reference to sophisticated modeling using actuarial inputs relating the Group's exposure to major catastrophic events, including climate-driven catastrophes.

Risk Management

Disclosure elements	2023 Practice
Processes for identifying, assessing and managing climate-related risks See page 60	• Continued dialogue with risk owners and subject matter experts across the Group including annual underwriting strategy days to review current and anticipated climate risks. • Continued to monitor PMLs of top elemental perils and continued to manage climate risk as a part of underwriting and investment risk considerations and as a driver of our capital requirements. • Continued to monitor ESG-related premiums to identify transition risk with these premiums reviewed by the Board every quarter.
Integration into risk management framework See page 61	• Embedded climate-related risk into our ERM framework, by using qualitative and quantitative risk analysis, and our risk appetite statements. • Integrated climate risk tolerances in Group and individual entity risk appetite statements, which are assessed at least annually. • Continued to enhance the process for identifying climate-related risks and opportunities with tools and frameworks used across the Group.

Metrics and Targets

Disclosure elements	2023 Practice
Metrics used to assess climate-related risks and opportunities See page 62	• Reported on PMLs and the outputs of how risk is monitored against various perils in different global regions. • Continued to test assumptions with external models challenging the macro and specific account levels.
Scope 1, 2, 3 GHG emissions See page 63	• Reported Scope 1, 2 and 3 operational GHG emissions, relating to our own emissions, and progress towards our path to the UK carbon net-zero in 2050. • Disclosed operational emissions per full-time employee (FTE) against our target of a further reduction in emissions per FTE of 15% by 2030.
Targets used to manage climate-related risks and opportunities See page 64	• Monitored our net-zero target for 2050 for our own operations' emissions and continually sought innovative ways to make improvements. • Established corporate policies in place and a commitment to offset our emissions for our own operations.

Governance

Board's oversight of climate-related matters

Our governance structure for managing the Group's climate-related risks and opportunities is the same as for any other key risks and opportunities identified on our risk register. Below is an overview of the organisational structure and how climate-related risks and opportunities are embedded in our governance structure.

Board Oversight

Board and Board Committees

Board of Directors and its Committees

Oversees and approves our climate strategy and how we manage climate risks and opportunities.

Nomination, Corp Governance & Sustainability Committee	Investment Committee	Underwriting & Underwriting Risk Committee	Remuneration Committee	Audit Committee
Oversees issues of sustainability, including developments in climate change risk management and reporting. Committee makes recommendations to the Board regarding the ESG responsibilities of the Company.	Oversees the investment risks, including sustainability risks, by monitoring the portfolio's climate change risk sensitivity, performance against a climate Value at Risk (VaR) appetite statement and the carbon intensity of certain investment assets as part of the regular quarterly reporting process.	Oversees the impacts as an influence on insured perils of climate change and transition risk, as well as the broader ESG risks, and articulates appropriate appetites and tolerances for the Group.	Oversees the Group's remuneration packages, including the Group's remuneration structure, ensuring they are in line with the Group's business and ESG strategy.	Oversees our financial reporting, internal and external audit oversight, internal controls and risk management systems. Oversees the disclosures of the Group's ESG strategy, carbon accounting footprint and offsetting, and the Group's TCFD report.

Management Oversight

Executive Committee

Chief Executive Officer

Oversees and responsible for providing strategic direction and implementation regarding climate-related goals, risks, and disclosures.

Group Chief Financial Officer	Group Chief Risk Officer	Group Chief Operating Officer	Group Chief Human Resources Officer	Group General Counsel and Chief Executive Officer Lancashire Insurance Company (UK) Limited	Chief Executive Officer Lancashire Insurance Company Limited and Reinsurance Manager	Chief Executive Officer, Lancashire Syndicates Limited	Group Chief Underwriting Officer and LCM CEO

Management Committees and Forums

- ESG Committee
- Disclosure Committee
- Investment Risk and Return Committee (IRRC)
- Risk and Return Committee (RRC)
- Reinsurance Security Committee (RSC)
- View of Risk Committee

Board oversight

The LHL Board is responsible for the oversight of climate-related risks and opportunities. It oversees the Group's ERM activities and receives regular updates on material risks, including ESG-related risks and opportunities. This is done through the Nomination, Corporate Governance and Sustainability Committee, the Underwriting and Underwriting Risk Committee, and the Investment Committee. The Board's five reporting committees provide oversight and challenge management on progress against goals and targets.

The **Nomination, Corporate Governance and Sustainability Committee** monitors issues of sustainability, including developments in climate change risk management and reporting.

The **Underwriting and Underwriting Risk Committee** monitors the Group's underwriting exposure to catastrophic risks including those influenced by the impacts of climate change on the transition and physical risks, as well as strategic planning of ESG risks, and articulates appropriate risk appetites and risk tolerances for the Group. The Committee also monitors exposures versus the Board-approved risk tolerances on a quarterly basis.

The **Investment Committee** monitors climate change risk sensitivity, the ESG, and the carbon intensity profile of the Group's investment portfolio and investment risk parameters, which include specific Board-approved climate-related investment guidelines applied across the Group's fixed maturity portfolio.

Director development

In 2024, our Group CRO will deliver a session on climate risk for Board members. The objective is to share current and emerging risk practices, regulatory developments, and evolving climate-related ESG issues. This will build on the existing quarterly ORSA updates that the Group CRO prepares, which informs on climate-related risk and capital implications. ORSA updates report on the Group's risk exposures and compare them against risk tolerances, including natural catastrophe perils. Were material breaches to occur, they would be presented and mitigation strategies would be recommended. Emerging risks, including climate-related financial risks are discussed, including their potential impact on the business plan.

Examples of Board ESG and climate change oversight in 2023

Annual review and approval of the Group's:

- Strategy including ESG factors;
- Risk appetite statements, including climate-related reports for the asset and liability side of our business; and
- Tolerances for elemental PMLs and non-elemental RDSs.

Review and approval of the Group's:

- Insurance underwriting guidelines including ESG considerations;
- Annual ORSA report and quarterly reporting, which contains information on all risk categories highlighting material risk considerations, including climate-related risk where appropriate; and
- Stress test outputs as part of the annual business planning exercise and the annual ORSA reporting process, including climate-related scenarios.

Monitors performance against:

- VaR risk appetite statement as part of the regular quarterly reporting process;
- Preference for the financial impact of the Climate VaR on the Group's actual fixed maturity portfolio;
- Investment portfolio performance referencing the MSCI carbon sensitivity and ESG profile tool;
- Business underwritten within the Group against the strategic plan and the Board-approved risk tolerances, including those linked to climate-related catastrophe loss events; and
- ESG-related premium as a percentage of total premium written.

Management's role in assessing and managing climate-related matters

At the Executive Management level, the Group CEO is accountable for the development and execution of the Group strategy, setting the right tone company-wide, and establishing our ESG priorities, including managing climate-related risks and opportunities and overseeing the process for calculating the Group's GHG emissions for its own operations and for the related purchase of offsetting credits.

The Group CUO is ultimately responsible for the business written by the Group, assisted by the segment and subsidiary CUOs and active underwriters. Climate-related risks and opportunities related to the business written are assessed as part of the underwriting process. Each underwriter has underwriting authority, in which climate-related underwriting guidelines are embedded.

The Group CRO is responsible for the implementation of the risk management framework, which includes facilitating the identification, assessment, evaluation, and management of existing and emerging risks, and for ensuring these risks are considered and are properly included in management and the Board oversight and decision-making process.

Management reporting

The key areas of monitoring the overall governance processes and management reporting processes are:

- Achievement of strategic objectives;
- Business performance;
- Investment performance and liquidity;
- Concentration exposure;
- Reserving adequacy;
- Capital requirements;
- Material risks faced by the business;
- Risk appetite and tolerance;
- Effectiveness of the control environment; and
- Compliance with laws and regulations.

ESG-linked compensation

The Group CEO and CFO's performance-related compensation is based on Company-wide performance and personal performance objectives with a 75%/25% weighting. Their personal objectives include ESG-related objectives. Achieving our ESG targets is a fundamental component of our incentive plan, which the Board approves. By aligning our incentive compensation awards to our ESG performance, we have created a direct link between ESG-related criteria and executive compensation.

Management-level ESG Committee

The ESG Committee, which was established by management in 2021, is tasked with the oversight, co-ordination and internal management of the Group's ESG strategy. The ESG Committee reports to the Nomination, Corporate Governance and Sustainability Committee quarterly and regularly to the Group Executive Committee and is supported by the Diversity, Equity & Inclusion Working Group.

Key developments are reported to the Nomination, Corporate Governance and Sustainability Committee, as well as the Investment and the Underwriting and Underwriting Risk, Audit and Remuneration Committees as appropriate, and ultimately to the Board via the Group CRO's quarterly reporting and periodic reporting from the ESG Committee Chair.

Management-level Risk and Return Committee

The RRC evaluates and monitors the Group's modelled underwriting PMLs and RDSs against the Group's tolerance levels on a monthly and quarterly basis, respectively. Lancashire underwrites predominantly short-tail business, with loss exposures usually crystallising within a policy period of 12 months. As a result, with PML levels updated monthly and shared internally, we ensure we closely track both market pricing and coverage conditions and the Group's modelled climate-related loss exposures; this information, in turn, is communicated quarterly to the Board. Please see page 150 for more information.

Management-level Investment Risk and Return Committee

The IRRC actively monitors the potential impacts of climate change-related transitional risk on assets within the Group's investment portfolio. We work with our external portfolio managers to monitor the carbon and ESG profile of the Group's investment portfolio. The requirement to monitor, develop and implement ESG and TCFD principles is included within its terms of reference.

The Group CRO is a member or attendee of all the committees described above and provides a link between each individual forum and the Group Executive Committee.

Group-wide teams supporting climate initiatives

Our governance structure supports the effective oversight, management, and execution of our climate-change ambitions across our business. Our exposure management team — led by the Group Chief Actuary — works alongside the Group Head of Exposure Management and modelling professionals to ensure that climate-related physical risks are modelled, with the sensitivity of peril parameters (frequency and severity) assessed. The results inform decision-making with regards to our strategy and portfolio.

In our underwriting operations, we manage climate risk by sharing knowledge and guidance on the insurance underwriting guidelines that are part of each underwriter's authority. Adherence to underwriting authority forms part of the annual performance appraisal process. Our internal modelling expertise is supplemented with external vendor models that support complying with the tolerances and preferences created to manage our exposure, including loss events that climate change trends may have shaped.

Strategy

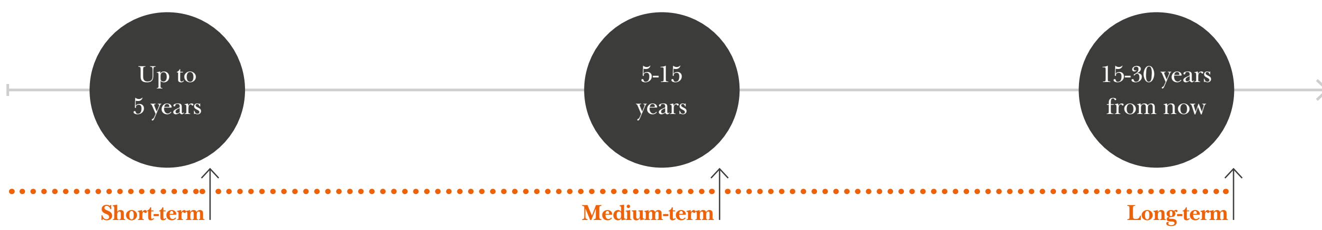
We integrate climate-related opportunities into our business to build on our strengths and capabilities.

The Group analyses its investment portfolio and uses tools to understand the resilience to climate-related scenarios, the carbon intensity of assets and other ESG-related considerations. The Group does not yet have a sufficiently robust set of analytical tools and data to articulate a GHG baseline for the investment portfolio, which might be used in target setting, but intends to work with its portfolio managers to refine the analytical tools and available data in the coming years. Similarly, there is no insurance industry-wide common methodology for calculating and reporting GHG emissions relating to an insured portfolio, and the Group does not yet have the data or a commonly accepted methodology to establish a meaningful baseline or associated target for its underwriting activities. The Group intends to continue engaging with industry bodies and think tanks to develop its strategic thinking in these areas, mainly through our participation in ClimateWise.

Climate-related risks and opportunities identified over the short, medium, and long term

Strategy and planning time frames

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



Short-term

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

Medium-term

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

Long-term

Management works with some of the leading external catastrophe model providers to better capture the latest science that underlies and informs developments in the short- and long-term climate-related assumptions in their stochastic models. These developments are included in the Group's management and Board-approved business strategy with a view towards 2030, which is reviewed and updated annually. More information can be found on page 120.

The process by which management identify emerging risks, including those which are climate-related, is described on page 27 of the enterprise risk management section. As part of this process the potential impact of the risks is assessed including magnitude, likelihood and time horizon. Risk mitigation and monitoring plans are then put in place using a risk based approach to prioritise those considered most material and likely to impact the business.

Board oversight of strategy

While our strategic planning is based on the period to 2030, the Board's strategic discussions are informed by consideration of potential global future trends in the medium- to longer-term scenarios. The Board examines the impacts of transitional climate change risk on our business, the Group's underwriting and investment portfolios, and associated strategies.

Decarbonising economy to net-zero

Decarbonising the power sector is expected to be a key driver in transitioning the global economy. Globally, the shift will be to swap to alternative energy sources. Investments and risk coverage will need to run parallel to this new lower carbon economy.

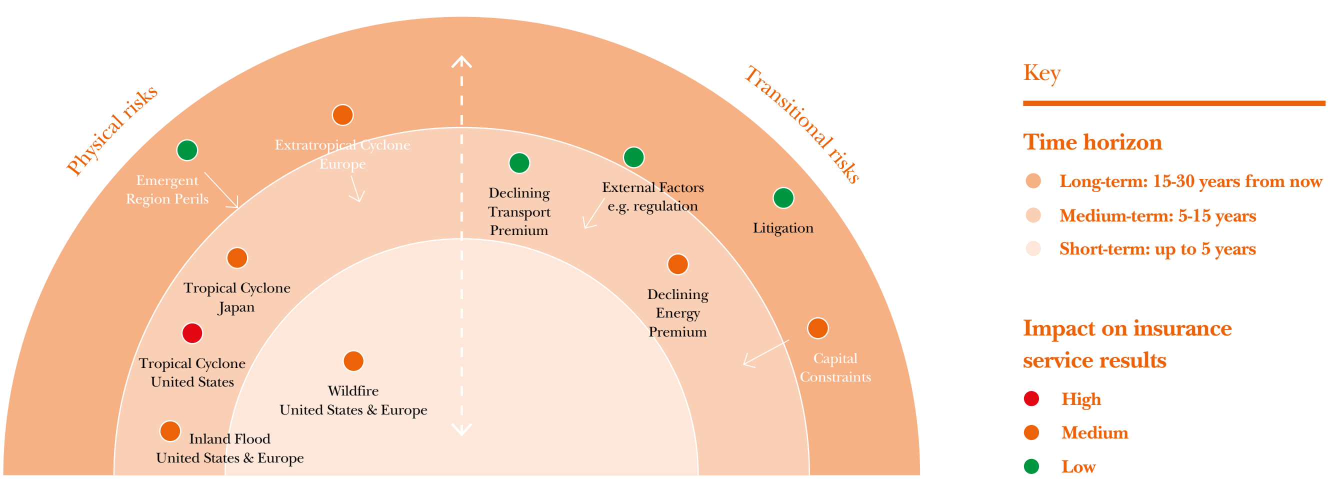
The Group may face the transitional risk of a declining premium environment in the traditional oil and gas sector, and transportation classes over time, and/or the risk of exposure to climate change-related litigation. As the economy transitions from a carbon-based one towards a net-zero future, we have considered the impact of new technology and how it will influence the whole energy sector including renewable energy risks, which we underwrite.

We can mitigate loss of revenues from these declining sectors by working with clients as they transition, and insuring the infrastructure and assets required for the transition.

Internal view of risk

In 2021, we developed a Climate Risk Radar, which was refreshed in 2023. It illustrates Lancashire's current internal view of the physical and transition risks from climate change, including the potential time horizon over which they may be faced, the potential magnitude of financial impact, and the geographical region (for physical risks). It allows us to map the climate dependencies to understand where the disruption might occur and financially impact our business from a physical or transition risk.

Climate change risk radar



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

Annual strategy days

The two annual underwriting strategy days for our insurance and reinsurance segments included the assessment of climate-related risks of current and anticipated future risks. This includes but is 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 are tested for magnitude and timescale.

Over the last several years, we have continued to identify and articulate the financial impacts of physical and transitional climate-related risks; examples are:

Physical risks

Extreme Weather

- Flooding
- Drought
- Rising sea levels
- Rising temperatures
- Wind
- Forest fires
- Convective storms

Transitional risks

- Legal and regulatory
- Technology
- Market
- Reputational

Potential effects of climate risk

Physical risk to our own operations is less material. We do not have significant physical assets to be impacted by physical risk, with the main impact of physical risk arising from our underwriting portfolio as losses from elemental catastrophic events. We do, however, have robust business continuity processes in place.

Loss amplification factors, time frame, and magnitude are considered for each extreme weather physical risk identified, as are metrics by which these risks can be monitored and reported.

Transitional risks that the Group may face include the probability of a declining premium environment in the traditional oil and gas sector or transportation classes over time, or the risk of exposure to climate change-related litigation.

The potential impact in terms of premium is thought to range from low to medium for the relevant subsidiary writing the business. However, the financial impact of these risks on the Group ranges from very low to low due to the inherent responsiveness in the Group’s underwriting strategy. The impact would be expected to be felt in both business segments, i.e., insurance and reinsurance.

Impact of climate-related risks and opportunities

Climate-related opportunities

As a (re)insurer, the Group accepts and mitigates risk; for every risk identified, there is the potential for an opportunity. Opportunities will arise from the investment in infrastructure required for the world's transition to a lower-carbon economy; this infrastructure will require insurance which lies within the Group's existing classes of business and risk appetite. The demand for new environmental insurance products and services is also expected to increase. We will work closely with existing clients to provide the insurance they need as they transition and access new market offerings in the form of new assets and locations requiring insurance coverage.

A summary of the opportunities, their likelihood, time frame, and magnitude of impact on insurance service result is included in the table below.

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

Time frame

Short-term *up to 5 years* — S

Medium-term *5-15 years* — M

Long-term *15-30 years from now* — L

Short- to medium-term — S – M

Medium- to long-term — M – L

Likelihood

High

Medium

Low

Magnitude

High

Medium

Low

Managing risk

Lancashire is exposed to the risk of heightened severity and frequency of weather-related losses, which may be influenced by climate change. We manage this risk using stochastic models from third-party vendors with a long history of quality data governance. In addition, we adapt these models based on our views of climate risk and our clients' exposure data to create aggregate loss scenarios.

The modelling data and the capital deployment are closely monitored by executive management. Likewise, the Board monitors this quarterly as part of strategic risk and capital management, with the testing of the models leading to changes in risk levels, reinsurance purchasing and structuring strategy as required.

As part of the financial planning process, the assumptions within the underwriting portfolio are reviewed, including the expected rate adequacy and losses for each class of business. Several factors, including climate change-related factors such as frequency and severity of elemental events and the potential for associated claims inflation, drive our assumptions.

The level and availability of capital, as well as capital utilisation by class of business, are also key considerations in the financial planning process. The business mix is also reviewed, with new products and lines considered where rates prove attractive and accretive.

Underwriting guidelines

Climate-related insurance underwriting guidelines have been embedded within our Underwriting Authority framework since their development in 2021. The guidelines monitor and guide underwriting in the more carbon-intensive industries, restricting insurance policies covering targeted activities in specific global regions. When a risk is unclear, a referral process is in place. We continue to enhance how we track premiums and policies according to their climate profile. We continue to engage with our clients in the more carbon-intensive industries to understand their progress on their net-zero commitments.

Business continuity processes

Lancashire's exposure to physical risk in our operations is modest. As a business with an office in Bermuda, we recognise that this area of the world is vulnerable to catastrophic windstorm events and may be affected by future climate change trends. All Lancashire offices have business continuity processes (BCPs) and disaster recovery plans in place. Specifically, the Bermuda management team and Board consider hurricane and tsunami risks within the Bermuda office's BCP.

Risk partnerships

Outside of physical risk, Lancashire has been a risk partner of businesses operating in the aviation, marine and energy sectors worldwide for many years. The risk solutions we provide help deliver the wider social benefits of safer operations in a properly regulated environment with access to capital resources to repair quickly and remediate damage in the event of accidents or catastrophic failure.

Lancashire has strong relationships with brokers distributing our products via larger international firms and smaller independent intermediaries. We strive to be a trusted partner and add value through our expertise in risk management and risk transfer. We will continue to support our clients in meeting their business needs and in their journey to transition away from carbon-based forms of energy.

Investment portfolio

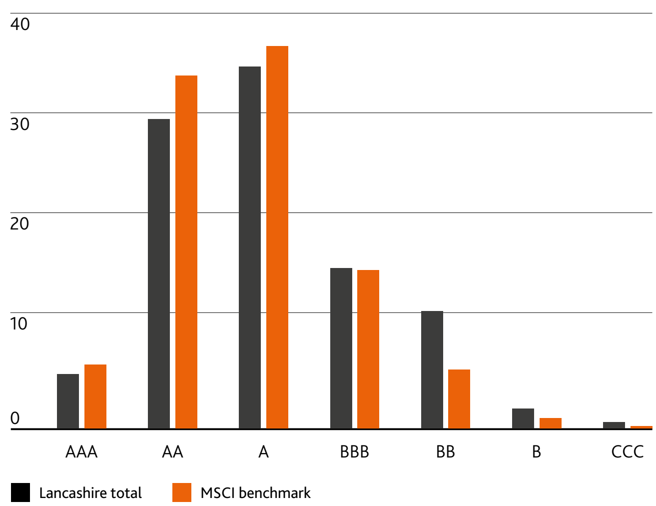
We have tools to identify, measure, and manage the potential impact of ESG and climate-related risks and opportunities on the Group's investment portfolio. This information is reviewed and reported through the IRRC, the RRC, and the Board's Investment Committee.

For the past three years, we have collaborated with our external portfolio managers to monitor the carbon intensity and ESG profile of the Group's investment portfolio. The Group's investment guidelines restrict investments in companies that rely on thermal coal for power generation or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. Compliance with the investment guidelines is monitored every month and any adjustments are approved by the Board and Investment Committee.

Every quarter, we monitor the climate VaR against the MSCI benchmark by analysing the underlying securities measured by MSCI. Management's target preference is for the impact of climate change to be less detrimental on our portfolio than the relevant benchmark at the same level.

Lancashire monitors the ESG profile of its fixed maturity portfolio for those securities covered by the MSCI ESG rating tool. The majority of the portfolio for the year-end of 2023 was designated within the "average" ESG category. Please see the Investment Committee report starting on page 94 for further information.

MSCI overall rating (%)



Percentages for the MSCI Benchmark data are up-scaled to compare with the Lancashire securities that are covered by the MSCI.

External investment managers

As of 31 December 2023, 96.7% of our external investment portfolio was administered by managers who are signatories to the United Nation's Principles for Responsible Investment. After stress testing, our year-end analysis has shown that our investment portfolio, specifically the fixed maturities, is more resilient to the impacts of climate change than the relevant benchmark, which we have linked to a 1.5°C future pathway scenario. In our last strategic asset allocation study, we recommended a target percentage to be invested in a sustainable fund. In 2023, a portion of the funds has been dedicated to an ESG sweep facility product, an investment tool that directs cash into a money market fund account daily. In 2024, we will continue to look at other suitable sustainable funds. We are committed to working with external portfolio managers to refine our analysis further.

Resilience to climate-related risks using scenarios analysis

Stress and scenario tests

Stress and scenario testing and reverse stress tests are performed as part of the annual business planning process and the yearly ORSA reporting process that includes climate-related scenarios. The capital impacts from various scenarios, including climate-related risks and opportunities, are presented to the RRC and Board for review and discussion. We test against the prescribed underwriting loss event scenarios outlined in the Bermuda Solvency Capital Requirements (BSCR) every year. In 2023, stress testing was performed on the Group's business plans to understand the impact should the recent high catastrophe event experience be more indicative of the average experience than that currently predicted by the third-party catastrophe models.

Climate scenario used

The key climate change scenario used in the business plan and ORSA was one where the timeline for the onset of climate change related risk was deemed to accelerate. The scenario included physical risk assumptions with regards to frequency and severity of major hurricanes, and transition risk assumptions resulting in a stressed impact on inwards premiums and outwards premiums. Loss ratios were increased and an inflationary impact added, expenses were increased and investment return decreased. Overall, the scenario reduced key metrics such as Diluted Book Value Per Share, profit and return on average equity by circa 30%, but had sufficient capital to meet regulatory and rating agency requirements. This led management to conclude the Group has resilience to the impacts of climate change risk in its strategy and business model.

New modelling tool

In 2022, we transitioned to a different catastrophe model provider to increase the range of secondary perils we can model. As part of this transition and our annual model review, we have explicitly considered the impact of climate change to ensure our hazard selections within the model are appropriate for our understanding of the current environment and impact with respect to climate change.

In addition, our exposure management team has licensed a new tool to perform climate-related scenario testing looking at the impact of changes in the frequency and severity of hurricanes and the impact of storm surge for specified temperature increases.

All material new models and model changes are validated via the View of Risk Committee.

Historic modelling

Every quarter, we model the Lloyd's catastrophe RDSs for our current portfolio to understand the present-day impact of their re-occurrence. Such events include, but are not limited to, a Japanese typhoon based on the 1959 typhoon Vera, Florida windstorms landing in Miami-Dade County, and Pinellas County, Gulf of Mexico windstorm, Northeast windstorm and Carolinas windstorm.

Wind scenarios 2°C of warming

The Group calculates its outputs for modelled wind exposures which are estimated for a 2°C warming scenario, with frequency and severity assumptions for this scenario drawn from published scientific research reviewing multiple underlying published estimates of hurricane changes. The high-level stress testing looked at the relative impact using current Lancashire exposure values, applying established relationships for windspeed changes in terms of both severity and frequency under the differing response parameters, compared to current assumptions. The change in Lancashire exposure (based on current values) is shown below, which we estimate has a slightly lower impact than that for our estimate of the impact of overall industry exposures, using the same set of climate scenario assumptions and modelling.

Scenarios shown consider only the impact of the physical response of 2°C of global warming upon hurricane activity in terms of estimated wind impacts and do not consider the impact of additional physical parameters such as changes in the level of expected storm surges or rainfall patterns. Frequency and severity estimate of hurricane response under projected global climate change are inherently uncertain, with individual modelling studies generating significant variations in results for different hurricane metrics and regions, as a result of using different underlying resolutions of climate models with different underlying emission scenarios and warming ranges and/or different temperature change baselines.

Reviews of individual studies apply methods and assumptions to standardise results into common climate baselines, with then our own expert interpretation applied to selected ranges for the most appropriate values for our exposure footprint. Limitations of the scenarios are that calculations assume exposure responses, and insurance conditions remain constant as per today's relationships to hurricane frequency and severity parameters. No consideration is given to any specific mitigations (e.g., the construction of additional sea defences) or specific adaptions (e.g., strengthened local building codes, zoning regulations, etc.), or wider changes in policy responses. Scenarios assume no changes in exposure values through inflation or from underwriting decisions.

Wind only – example 1

Metric	Lancashire percentage change in exposure (based on the current portfolio)
Scenarios chosen: 0% change in frequency, 4% increase in severity (for 2°C of global warming)	
Occurrence exceedance probability every 1 in 200 years	10%

Wind only – example 2

Metric	Lancashire percentage change in exposure (based on the current portfolio)
Scenarios chosen: 15% decrease in frequency, 4% increase in severity (for 2°C of global warming)	
Occurrence exceedance probability every 1 in 200 years	8%

Resilience in our strategy

The following key factors lead the Board and management to conclude there is resilience in the Group's strategy and business model to the impacts of climate change risk: i) our book of business is largely short-tail; ii) we are able to model the geographical indications and economic impacts of climate risk on the products we sell; and iii) we price based on flexible and dynamic risk analysis.

Risk Management

Our approach to managing the effects of climate change is through an enterprise risk management (ERM) framework.

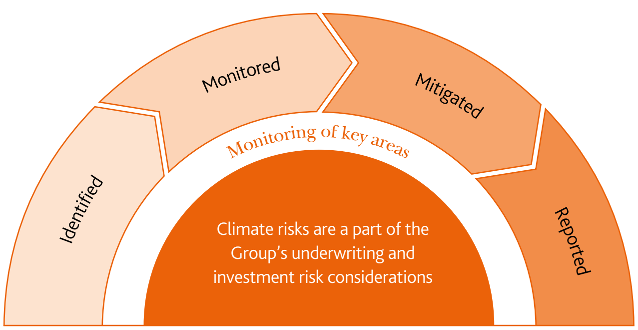
The impact of climate-related risks is managed within an existing ERM framework that functions as an active partner in business decision-making, see risks page 27.

> One of Lancashire's key operating principles, which supports the Group's strategy to produce an attractive risk-adjusted total return to shareholders over the long term, is to balance risk and return through the cycle.

Processes for identifying, assessing and managing climate-related risks

Identifying climate risks

Climate-related risks are identified and assessed as part of the usual risk identification and management process, including dialogues with risk owners and subject matter experts across the Group, and discussions at the Group's Emerging Risk Forum and the ESG Committee.



These risks are managed similarly to others: identified, monitored, mitigated, and reported upon against tolerance as appropriate.

The emerging risk process on page 27 explains how emerging risks are assessed for potential impact to the business, and the process for establishing mitigating actions and ongoing monitoring. In addition to these conversations, our insurance underwriting guidelines and our processes and controls allow us to identify any risks written outside predetermined criteria.

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 daily UMCC and the fortnightly RRC meetings.

Some examples of risks identified include the assets to be insured, their physical location, weather-related perils that have impacted that location, historical frequency, severity, and expected short- and long-term changes.

The potential impact of all material risks is assessed through:

- the development and monitoring of early warnings or triggers that allows timely consideration of, and adequate response to, material risks;
- the development and regular use of measurement techniques to determine the relative materiality of identified risks at a Group and entity level;
- the identification of risks that are elevated relative to business preference, to enable the prompting of remedial actions where appropriate;
- the development of processes for regular monitoring and updating of risk assessments in response to changes to the internal and external risk environment; and
- the assessment of the adequacy of the internal control framework in aggregate at a risk, entity or Group level.

Risk management methods include:

- transferring part of the risk elsewhere;
- treating or mitigating the risk;
- accepting or tolerating the level of risk;
- eliminating or terminating the risk; or
- revising risk appetite levels or tolerating the breach for a defined period of time.

Underwriting strategy days

The underwriting strategy days for the insurance and reinsurance segments also provide a good platform for reviewing current and anticipated future climate-related risks. Examples of such risks include transition risks arising from a decline in 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.

Engaging with stakeholders

We actively engage with our clients to understand their net-zero transition pathways, evaluate new risk solutions, and provide insurance cover for their business needs, including climate risk-related solutions. We will work with our clients through a period of global energy transition to help manage their operational and catastrophe-exposure risks in a controlled and responsible way.

Monitoring and reporting PMLs

The PMLs related to the top perils are monitored and reported monthly to the RRC and quarterly to the Board. These elemental perils are primarily those that are directly influenced by global warming. We monitor our PMLs as a percentage of tangible capital; the chart on page 63 shows this for our 100-year Gulf of Mexico wind net PML at 31 December.

Integration into risk management framework

The Group subscribes to a 'three lines of defence' governance model with respect to the identification, ownership, monitoring and mitigation of risk. Please see page 26.

The management of climate-related risk falls within this same framework, which is fully embedded throughout the Group and includes discussions on climate change as the core agenda item for the ESG Committee. Read more on page 41 and page 53.

Annual review of risk tolerances

All risk tolerances are subject to at least an annual review and consideration by the individual boards of directors. A yearly assessment of risk tolerances enables designing a contrasting but appropriate risk assessment. The Board is actively involved in identifying and considering a balanced risk and reward trade-off as they establish the Risk Profile, Risk Appetite, and Risk Tolerances to be used. The Board considers the capital requirements of the business on at least a quarterly basis. The Group's exposure to natural catastrophe risks is one of the key drivers of the capital held by the Group to support its underwriting activities.

> Climate change may influence the severity and frequency of events that impact policyholders, and Lancashire's quick response to such post-loss situations can, therefore, be seen as a competitive advantage.

Metrics and Targets

We are committed to measuring, tracking and reporting our operational performance against our path to attaining our carbon net-zero ambition in 2050.

We have engaged with ClimatePartner to calculate our corporate carbon footprint through their five-step climate action strategy.

Metrics used to assess climate-related risks and opportunities.

Our risk appetite for underwriting risks is defined as a percentage of capital we are willing to lose in a specific event, and we set a capital loss tolerance for and track the Company's modelled PMLs to weather-related hurricane perils. Our underwriting strategy is based on several factors, (including but not limited to):

- market conditions;
- available capital;
- market opportunities; and
- pricing adequacy

Impact of climate-related risk on the current portfolio

In the Strategy section starting on page 54, we described the work undertaken in 2023 to identify and articulate the financial impacts of climate-related risks. The table below sets out the possible financial impact of physical risk based on our current portfolio. If exposure was to change materially the financial impact could be more significant. However, the longer term impact to the Group should be managed by our ability to reprice contracts if needed and develop new products.

Further detail is also included in the insurance risk disclosures on pages 149 to 153, where we have noted the geographical area of risks insured and the Group's exposure to certain peak zone elemental losses by geography as a percentage of tangible capital over a 100-year and 250-year return period.

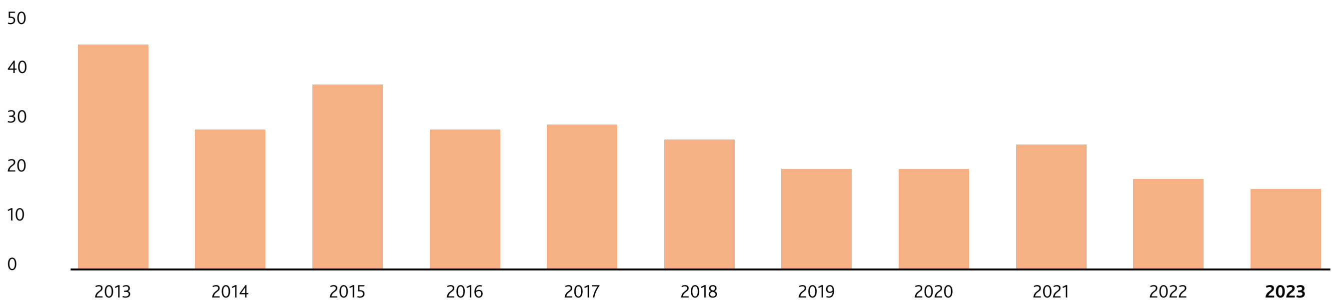
Physical: acute and chronic	Time frame	Magnitude of impact	Potential financial impact Group net PML/ % of capital
Tropical Cyclone			
U.S. Windstorm – Gulf of Mexico	Medium	High	$300.5 million/16.9%
U.S. Windstorm – Non-Gulf of Mexico	Medium	High	$237.9 million/13.4%
Japan Typhoon	Medium	Medium	$134.0 million/7.6%
Extratropical Cyclone			
European Windstorm	Medium – Long	Medium	$161.4 million/9.1%

Mitigation

- Positive feedback loop in pricing models that reflect heightened risks from climate change
- Lancashire adjusts gross risk appetite wherever the risk is viewed as inappropriately priced for the exposure
- Outwards reinsurance is adapted to reflect the changing exposures
- Robust internal controls ensuring PMLs are monitored monthly by the RCC
- Additional secondary perils now modelled
- We continue to develop views on other perils

PML as a percentage of GWP

The chart below illustrates the Gulf of Mexico one in a 100-year event, and how the PML as a percentage of gross written premium has been managed over time.



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

Additionally, risk learning can be performed following a large catastrophe event to compare the actual loss versus the modelled loss to assess further the appropriateness of the assumptions and loadings within the model and establish whether further adjustments are required.

Carbon intensity of fixed-income

The IRRC is cognisant of the potential impact transitional risk has on the Group's assets within the investment portfolio. Carbon intensity limits have been added to our fixed-income managers' guidelines. We monitor our fixed-income portfolio's carbon intensity and transition risk. Updates on these metrics, including the investment portfolio's exposure to climate-related risk, for those securities covered, as compared to the MSCI Climate VaR is monitored and reported to the Investment Committee quarterly. The Lancashire Fixed Maturity portfolio has a target preference for the aggregate climate risk measured by Climate VaR by MSCI, at the 1.5°C degrees global warming goal, in line with the Paris Accord, to have a lesser financial impact than the relevant MSCI ESG benchmark.

Most of the investment portfolio at year-end 2023 comprised of fixed maturity securities, making up 83.8%, of which almost half were government-related securities. We had 34.5% allocated to corporate bonds, of which we had a small exposure to climate-related risks. Further insight into the structure of our financial portfolio can be found on page 20.

Scope 1, 2, and 3 GHG emissions

Measuring and offsetting

The Group is committed to managing the environmental impact of its business. We measure our carbon footprint to minimise its negative impact through mitigation strategies and offsetting 100% of our greenhouse gas (GHG) emissions from our own operations to remain carbon neutral.

The ClimatePartner certification program provides insight into the effectiveness of our efforts to make progress on our 2050 net-zero ambition. Our approach to reporting GHG emissions is to be transparent, aiming to continually refine our processes to reflect relevant standards, methodologies, and, where appropriate, best practices.

During 2022, we instructed ClimatePartner to calculate and facilitate offsetting our carbon emissions; a report on the metrics collected can be found on page 68.

CDP submission

The Group CRO and the Board oversee the Company's annual submission to the CDP (previously known as the 'Carbon Disclosure Project') and note that the information which is requested as part of that reporting process is aligned with the recommendations of the TCFD.

Digital capabilities

With global operations in London, Bermuda, Australia, and recently in the U.S., as well as clients and brokers around the world, the Lancashire Group has incurred the bulk of its carbon footprint from business travel. Timely communication and knowledge sharing are critical to our operation for employees to perform their jobs effectively. We have adopted several digital solutions in our offices to reduce inter-office travel and facilitate remote work and virtual collaborations. All our offices have video and telephone conferencing capabilities at all individual workstations and meeting rooms. As travel restrictions started to lift in 2022, in-person conferences and events recommenced, which saw an uptick in travel when it was considered safe for our employees. Following the global pandemic, travel levels during 2023 are back to what we consider normal and necessary for our business to maintain good relationships with our clients and stakeholders.

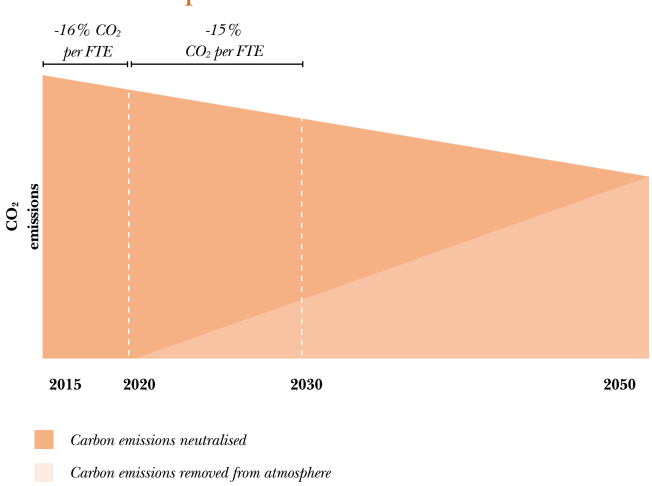
Targets used to manage climate-related risks and opportunities

Net zero in 2050 objective

In 2021, the Group expressed its objective to meeting the UK Government's net-zero target by 2050. Our baseline year, 2015, was selected because it was the first full year in our London office at 20 Fenchurch Street, an energy-efficient building with a BREEAM "Excellent" rating.

The following diagram shows our path to carbon net-zero in 2050, illustrating the planned downward trajectory of our emissions per FTE and the intended increase in offsetting projects that remove carbon from the atmosphere.

Lancashire's path to carbon net-zero in 2050



In terms of the Group's own emissions targets and the Group's business travel emissions, we have travel policies in place to reduce our impact on the environment whilst balancing the needs of our employees and Directors. For instance, our policy is not to ordinarily book a business class airline ticket if the flight is less than five hours long.

Offsetting emissions

The Group commits to continue to offset 100% of Scope 1 and 2 emissions and 100% of the Scope 3 emissions pertaining to our operations, which we are able to accurately calculate and exercise sufficient control over at this time. These include business travel, waste generated in operations, our employees' commuting, and fuel and energy-related activities not included within Scope 1 or Scope 2. As a financial services company, we consider some emissions categories to be either not applicable to our operations or that we have minimal operational control over them. We are working with a specialist third party and alongside others in the industry to understand how to accurately calculate and track emissions within the unreported categories where applicable.

Going forward

The Group will continue to benefit from the 100% renewable electrical energy from our 20 Fenchurch Street London office location, a BREEAM "Excellent" rated building. As the Group continues to search for innovative ways to reduce our own emissions, we will continue to challenge the status quo and propose ideas for consideration outside of those related to business travel. We are always looking at ways to reduce paper usage further, reduce water waste, improve recycling, and eliminate single-use plastics. A list of the full metrics can be found in the GHG disclosure section on pages 69 and 70.

For the Group's investments, we continue to have a target of managing the impacts of our fixed maturity portfolio by reference to a Climate VaR appetite statement, as discussed in the risk management section.

For our underwriting exposure, Lancashire limits its tangible capital at risk by referencing a series of PML loss exposure scenarios, including climate-related loss scenarios. PMLs are regularly monitored and reported to the Board every quarter and reflect real-time changes in the Group's underwriting portfolio. The Group's stated tolerance is to expose not more than 25% of its tangible capital by reference to any one of its principal PMLs. More information on the reported outcomes of this process can be found in the Financial Statements section under Risk disclosures, see page 150; it further shows the details of the Group's principal PMLs, including those related to catastrophic weather loss events linked to climate change risk.

Delivering responsibly

We understand that we have an obligation to ensure we operate in a responsible, respectful and sustainable way. Central to this is maintaining high standards of business supported by appropriate policies, controls and oversight.

We aim to be a good corporate citizen and a responsible preserver of resources. To that end, the Group operates in line with all relevant regulatory and legal requirements, giving particular regard to the environmental, social and governance regulations of the BMA, PRA, FRC, FCA, Lloyd's, UNEP-FI, TCFD, Mandatory Greenhouse Gas Emissions reporting/Streamlined Energy and Carbon Reporting (SECR), and Home Office (Modern Slavery Statement Registry).

Our stakeholder responsibilities

Our policyholders	Our people	Society and the environment	Brokers	Regulators	Suppliers	Our shareholders and investors

A responsible approach to protect and support

Policy / area	Our approach	Stakeholder impact	Board oversight
Health and safety	We are less exposed to major incidents due to our operations being based in an office environment. However, to ensure our people and visitors are supported and protected we regularly consult with employees on health and safety issues. We maintain risk assessments for tasks carried out by employees where potential danger has been identified. Business Continuity, Disaster Recovery, and Fire Safety training, is mandatory for all employees. Our full Health and Safety Policy is communicated to employees on joining and is available on the intranet.	Our people Brokers Regulators Our shareholders and investors Society and the environment	Yes
Whistleblowing	Each Group entity has a designated whistleblowing champion, a Non-Executive Director, who can be contacted if employees would prefer to raise concerns with them. We encourage people to report any activity that may constitute a violation of laws, regulation or internal policy, and reporting channels are provided to staff for this purpose within a whistleblowing policy available on the Group intranet.	Our people Regulators Our shareholders and investors	Yes
Data protection and privacy	As part of our day-to-day operations, the Group collects and uses information about its employees, policyholders, shareholders and others. Information, however it is collected, recorded and used, must be handled and dealt with correctly and in line with our data protection policies. The Audit Committee of the Board has overall responsibility for data protection and privacy and receives a quarterly report for review. The Group fully endorses and adheres to the principles of data protection as set out in the relevant UK data protection legislation. All employees are expected to familiarise themselves and comply with the regulations.	Our policyholders Our people Brokers Regulators Suppliers Our shareholders and investors	Yes

Policy / area	Our approach	Stakeholder impact	Board oversight
Information security	During 2023, we developed enhanced Information Security and Acceptable Usage Policies. These policies provide good practice security principles presented in easily accessible terms and designed to keep employees, the Company, and its information safe.	Our people Regulators Our suppliers Our shareholders and investors	Yes
Cyber incident response	Lancashire is aware of the risks from cyber security incidents and has a number of technologies, processes and procedures in place to mitigate and respond to any issues that may arise. These include 'table-top' exercises to stress test our plans, which are attended by colleagues from appropriate functions across the Group.	Our policyholders Our people Brokers Regulators Suppliers Our shareholders and investors	Yes
Anti-slavery and human trafficking	We are proud of the conditions of employment for all our employees throughout the Lancashire Group. We consider that there is minimal risk that, within either the Lancashire Group or the very limited supply chains which support our business activities, the Lancashire Group is involved in, supportive of, or complicit in slavery and human trafficking. The Group's Anti-Slavery and Human Trafficking Statement is available on our website.	Our policyholders Our people Society Brokers Regulators Suppliers Our shareholders and investors	Yes
Anti-Money Laundering, Bribery and Financial Crime Policy	The Group has appropriate procedures to prevent and/or report incidents of money laundering, bribery and other forms of financial crime. A training programme is active to ensure a widespread understanding of our policies. All Group employees are required to report to their local Money Laundering Reporting Officer any potentially suspicious activity. A report is received by the Audit Committee of the Board on a quarterly basis.	Our policyholders Our people Regulators Our shareholders and investors	Yes
Procurement	Lancashire engaged with a strategic IT vendor (SCC) in 2023 to establish recycling services for technology assets (e.g. mobile phones, laptops, servers, etc.) that are no longer required. This partnership enables Lancashire and SCC to securely and environmentally process items that are refurbished, remarketed or recycled.	Suppliers Society	
Sanctions	Lancashire looks to ensure compliance with all applicable sanctions legislation in the jurisdictions in which the Group operates. These include the sanctions regimes of the United Nations, United Kingdom, Bermuda, United States and European Union. The processes and systems are documented and approved annually by the LHL and relevant subsidiary boards. Quarterly reports are provided to LHL and subsidiary boards to confirm whether there have been any breaches, or not, during the period.	Our policyholders Society Brokers Regulators	Yes
Share dealing	The Group's Share Dealing Code places restrictions on the trading of LHL's securities for employee shareholders and, along with the Group's Disclosure Policy, restricts the disclosure of any confidential information.	Regulators Our shareholders and investors Our people	

Understanding the role we play

A culture of responsibility

We understand that successfully operating a modern business comes with increased responsibility.

We embed our values across our operations including showing appropriate leadership and acting as a good corporate citizen and a responsible preserver of resources.

Our regulators, rating agencies and lenders

The Group has an active programme of engagement with the relevant regulatory bodies which provide the Group with supervision and oversight.

This includes meetings, regular reporting or engaging with routine regulatory reviews. The Board and management monitors changes in regulatory and supervisory requirements closely.

Lancashire and its insurance subsidiaries are assessed for financial strength and creditworthiness by three major rating agencies: A.M. Best, S&P and Moody's. We engage with each regularly to discuss financial performance and when significant events occur, such as loss events.

We underwrite business successfully in all major regulated global (re)insurance markets and purchase reinsurance coverage as part of our capital management and regulatory compliance. We operate in compliance with our credit facilities, which support underwriting obligations.

Additionally, the syndicates benefit from Lloyd's current ratings, resources, brand and network of global licences.

The Group requires the flexibility to execute its strategy and react to economic conditions, and values its strong relationships with its lenders.

Tax authorities

The Group maintains proactive relationships with relevant tax authorities in order to comply with all its tax obligations. This requires us to keep abreast of developments in tax legislation and to work with the tax authorities to manage our tax risk.

Collaboration with third parties

During the course of our business operations, Lancashire utilises a number of third-party suppliers. These providers complement our in-house skills and we recognise the importance of these partnerships and that success comes through openness and collaboration.

We strive to receive assurance that employers within the ancillary services and limited supply chains used by the Group pay a Living Wage.

Payments to service providers are made in accordance with the individual payment terms agreed. The Group's UK subsidiary, LUK, complies with its statutory reporting duty for payment practices and performance in relation to qualifying contracts on a half-yearly basis.

Lancashire has its own responsibilities to those within its limited supply chain. Any concerns arising over the ethical practices and human rights records of insureds and potential clients would be considered as part of the underwriting process.

GHG reporting

Environmental impact and offsetting

The Group is committed to both understanding and managing the environmental impact of its business operations and has engaged ClimatePartner to calculate its corporate carbon footprint (CCF), for the 2023 reporting year. The CCF reflects the total CO_2 emissions released by the Company's own business operations, within defined system boundaries and for a specified period of time, with the calculations based on the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol).

> We are committed to measuring our carbon footprint for our own operations annually, to minimise its negative impact through mitigation strategies, and to offsetting at least 100% of our calculated GHG emissions.

Historically, the Group has achieved its carbon-neutral status for its own operations through the purchase of carbon credits, predominantly in carbon avoidance programmes, which assist in the creation and/or maintenance of systems and technologies that replace carbon intensive processes.

In 2021, for the first time, the Group offset 15% of its emissions via a carbon sequestration project, which aims to actively remove carbon from the atmosphere, with the remainder of our carbon credits procured via carbon avoidance projects.

We followed the same approach for 2022, but have increased the allocation to carbon sequestration projects for 2023. This year we have procured 20% of our carbon credits via a carbon sequestration project with the remaining 80% offset in a carbon avoidance programme. We report the emissions data for the Group in the table on page 69.

GHG overview and methodology

Our GHG inventory is used as a tool for meeting the Group's carbon reduction goal, understanding our energy consumption, identifying ways to reduce our footprint, understanding energy and emission trends, and improving our methodology in data collection.

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

Operational boundaries

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

Employee commuting

For the last two years, the Group has reported emissions associated with its employees' commuting and home working within its Scope 3 emissions. For this reporting period, a more detailed survey regarding our employees' commuting habits was undertaken, which was completed by over 40% of employees globally. This change led to a significant improvement in both the volume and quality of data collected, with a subsequent reduction of estimated data employed by our consultant in these CCF calculations. As a result of this improved data quality, we note a reduction in our employee commuting emissions of 67.6%, from 515.8 tCO_2e in 2021-2022 to 166.9 tCO_2e, in this 2022-2023 reporting period.

International operation footprint

With active commercial operations in four countries, along with clients and brokers around the globe, the Group has typically incurred the bulk of its carbon footprint within Scope 3 due to airline travel. Historically, these emissions were calculated based upon all the flights booked within the reporting period. For the past two years, in order to improve the accuracy of our reporting, we have changed the methodology to only include the flights that were taken within the period.

Our offices

Our London office is already well optimised, as 20 Fenchurch Street has a BREEAM 'excellent' certified performance rating. The building sources 100% renewable electricity on a tariff that is backed up by associated Renewable Energy Guarantees of Origin (REGOs), with an appropriate residual grid factor applied for our operations in Bermuda and Australia. Representatives from the London office have engaged with the building management's 'Green Building' meetings and the property's energy-saving initiatives. We continue to work with the respective building management teams in both Bermuda and Australia, in order to participate in any applicable initiatives for the business, in each location.

FTE as intensity metric

Lancashire uses tCO_2e per full time employee (FTEs) as its intensity metric in its CCF. As the company grows, the FTEs count has increased year-on-year, with significant recruitment in 2023. Although there has been a small increase in total emissions, emissions per FTE have decreased in this reporting period. The progress against our 2030 target table on page 70 depicts the Group's CCF for the current and prior reporting period, noting the change in the reporting period and the emissions broken down by source.

Streamlined energy and carbon reporting disclosure – 1 July 2022 to 30 June 2023

	Current 2023 reporting year (market-based) 1 July 2022 to 30 June 2023		Previous 2022 reporting year (market-based) 1 July 2021 to 30 June 2022	
	UK & Offshore	UK Only	UK & Offshore	UK Only
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO_2e	**101.6**	**92.1**	154.1	150.5
Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use / tCO_2e	**280.6**	**–**	265.1	–
Gross emissions (Scope 1,2) / tCO_2e	**382.2**	**92.1**	419.2	150.5
Energy consumption used to calculate above emissions /kWh	**1,320,545.0**	**944,270.0**	2,004,830.0	1,366,540.0
Total gross emissions (Scope 1, 2, 3) / tCO_2e	**2,642.8**		2,407.7	
tCO_2e per FTE	**7.3**		7.8	

We have purchased a total of 2,907 carbon credits, to support our continued carbon-neutral status.

Fully offset own emissions

The Group has fully offset its calculated GHG market-based emissions for 1 July 2022 to 30 June 2023 with ClimatePartner, by purchasing verified credits in both carbon avoidance and carbon sequestration programmes. A safety margin of 10% was applied to the total carbon footprint incurred, to compensate for uncertainties in the underlying data that naturally arise from using database values, assumptions, or estimates.

Carbon credit breakdown

80% carbon avoidance	renewable energy projects in Asia
20% carbon sequestration	renewable energy in Chile and tree planting in the UK

These offsetting proposals were discussed and agreed with the Group CEO.

Encourage and support employees

The Board will continue to monitor the Group's emissions from its own operations and be mindful of the Group's strategic and business operational requirements. We encourage the use of public transport, walking and cycling to commute to our places of work. As a result of the employee commuting surveys completed in 2022 and 2023, we note that the majority of our employees commute to their place of work via public transport. We continue to provide incentives for our London office employees to support this with a season ticket loan scheme as well as assistance in purchasing bicycles, with all of our offices having designated storage.

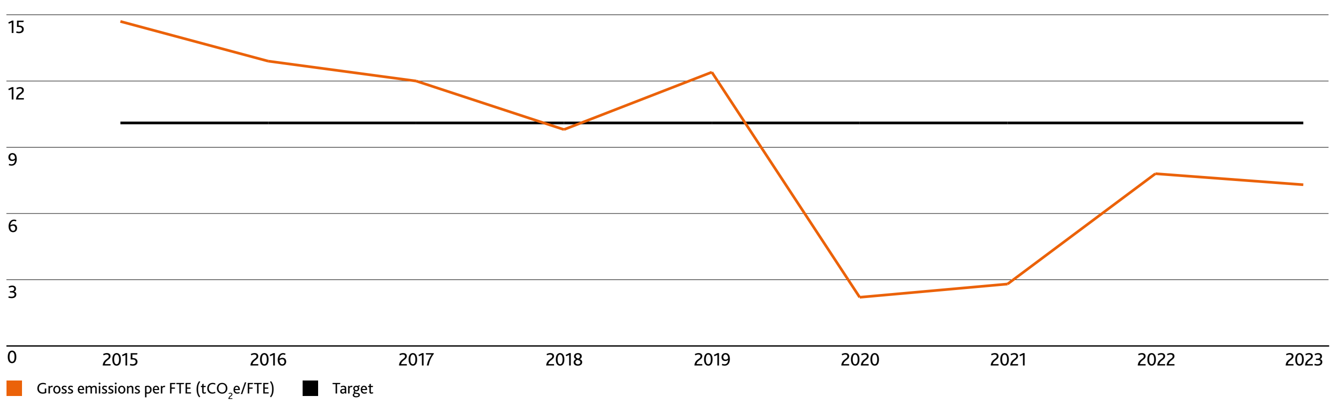
Types of emissions	Activity	1 July 2022 – 30 June 2023	1 July 2021 – 30 June 2022
Scope 1	Heat (self-generated)	**77.2**	135.6
Direct emissions from Company facilities	Refrigerant leakage	**24.4**	18.5
Scope 2			
Purchased electricity for own use	Electricity (stationary)	**280.6**	265.1
Scope 3	Business travel (flights, hotel nights, vehicles, and rail)	**2,006.4**	1,348.0
	Employee commuting and home office	**166.9**	515.8
	Fuel- and energy-related activities (upstream emissions for electricity and heat)	**79.1**	116.0
	Purchased goods and services (office paper and water)	**6.9**	7.0
	Waste generated in operations	**1.3**	1.7
Gross emissions (tCO_2e) (market-based)		**2,642.8**	2,407.7
Gross emissions per FTE (tCO_2e/FTE)		**7.3**	7.8
Carbon credits		**2,907.0**	2,648.5
Total net emissions after offset (tCO_2e)		**–**	–

Please note: all numbers quoted have been rounded to one decimal place.

Upstream fuel- and energy-related activities include Well-to-Tank and Transmission & Distribution emissions. These are emissions associated with the upstream processes of extracting, refining and transporting raw fuel and the emissions associated with the electrical energy lost during transmission to our business.

Progress against our 2030 target

The following diagram shows the change in the Group's emissions per FTE from the baseline year of 2015 against our current target of a further reduction in emissions per FTE of 15% by 2030.



Delivering as a responsible business

"Strong corporate governance is central to Lancashire's long-term success."

Peter Clarke
Non-Executive Chair

Delivering oversight

Peter Clarke
Non-Executive Chair

B I N R

Date of appointment to the Board: 9 June 2014

Board meeting attendance: 4/4

Skills, experience and qualifications:
Peter Clarke was Group Chief Executive of Man Group plc between April 2007 and February 2013. In 1993, Mr Clarke joined Man Group plc, a leading global provider of alternative investment products and solutions as well as one of the world's largest futures brokers. He was appointed to the board in 1997 and served in a variety of roles, including Head of Corporate Finance and Corporate Affairs and Group Company Secretary, before becoming the Group Finance Director in 2000. During this period, he was responsible for investing in and developing one of the leading providers of third-party capital insurance and reinsurance products. In November 2005, he was given the additional title of Group Deputy CEO. Mr Clarke has previously served as the Chair of the National Teaching Awards Trust. Mr Clarke took a first in Law at Queens' College, Cambridge and is a qualified solicitor, having practised at Slaughter and May, and has experience in the investment banking industry, working at Morgan Grenfell and Citibank.

External appointments/Other roles:
Mr Clarke is currently a Non-Executive Director of RWC Partners Limited, RWC Holdco Limited, RWC Midco Limited and Lombard Odier Asset Management.

Philip Broadley
Non-Executive Director and Chair Designate

B

Date of appointment: 8 November 2023

Board meeting attendance: 0/0

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

External appointments/Other Roles:
Mr. Broadley is Senior Independent Director and Audit Committee Chair at AstraZeneca PLC and a Non-Executive Director of Legal & General Group Plc. He is Treasurer of the London Library and Chair of the Board of Governors at Eastbourne College.

Alex Maloney
Group Chief Executive Officer

B U

Date of appointment to the Board: 5 November 2010

Board meeting attendance: 4/4

Skills, experience and qualifications:
Alex Maloney joined Lancashire in December 2005 and was appointed Group Chief Executive Officer in April 2014. On joining, Mr Maloney was responsible for establishing and building the energy underwriting team and account and, in May 2009, was appointed Group Chief Underwriting Officer. Since November 2010, Mr Maloney has served as a member of the Board. Mr Maloney has also been closely involved in the development of the Group's Lloyd's strategy. Mr Maloney has over 30 years' underwriting experience and has also worked in the New York and Bermuda markets.

Natalie Kershaw
Group Chief Financial Officer

B I

Date of appointment to the Board: 1 March 2020

Board meeting attendance: 4/4

Skills, experience and qualifications:
Natalie Kershaw joined Lancashire in December 2009 as the Group Financial Controller and has also held the positions of Chief Financial Officer of Lancashire Insurance Company Limited and Group Chief Accounting Officer. She has over 20 years' experience of the insurance/reinsurance sector with previous roles at Swiss Re, ALAS (Bermuda) Ltd and PwC. Ms Kershaw graduated from Jesus College, Oxford in 1996 with a first class degree in Geography and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael Dawson
Non-Executive Director

B N R U

Date of appointment to the Board: 3 November 2016

Board meeting attendance: 4/4

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

External appointments/Other roles:
Mr Dawson is Deputy Chair of the Management Committee of Nuclear Risk Insurers Limited. He is also a director of Knoll Investments Limited, Dawmouse Limited and Glengau Limited, all private family companies.

Jack Gressier
Non-Executive Director

B R U A

Date of appointment to the Board: 26 July 2022

Board meeting attendance: 4/4

Skills, experience and qualifications:
Jack Gressier has over 30 years' experience in the insurance industry, including as Chief Operating Officer of Axis Capital Holdings Ltd. and the Chief Executive Officer of its Insurance segment. He served as an underwriter at Charman Underwriting Agencies from 1989 until 1998, when acquired by ACE Limited. At ACE, he served in a number of senior roles including as a member of the Global Markets Executive Underwriting Committee and was appointed Joint Active Underwriter of Syndicate 2488 and director of the ACE Agency Board, where he served until joining AXIS in 2002.

External appointments/Other roles:
Currently serving as Non-Executive Chair to strategic intelligence firm, Herminius Holdings Ltd.

Key

○	B	A	I	N	R	U
Chair	Board of Directors	Audit Committee	Investment Committee	Nomination, Corporate Governance and Sustainability Committee	Remuneration Committee	Underwriting and Underwriting Risk Committee

Bryan Joseph
Non-Executive Director

B A U

Date of appointment to the Board: 26 April 2023

Board meeting attendance: 2/2

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

External appointments/Other roles:
Bryan is a partner of Vario Partners LLP and a director of Vario Global Capital Limited, the Vario operating company. Bryan was appointed as a Non-Executive Director for Sabre Insurance Group plc in June 2023.

Robert Lusardi
Senior Independent
Non-Executive Director

B A I R

Date of appointment to the Board: 8 July 2016

Board meeting attendance: 4/4

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

External appointments/Other roles:
He is also on the boards of Symetra Financial Holdings, Inc., a life insurer, and a Board member of Oxford University's 501(c)3 charitable organisation.

Irene McDermott Brown
Non-Executive Director

B N R

Date of appointment to the Board: 28 April 2021

Board meeting attendance: 4/4

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

Key

◯	Chair
B	Board of Directors
A	Audit Committee
I	Investment Committee
N	Nomination, Corporate Governance and Sustainability Committee
R	Remuneration Committee
U	Underwriting and Underwriting Risk Committee

Sally Williams

Non-Executive Director

B A N

Date of appointment to the Board: 14 January 2019

Board meeting attendance: 4/4

Skills, experience and qualifications:

Sally Williams has more than 30 years' experience in the financial services sector, with extensive risk, compliance and governance experience, having held senior positions with Marsh, National Australia Bank and Aviva. Ms Williams is a chartered accountant and spent the first 15 years of her career with PricewaterhouseCoopers, where she was a director specialising in financial services risk management and regulatory relationships. She also undertook a two-year secondment from PwC to the Supervision and Surveillance Department at the Bank of England. Ms Williams is also a Director of Lancashire Insurance Company (UK) Limited.

External appointments/Other roles:

Ms Williams is a Non-Executive Director of Family Assurance Friendly Society Limited (OneFamily), where she is chair of both their Audit Committee and their With Profits Committee, and a member of the Risk, Nominations and Member and Customer Committees. Ms Williams is also a Non-Executive Director of Close Brothers Group plc and Close Brothers Limited, where she is a member of their Audit and Risk Committees.

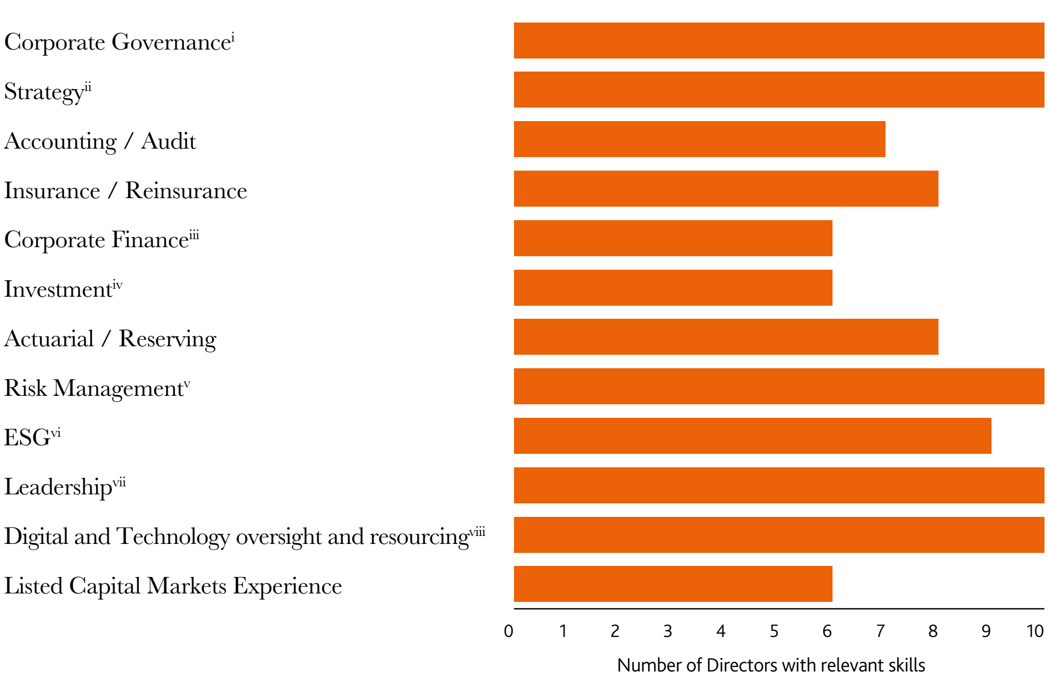
Christopher Head

Company Secretary

Skills, experience and qualifications:

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

Director skills matrix



i. Including legal, regulatory and compliance
ii. Including business development and M&A
iii. Including equity, debt and corporate funding projects
iv. Including investment treasury, portfolio and asset-liability management
v. Including internal control and internal audit processes
vi. Including sustainability and climate change
vii. Including senior management experience, people management, succession, culture and communication.
viii. Including oversight of data management, information security and cyber

Board Committees

Board and Committee administration

The Board of Directors is responsible for the leadership, strategy and control and the long-term success and sustainability of Lancashire's business. The Board has reserved a number of matters for its decision, including responsibility for setting the Group's values and standards, and approval of the Group's strategic aims and objectives. The Board has delegated certain matters to Committees of the Board, as described below. Copies of the Schedule of Board-Reserved Matters and Terms of Reference of the Board Committees are available on the Company's website at www.lancashiregroup.com.

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

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

The Board also meets to discuss strategic planning matters in addition to the customary schedule of quarterly meetings. The Board dedicated time to strategic opportunities and capital planning at a dedicated Board strategy session which was held in April 2023 in which all Directors and invited members of the management team participated.

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

All Directors attended the scheduled quarterly proceedings of the 2023 Board and their relevant Committees meetings, with the exception of Peter Clarke who was unable to attend the November Investment Committee meeting due to illness.

The Directors

Appointments to the Board are made on merit, against objective criteria, and with due regard to the right balance of skills, experience, knowledge, independence and diversity required for the Board to operate effectively as a whole. These areas are considered in detail by the Nomination, Corporate Governance and Sustainability Committee. The Board considers all the Non-Executive Directors to be independent within the meaning of the Code. Michael Dawson, Robert Lusardi, Jack Gressier, Irene McDermott Brown and Sally Williams are independent, as each is independent in character and judgement and has no relationship or circumstance likely to affect his or her independence. Peter Clarke was independent upon his appointment as Chair on 4 May 2016.

Bryan Joseph joined the Board as a Non-Executive Director with effect from 26 April 2023. The appointment of Mr Joseph was facilitated by the specialist recruitment agency Per Ardua Associates Ltd which conducted a Non-Executive Director search exercise under the direction of the Nomination, Corporate Governance and Sustainability Committee and Peter Clarke as the Company Chair. Per Ardua Associates Ltd prepared an independent candidate report which was considered at the Nomination, Corporate Governance and Sustainability Committee. Close consideration was given to the balance of skills and experience on the Board. The Board also considered the question of Mr Joseph's independence of character and judgement, and determined that he should be considered independent on his appointment. Bryan Joseph was appointed, during 2023, as a member of the Audit and the Underwriting and Underwriting Risk Committees.

Philip Broadley joined the Board as a Non-Executive Director and as the Board Chair designate with effect from 8 November 2023. The appointment of Mr Broadley was facilitated by the specialist recruitment agency Spencer Stuart which conducted a Non-Executive Director search exercise under the direction of the Nomination, Corporate Governance and Sustainability Committee. Robert Lusardi as the Senior Independent Director oversaw the Board process for the selection of the Board Chair. Spencer Stuart prepared an independent candidate report which was considered at the Nomination, Corporate Governance and Sustainability Committee meeting held on 7 November 2023. The Board considers that Mr Broadley has a range of skills and experience appropriate to providing the required strategic leadership to the Board and the business. The Board also considered the question of Mr Broadley's independence of character and judgement, and considered that he should be considered independent on his appointment. Subject to shareholder approval at the Company's 2024 AGM , Mr Broadley will assume the role of LHL Board Chair at the conclusion of the AGM on 1 May 2024.

Please see the Nomination, Corporate Governance and Sustainability Committee Report on page 89 for more details of the appointment process and the consideration of the respective skills of Mr Joseph and Mr Broadley within the context of Board succession planning and the need for an appropriate balance of skills and perspectives on the Board and its Committees. The question of Mr Broadley's Committee memberships will be considered during the course of 2024.

At the Board meeting held on 5 March 2024, further to a recommendation by the Nomination, Corporate Governance and Sustainability Committee, the Board affirmed its judgement that seven of the ten members of the Board are independent in their roles as Non-Executive Directors. The Board noted that Peter Clarke, having been appointed as a Non-Executive Director on 9 June 2014, and the Chair on 4 May 2016, had completed his ninth full year of service as a Director to the Company and would no longer be considered independent under the guidance of the Code. Peter Clarke will therefore not stand for re-election at the 2024 AGM. Therefore, in the Board's judgement, the Board's composition complies with the Code requirement that at least half the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent.

In accordance with the provisions of the Company's Bye-laws and the Code, and for 2024 with the exception of Peter Clarke, all the Directors are subject to election (in the case of Mr Broadley and Mr Joseph) or re-election annually at each AGM.

Information and training

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

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

Board performance – 2023 evaluation

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

The 2023 evaluation process for the Board and each of its Committees was conducted internally and was based on a set of questionnaires which were prepared by the Company Secretariat and agreed with the Board Chair and the Chairs of each of the Committees and made available to participants using a web-based platform. The Group's principal operating subsidiaries, LICL, LUK, LSL and LCM also carried out performance appraisals facilitated by the respective company secretaries. The reports covering the subsidiary boards and relevant committees including recommendations were discussed with the respective subsidiary chairs and have been discussed within the relevant subsidiary boards. Key themes from those subsidiary evaluations were also reported to the LHL Board.

The 2023 LHL Board and Committee evaluation process involved each Director as well as the Company Secretary, the Group CRO, Group General Counsel and other Committee members and members of senior management who were invited to review and complete online questionnaires. Further to this process the Company Secretary prepared an evaluation report for the Board which collated feedback from the responses on an anonymised basis and identified a series of themes covering both areas of effectiveness and potential actions and areas for further discussion or development. The summary reports were discussed between the Company Secretary and the Board Chair and the relevant Committee Chairs before being distributed to each of the Directors. The Chair invited feedback on key findings in the evaluation reports prior to their finalisation.

The performance evaluation reports were formally tabled and discussed at meetings of the Nomination, Corporate Governance and Sustainability Committee and the Board held in March 2024, and each of the other Committees discussed the report pertinent to its own operation and performance. The reports identified a number of key strengths of the Board and its Committees, including; dynamics and chairing; skills and expertise of both Non-Executive and Executive Directors; effective oversight of strategy and performance; effective shareholder and stakeholder engagement; strong Committee reporting; an open, candid and collaborative Board culture; effective risk management and controls; an effective Group structure and governance; and good company secretariat support. The Board discussions on the reports were led by the Chair.

In summary, in its consideration of the 2023 performance evaluation reports, the Board concluded that it operates effectively and has a good blend of insurance, financial, regulatory and other relevant expertise. All Non-Executive Directors are committed to the continued success of the Group and to making the Board and its Committees work effectively. Attendance at Board meetings was found to be good. The Group CEO and the Group CFO, the Company's Executive Directors, were also found to be operating effectively.

The Board also concluded that appropriate infrastructure, processes and governance mechanisms are in place to support the effective performance of the Board and its Committees. The Board is also considered to manage risk effectively. Furthermore, the number of Directors on the Board and the balance of skills is considered to be appropriate.

The Board acknowledges the need to actively address the gender and diversity balance of the Board in its succession planning.

Further to the Board engagement with the evaluation process and consideration of the reports, the Board concluded that Board and Committee oversight of strategy, risk tolerances and controls had operated effectively. Management's presentation to the Board of strategy had generated a useful discussion of the longer term strategic trajectory of the Group and good progress had been made in the establishment of a Group U.S. underwriting presence. The processes for Board and Chair succession had been well managed and had operated effectively. Implementation of the IFRS 17 accounting reporting standard during the year had been well implemented by management and discussed effectively within the Board and its Committees.

Engagement between the Board and the workforce was considered to be generally strong and beneficial to the operation of the business. Effective workforce engagement will continue to be a priority for the Board. For further information on workforce engagement, please see Peter Clarke's introduction to the Sustainability and Governance sections starting on page 41 and the report from the Nomination, Corporate Governance and Sustainability Committee starting on page 89.

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

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

- To review strategic opportunities for growth and the related resourcing requirements;
- To monitor the progress in the establishment of the Group's new U.S. underwriting platform;
- To continue to monitor expected legislative and regulatory changes in the area of UK financial reporting, audit and associated regulation; and
- To monitor changes to the Bermuda, UK and global tax rules and to consider the strategic implications.

The Board will continue to review its procedures, training requirements, effectiveness and development during 2024.

The Chair's performance appraisal was led by the Senior Independent Director, who consulted with the Non-Executive Directors with input from the Executive Directors during August 2023. The Chair was considered to be effective in facilitating strategic decision-making, whilst ensuring an appropriate level of challenge and a culture of constructive discussion.

Following the year-end, the Chair met with the Group CEO, and the Group CEO met with the Group CFO, to conduct a performance appraisal in respect of 2023 and to set targets for 2024. The results of these performance evaluations were discussed by the Chair and the Non-Executive Directors and are reported in the Directors' Remuneration Report commencing on page 101.

Relations with shareholders

During 2023, the Group's Head of Investor Relations, usually accompanied by one or more of the Group CEO, the Group CUO, the Group CFO, the Chair or a senior member of the underwriting team, made presentations to major shareholders, analysts and the investor community. Formal reports of these meetings were provided to the Board on at least a quarterly basis.

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

Shareholders are invited to request meetings with the Chair, the Senior Independent Director and/or the other Non-Executive Directors by contacting the Group Head of Investor Relations. All of the Directors are expected to be available to meet in person or virtually with shareholders at the Company's 2024 AGM.

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

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

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

Enterprise risk management

The Board is responsible for setting the Group's risk appetites, defining its risk tolerances, and setting and monitoring the Company's risk management and internal control systems, including compliance with risk tolerances. During 2023, the Board carried out a robust assessment of the emerging and principal risks affecting the Group's business model, future performance, solvency and liquidity and the operation of internal control systems.

Further discussion of the emerging and principal risks affecting the Group, as well as the procedures in place to identify and manage them, can be found in the ERM section of this report on page 23 and in the risk disclosures section on page 148. The Group's reporting of climate change risk and its management within the business can be found in the TCFD Report starting on page 49.

Each of the Committees is responsible for various elements of risk (see the various Committee reports from page 83 for further detail). The Group CRO reports directly to the Group and subsidiary boards and facilitates the identification, evaluation, quantification and control of risks at a Group and subsidiary level. The Group CRO provides regular reports to the Group and subsidiary boards covering, amongst other things, actual risk levels against tolerances, emerging risks, loss events and near misses, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations, and supported by internal audit findings). The Board considers that a supportive ERM culture, established at the Board and embedded throughout the business, is of key importance. The facilitating and embedding of ERM and helping the Group to improve its ERM practices are a major responsibility assigned to the Group CRO. The Group CRO's remuneration is subject to annual review by the Remuneration Committee. The Board is satisfied that the Company's risk management and internal control systems have operated effectively for the year under review. In this regard, please see the Audit Committee report on page 83.

Committees

The Board has established Audit, Investment, Nomination, Corporate Governance and Sustainability, Remuneration, and Underwriting and Underwriting Risk Committees. Each of the Committees has written Terms of Reference, which are reviewed regularly and are available on the Company's website. The Committees' Terms of Reference were reviewed by the Board during 2023 and considered again as part of the 2023 year-end performance evaluation process. The Committees' Terms of Reference are considered to be in line with current best practice. The Committees are generally scheduled to meet quarterly, although additional meetings and information updates are arranged as business requirements dictate. Director attendance at the 2023 Board meetings is set out on pages 72 to 75. A report from each of the Committees, which covers Committee attendance, is set out at the front of each of the Committee reports.

Section 172 – Delivering responsibly for stakeholders

We engage with a range of stakeholders through the course of our operations. We value those relationships and aim to create a healthy and sustainable corporate culture that delivers on their expectations.

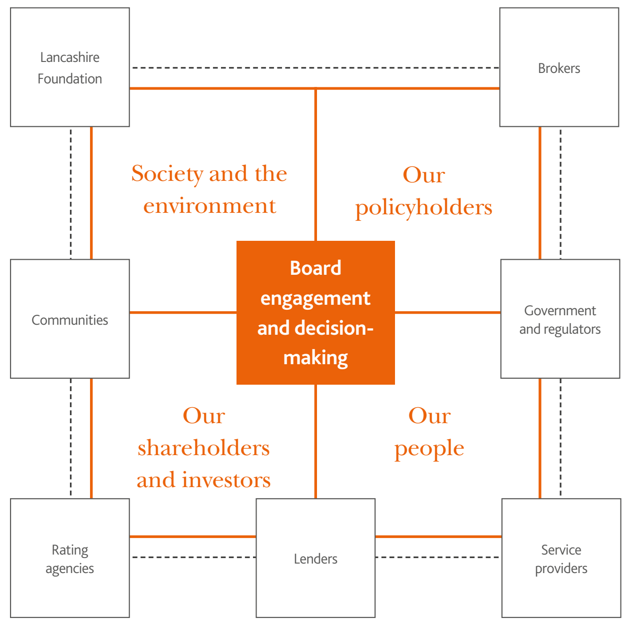
Our people
We aim to attract and retain the best talent across our underwriting and support functions. Our positive and distinctive culture is supported by our values which guide the way that we operate. We ask our people to tell us their opinions on their experience with the Group through our annual employee survey and value and act on their feedback. We believe in offering the best possible working environment for employees and, during 2023, we enhanced our London office space and facilities. The Group is committed to providing a range of policies that protect and support colleagues in their day-to-day work and more widely. When attracting new employees to the business, we value diversity, equity and inclusion and train our hiring managers to ensure all candidates are treated fairly.

Our policyholders
We have long-standing relationships with many policyholders and use our diverse product offering to foster effective partnerships with new clients. Our policyholders are at the centre of everything we do, and we strive for excellence in all our activities on their behalf.

Our experienced teams include our claims specialists, who have specific and detailed knowledge of our diverse product lines and are focused on ensuring a timely and equitable claim resolution for our clients. We aim to adopt an approach to the claims handling process, which is proactive and efficient, as well as transparent and flexible, while acting in accordance with the terms and conditions of the (re)insurance policy provided. This enables our clients to recover from the impact of loss events as soon as practicable. We also operate in a highly-regulated market, seeking to engage constructively with the Group's regulators. This regulation helps reinforce management's focus on maintaining an open culture, good risk management and a strong capital base.

Brokers
Lancashire strives to be a trusted partner to brokers distributing (re) insurance solutions to our policyholders and, since inception, we have built strong relationships with large international firms and smaller independent intermediaries. Our expert understanding of risk management and transfer adds value to our discussions with broker partners and we actively look for new ways to further strengthen and enhance our relationships. Our underwriters attend a number of industry events and conferences each year where they are able to discuss our products and appetite for various types of business with broker representatives. During 2023, these included events in Monte Carlo, Baden-Baden, and Singapore. Our marketing activities through corporate social media, our Company website and hosting face-to-face events with brokers also encourages a good understanding of our business and priorities. A new reception area and visitor suite was also opened at our London office in 2023 to create a professional and comfortable space for guests.

Our universe of stakeholders



Our shareholders and investors
As a premium-listed company on the LSE we pride ourselves on our mutually beneficial relationships with our shareholders and those entities which lend to the Group. We maintain open and transparent communication channels with them and work hard to foster good relations through our active programme of engagement. Our relationship with our shareholders is led by our Group Head of Investor Relations, in collaboration with members of the Board and the wider Executive team. This includes an Investor Day which was most recently held in London in November 2023, which included presentations from our senior leaders on our strategy, capital management, claims and reserving and our Lloyd's syndicates. These presentations are followed by a questions and answers session. The Group's corporate brokers provide guidance on investor priorities and perception and meet regularly with the Board. We maintain a regular and open dialogue with the Group's main ratings agencies.

Society and the environment
Lancashire measures and offsets carbon emissions for our own operations and seeks to be a responsible underwriter and investor. We align our activities to the global transition to net-zero. Within underwriting, we continue to support our clients as they transition and reduce GHG emissions and through active engagement with them with regard to our ESG Underwriting Guidelines. The Lancashire Foundation makes a tangible difference to communities across our markets and beyond, through charitable donations and utilising the talent and energy of our people for good.

Responsible Board decision making

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

In this 2023 Annual Report and Accounts, we give an overview of how both the Board and the business have factored in the needs of our stakeholders in their discussions and decision making in all areas of performance review, strategy, risk and capital management. To that end, this section should be considered together with the rest of this report as the Company's comprehensive summary of its Directors' compliance with their equivalent Section 172 duties.

Section 172 responsibilities in focus

Capital return to shareholders

Criteria considered (See table)

Relevant stakeholders

Our shareholders
Our people
Our policyholders and brokers
Government and regulators

a b c e f

Due to the robust capital position of the Group, arising from the strong operational performance of the business during 2023, the Board approved a special dividend of $0.50 per common share, which was paid to shareholders on 15 December 2023. Additionally, the Board approved expenditure of up to $50 million to repurchase Lancashire's shares. No shares were repurchased under the programme. Including the final and interim dividends paid during 2023 the total dividend to shareholders during the year amounted to $0.65 per common share. In taking these capital deployment decisions, the Board considered the capital requirements for the business to support its underwriting and wider business plans for 2024. The Board also discussed requirements for capital held in light of the Group's regulatory capital requirements and with regard to the market credit rating agency models. The Board concluded that Lancashire's performance and diversification strategy over recent years has both improved its capital efficiency and strengthened its overall capital position. The Board also actively considered the needs of the Group's policyholders as a key part of capital planning. The Company's financial security and balance sheet strength is a key part of its offering to its (re)insured policyholders. Additionally, the Board noted that employees who are members of the RSS were eligible to share in the company's strong performance through the special dividend.

Board succession planning

Criteria considered (See table)

Relevant stakeholders

Our policyholders and brokers
Government and regulators
Our shareholders
Our people
Society
Environment

a b c d e f

During 2023, two new appointments to the Board were approved. In November, Philip Broadley was appointed as a Non-Executive Director and as the LHL Chair designate. His appointment as Chair is expected to take effect immediately following Lancashire's 2024 AGM, subject to shareholder approval. The search for a Chair successor was led by Robert Lusardi, Lancashire's Senior Independent Director, who assumed the role of Chair for all relevant Board and Committee discussions. The appointment process was conducted through Lancashire's Nomination, Corporate Governance and Sustainability Committee and approved by the LHL Board. In April, Bryan Joseph was also appointed as a Non-Executive Director and a member of both the Audit and Underwriting and Underwriting Risk Committees. Philip and Bryan bring significant additional expertise to the Board to help us deliver on our strategic ambitions.

Growth in premiums written and geographic expansion

Criteria considered (See table)

Relevant stakeholders

Our policyholders and brokers
Government and regulators
Our shareholders
Our people
Society
Environment

a b c d e f

Lancashire continued to grow premiums written in 2023 with an increase of 16.9%. This growth included business written in both existing and newer lines of business. The Board discusses the growth strategy of the business at its quarterly meetings and meets with senior underwriters to understand current market dynamics, risks and opportunities. Additionally, all Board members attend the quarterly UURC. During 2023 the Board also considered and approved the expansion of the business through the launch of Lancashire Insurance U.S. Lancashire Insurance U.S. will operate under a delegated underwriting arrangement with Lancashire's UK company platform and is expected to begin underwriting in early 2024. The U.S. operation will be complementary to our existing capabilities. This growth strengthens the policy offering to our clients and further enhances the societal benefits of the risk management (re)insurance products we offer, delivers opportunity for our people, and generates returns for our investors. It is implemented with due regard to legal and regulatory requirements and close consideration of the capital demands of our business.

Section 172(1):	Duty to promote the success of the company, with regard to:	For further details, see:
a	The likely consequences of any decision in the long term;	The Group's statement of purpose – page 9 The Group's business model – page 9 The Group's strategic goal and three priorities: that Underwriting comes first; balancing risk and return through the cycle; operating as an insurance market employer of choice – pages 10 and 11 Embedding a sustainable culture for a profitable business – page 41 The Board's assessment of the Group's viability and prospects as set out in the going concern and viability statement – page 120
b	The interests of the company's employees;	The importance of our people, and the business's focus on Lancashire's values, culture, diversity & inclusion, training and development and workforce engagement – page 33
c	The need to foster the company's business relationships with suppliers, customers and others;	Our business depends upon the strong business relationships that we build and maintain with our core and broader stakeholders. All Board members attend the quarterly UURC and, during 2023, gave close consideration to business development opportunities as summarised in the Committee's report – page 96
d	The impact of the company's operations on the community and the environment;	Society and the environment form part of our 'core' set of stakeholders. The Board is engaged with the impact of the Company's operations through its oversight of the Lancashire Foundation, the Group's submission to the CDP, the annual offsetting of our own operations' GHG emissions, and our commitments to report against the UNEP FI Principles for Sustainable Insurance (see our website for details) and address the requirements of the TCFD – page 49 to 64.
e	The desirability of the company maintaining a reputation for high standards of business conduct; and	Through its compliance with the Code, the Company strives to operate in line with high standards of governance expectation and business conduct. A healthy and sustainable corporate culture is embedded throughout the business, which is assessed by the Board through various channels – page 92 The Audit Committee oversees the Group's implementation of whistleblowing arrangements, and other systems and controls for the prevention of fraud, bribery and money laundering – page 88
f	The need to act fairly as between members of the company.	The Board is committed to treating the Company's shareholders fairly, and engaging with them through a broad programme of investor relations activities, meetings (including the AGM), and targeted consultations; be that with our substantial shareholders, the Company's own employees, private individuals, or via shareholder advisory groups. See 'Section 172 responsibilities in focus', regarding the Board's consideration of the balance between underwriting opportunities and the payment of dividends – page 81

Audit Committee

"The Audit Committee has worked closely with Natalie Kershaw and the finance team in overseeing the implementation of the IFRS 17 and IFRS 9 accounting standards, effective from 1 January 2023. I would like to thank all those within the business who have worked hard in embedding these new standards, and in ensuring that the Committee has been given the appropriate tools for oversight of their implementation. The Committee has remained focused on challenging the key accounting judgements, assessing the integrity and fair presentation of the Group's financial reporting, and reviewing the maintenance and effectiveness of the Group's internal controls. The Committee also monitored and reviewed the activities and performance of internal and external audit."

Sally Williams
Chair of the Audit Committee

Committee membership

The Audit Committee comprises four independent Non-Executive Directors and is chaired by Sally Williams. The qualifications for each of the Committee members are detailed on pages 72 to 75. The Committee members bring a diverse range of experience in finance, risk, control and business, with particular experience in the specialty insurance and reinsurance sectors. The Board has confirmed that the members of the Committee have the necessary expertise to provide effective challenge to management; this includes the chair.

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

Committee members	Meetings attended
Sally Williams (Chair)	4/4
Simon Fraser	2/2
Jack Gressier	1/1
Bryan Joseph	2/2
Robert Lusardi	4/4

Following the 2023 AGM Simon Fraser stepped down as a Director of the Board and Committee member with effect from 26 April 2023. As part of the Board's longer term succession planning, Bryan Joseph joined the Committee on 26 April 2023 and Jack Gressier became a member on 9 August 2023.

Principal responsibilities of the Committee

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

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

Summary of key areas of Audit Committee challenge

IFRS 17 and IFRS 9 implementation

2023 was the year in which both IFRS 17 and IFRS 9 accounting standards were implemented. Preparing for this new standard has been a multi-year project requiring significant change to accounting systems and processes. The Committee recognises the very considerable efforts by our finance and actuarial teams in delivering this successfully.

The Committee devoted additional time to reviewing reports received from the finance team relating to the assumptions, judgements, restatements, changes to APMs and other changes arising from this implementation, together with the related disclosures in the financial statements.

Significant areas of judgement and estimation

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

Measurement of insurance contracts issued and reinsurance contracts held

The most significant area of judgement and estimation considered by the Committee during 2023 related to the Group's measurement of insurance contracts issued and reinsurance contracts held. These are recognised on the statement of financial position as 'insurance contract liabilities' and 'reinsurance contract assets'. As a result of the judgemental nature of these balances, changes in assumptions made may materially change the fulfilment cashflows that make up these balances. The estimation of the fulfilment cashflows is a complex actuarial process which incorporates a significant amount of judgement, in particular in relation to the estimation of the liability for incurred claims and the asset for incurred claims (i.e. the gross and net loss reserves).

The Committee's primary areas of focus and challenge relates to the adequacy of these gross and net loss reserves. The Committee held regular sessions with the Group Chief Actuary and the Group Head of Claims during the year to discuss reserving and claims developments. The Committee also received independent estimates of the Group's loss reserves from an external actuary and compared these third-party estimates to those of the Group at its second and fourth quarter Audit Committee meetings.

During the year the committee discussed and challenged:

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

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

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

Assessment of premium allocation approach ("PAA") eligibility

The Committee's work in this area relates to the implementation of the IFRS 17 accounting standard. IFRS 17 includes an option to apply the premium allocation approach, which is designed to simplify the measurement of insurance and reinsurance contracts. Judgement is applied when performing the PAA eligibility assessment on insurance and reinsurance contracts with a coverage period of more than 1 year. The Committee discussed and agreed with management the basis on which the Group would apply judgment in determining that it is eligible to apply the PAA measurement model to its portfolios and groups of contracts as the measurement of the liability for remaining coverage and asset for remaining coverage is not reasonably expected to differ materially from that calculated under the general measurement model. This assessment was made following detailed modelling of the Group's insurance contracts under IFRS 17.

Risk culture and controls and financial reporting

Other key areas of review and challenge by the Committee were in areas of the effectiveness of the business's control environment; the continued integrity of external financial reporting; and the oversight of corporate and risk culture through the reporting of the internal audit and risk management functions.

Going concern basis of accounting and longer term viability

The Audit Committee reviewed and challenged the going concern assessment prepared by management at both its July 2023 and March 2024 meetings, with particular consideration of capital management, the current underwriting and loss environment, the composition and liquidity of the investment portfolio, long-term debt financing arrangements, strategic and financial forecasts over the business planning horizon, and stress and scenario testing (including climate-change risk scenarios). These factors are also relevant in providing assurance to the Board on the longer term viability of the Group's business strategy.

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

How the Committee discharged its responsibilities

Financial and narrative reporting

Committee responsibility	Committee activities
Monitors the integrity of the Group's consolidated financial statements, including its annual and half-yearly reports, annual reporting arising under applicable supervisory rules, interim management statements, preliminary announcements and any other formal statements relating to the Group's financial performance. Reviews and reports to the Board on significant financial reporting issues and judgements contained in the consolidated financial statements.	At each meeting the Committee reviewed the Group's management accounts, including the annual consolidated financial statements, as well as the Annual Report and Accounts, and other public financial disclosures for the purpose of recommending their approval by the Board. The Group's annual regulatory reports, prepared in accordance with the BMA's reporting requirements, were reviewed in April 2023 at the Audit Committee meeting prior to their recommendation to the Board for approval. The Committee also monitored the activities of the Group's Disclosure Committee and reviewed the Group's financial releases and accompanying earnings call investor presentations. During 2023, the Committee received, discussed and challenged regular and ad hoc reports and presentations from management in the following areas. • Loss reserving, and developments to the Group's reserving process (see the Summary of key areas of Audit Committee challenge section above). • The implementation of IFRS 17 and IFRS 9 and the related enhancements to the Group's finance procedures and IT framework. • Discussing financial reporting related changes arising from the implementation of IFRS 17 and IFRS 9 and other new or significant accounting treatments (including related party transactions). • Developments in accounting and financial reporting requirements impacting the consolidated financial statements. • The new Bermuda corporate income tax rules established in 2023. • Changes made to APMs due to implementation of IFRS 17. • The activities of the finance team. • The 2023 assessment of the Group's ability to continue as a going concern and the longer term viability of the business (see narrative above and page 120 for further details). • Key risk and controls including those relating to information security as part of regular risk controls reporting, together with quarterly confirmatory compliance statements from the Group's legal and compliance function. • The activities of LHL's subsidiary companies boards and audit committees. • Reports from the external auditors and discussion with them, covering audit planning, the results of the external auditor assessment of key financial statement judgements and estimates, control testing, misstatements identified and other audit and accounting matters. The Committee also attended a training session delivered by the management team to the Board on the Group's implementation of the IFRS 17 and IFRS 9 accounting standards. The Audit Committee continued its practice of holding engagement sessions with the Group CFO, the Group Head of Internal Audit, the Group Chief Actuary and the External Auditor without management present. **Judgements and estimation in the consolidated financial statements** The Committee gave detailed consideration to the areas of significant judgement and estimation uncertainty applied in preparing the consolidated financial statements involving a range of views and challenge from the Committee members, the management team and the external auditors. See the summary on the significant areas of judgement and estimation uncertainty applied by management on page 84.
Reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.	The Committee reviewed the early drafts of the 2023 Annual Report and Accounts in order to keep apprised of its key themes and messages. Ahead of presentation to the Committee, a thorough review process of the Annual Report and Accounts was conducted to help ensure disclosures were balanced and accurate. The Committee carefully reviewed the Group's performance and reporting in light of the principal and emerging risks. The Committee carefully reviewed the clarity of the new disclosures made in accordance with IFRS 17 and IFRS 9, and relating to APMs, including consideration of the overall presentation of APMs to ensure that they are properly explained, reconciled and not given undue prominence. The Committee reviewed the final draft of the 2023 Annual Report and Accounts at the March 2024 Audit Committee meeting, together with the external auditor's report. The Committee advised the Board that, in its view, the 2023 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

How the Committee discharged its responsibilities *continued*

External audit oversight

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

How the Committee discharged its responsibilities *continued*

Internal audit oversight

Committee responsibility	Committee activities
Monitors and assesses the role and effectiveness of the Group's internal audit function in the overall context of the Group's risk management system, ensuring it has unrestricted scope, and the necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards.	The Group's internal audit function reports directly to the Committee. The Committee oversaw the appointment of a new Head of Group Internal Audit during the year. The Group Head of Internal Audit presented the annual internal audit strategy and plan to the Committee for review, discussion and approval. The internal audit plan considers current and emerging risks which impact the business and adopts a risk weighted approach. The Committee received reports from the Group Head of Internal Audit summarising the status of the internal audit plan; findings from internal audits conducted in the period; and the status of actions taken by management to implement recommendations arising. The internal audit programme also covers the assessment of the Group's culture, including risk culture, for each audit undertaken. An overall summary of observations identified in respect of the Group's culture is presented to the Committee and discussed in open and closed Committee sessions. The Committee reviewed and approved the Internal Audit Charter, which can be viewed on the Group's website. The Chair of the Committee undertook an annual review of the effectiveness of the internal audit function and its activities. At its November 2023 meeting, the Committee discussed the report and its findings and concluded that the internal audit function had operated effectively in the overall context of the Group's risk management system, has appropriate standing within the Group, and that the Group Head of Internal Audit has the appropriate reporting lines to maintain independence.

Internal controls and risk management systems

Reviews the adequacy and effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. Reviews and approves the statements to be included within the Annual Report and Accounts concerning internal control, risk management, including the assessment of principle and emerging risks, and the statements regarding going concern and viability.	The Board has ultimate responsibility for ensuring the maintenance of a robust framework of internal control and risk management systems across the Group and has delegated the monitoring and review of these systems to the Committee. The Committee reviewed and challenged the Group's control environment, the results of the risk and control affirmation review and testing work performed and the ongoing effective operation of key controls. At each meeting the Committee is presented with a report from the Group Head of Internal Audit, and reviews findings relating to the control environment and management responses. In addition, the Committee received from the Group Head of Internal Audit an annual assessment of the effectiveness of the Group's governance, risk and control framework for discussion, together with an analysis of themes and trends from the internal audit work performed and their impact on the Group's risk profile. The Group Head of Internal Audit gave explicit consideration to management's fraud risk assessment as part of this work. Fraud risk and the associated controls were, otherwise, ordinarily considered by the Group internal audit function as part of the planning phase for each audit conducted. The Committee and Board were satisfied that the governance, risk and control framework continue to remain strong and appropriate for the Group, whilst noting those areas for enhancement, action and improvement which had been identified through the Group's established processes, or internal audit and risk and controls monitoring. The Committee assisted the Board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the group, as more fully described in the Directors' Report at page 120.

How the Committee discharged its responsibilities *continued*

Compliance, speaking up and fraud

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

Priorities for 2024

- To maintain the focus on the effectiveness of the Group's control environment, the operation of the business's financial reporting systems and the integrity of external financial reporting;
- To continue to monitor and embed aspects of positive business culture in quarterly reporting, in particular regarding the Group's financial and risk control environment;
- To continue to monitor emerging practice in IFRS 17 reporting to enable the Committee to consider whether further refinements could be made to the Group's reporting; and
- To continue to monitor developments and implement recommendations relating to anticipated changes in the corporate governance, corporate reporting, audit practice landscape, ESG, sustainability and climate reporting.

Nomination, Corporate Governance and Sustainability Committee

"The Committee has had a very active year, engaging fully with the processes for Board and Chair succession. We appointed Bryan Joseph as an independent Non-Executive Director in April 2023 and, under the leadership of Rob Lusardi as our Senior Independent Director, the Committee monitored and managed the process for the identification and engagement with a range of potential candidates to join the Board as its Chair designate. This culminated in the appointment of Philip Broadley in November 2023. As I reach the end of my tenure as Board and Committee Chair, I am confident that the Board benefits from a broad diversity and has the right balance of skills and perspectives to deliver strong, challenging, engaged and supportive governance for our business for the years ahead."

Peter Clarke
Chair of the Nomination, Corporate Governance and Sustainability Committee

Committee membership

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

Committee members	Meetings attended
Peter Clarke (Chair)	4/4
Michael Dawson	4/4
Sally Williams	4/4
Irene McDermott Brown	4/4

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities

Corporate governance

Committee responsibility	Committee activities
Chair succession	The Committee approved the appointment of Spencer Stuart as the independent external recruitment consultancy to carry out a search for candidates for the role of Board Chair, to succeed Peter Clarke in that role following the conclusion of the 2024 AGM. The Chair search process was led by the Board's Senior Independent Director (SID) Robert Lusardi. The Committee agreed a detailed specification, which was structured with regard to the requirements of both the Chair role and broader Board succession considerations, and held regular meetings with representatives of Spencer Stuart during the course of 2023. Numerous meetings were held between Directors, members of management and the candidates. The Company Secretary assisted in conducting due diligence and in giving advice around governance requirements for candidates under consideration. All Directors were involved in meeting and approving the principal candidates emerging from the search process. The Committee considered questions of experience, skills, fitness and a formal paper on independence (with due regard to the requirements of the Code) in recommending to the Board the appointment of Philip Broadley. The Board determined Mr Broadley to be independent in character and judgement on appointment. The Committee and Board paid close regard to the agreed role specification and noted Mr Broadley's 40 years' experience in the insurance and financial services sectors, including as executive and non-executive director on a number of UK listed boards. The Committee and the Board concluded that Mr Broadley brings a wealth of strategic and leadership skills to Lancashire's Board and is a suitable candidate for the role of Board Chair. Mr Broadley was appointed as a Non-Executive Director with effect from 8 November 2023, and, subject to shareholder approval at the 2024 AGM, will assume the role of Board Chair following the 2024 AGM on 1 May 2024. A detailed induction programme has been arranged for Mr Broadley.

How the Committee discharged its responsibilities *continued*

Corporate governance

Committee responsibility	Committee activities
Board and Committee composition and effectiveness and succession	The Committee discussed in its meetings the balance of skills and experience on the Board and its Committees. The Committee regularly discussed Board succession and skills planning over the year and monitored the diversity of the Board members. The Committee formally considered the questions of independence, the skills and fitness in recommending to the Board the appointment of Bryan Joseph, who was appointed as a Non-Executive Director with effect from 26 April 2023. The Committee paid close regard to the agreed role specification and noted Mr Joseph's many years' experience as an actuary in the global insurance and reinsurance industry and his wider board experience, including his service as director, audit committee chair and chair of an insurance company within the Axa XL group and his knowledge and expertise within the insurance and reinsurance third party capital sector. The Committee also approved the appointment of Mr Joseph to the Underwriting and Underwriting Risk Committee and the Audit Committee. During the year, the Committee also oversaw the appointment of Jack Gressier as a member of the Audit Committee. The Committee reviewed the composition of the Board at its November 2023 meeting, and it considered that the balance of skills, knowledge, independence, experience and diversity continues to be appropriate for the Group's business to meet its strategic objectives. The Committee noted in its discussions that the Board had met its Parker review objective for the Board of having at least one director from a minority ethnic background. The Committee has also noted that, due to the appointment of two male Non-Executive Directors during 2023, the gender balance of the Board has decreased slightly. The Committee and Board remain committed to an objective of having at least 40% female membership of the Board and intends to address this as part of its succession planning over the next couple of years. The Committee oversaw the process for the year-end review of the effectiveness of the Board, the Committees and each of the Directors, which was facilitated internally by the Company Secretariat team, and led by the Chair of the Board. The Committee and the Board were satisfied that the Board and each of its Committees were operating effectively. Further details of the 2023 performance evaluation process and its outcomes can be found on page 77. In accordance with the provisions of the Code, all of the Directors are subject to annual (re)election by shareholders. With the exception of Bryan Joseph and Philip Broadley who were appointed after the April 2023 AGM, all of the Group's current Directors were elected or re-elected by shareholders at the 2023 AGM. With the exception of Peter Clarke, who will not submit himself for election or re-election having completed nine years' service as a Director, all other serving Directors will be submitted for election or re-election at the 2024 AGM. The Committee reviewed the Group's fit and proper policy for Board appointments.
UK Code compliance	The Committee keeps under review the Company's corporate governance arrangements, particularly the Company's compliance with the Code. The Committee reviewed the Company Secretariat's checklist record of the Company's compliance with the Code on a quarterly basis.
Governance documentation	Each Committee considered its Terms of Reference as part of the 2022 year-end evaluation process and has recently completed a similar exercise as part of the 2023 evaluation. In light of this work the Committee recommended a change to the Audit Committee Terms of Reference, relating to oversight of cyber, data and IT security risks and controls, and a minor change to the Investment Committee Terms of Reference to capture requirements for ESG and carbon data reporting for the investment portfolio. The Committee concluded that the Terms of Reference for all the Committees were fit for purpose. The Committee reviewed and approved changes to the Company's Bye-Laws which were recommended to shareholders and which were approved at the April 2023 AGM. In August 2023, the Committee reviewed and recommended to the Board minor revisions to both the Board's Schedule of Reserved Matters and to the document describing the division of responsibilities between the Group CEO and the Chair.

How the Committee discharged its responsibilities *continued*

Corporate governance

Committee responsibility	Committee activities
Management and staff appointments and succession planning	The Committee reviewed and recommended the approval and adoption by the Board of the Group's succession plan and talent management and development programme for the senior management population in November 2023. The business has the objective of fostering a skilled and diverse workforce to meet the needs of the business. The Committee engaged with Sarah Rogers, the newly appointed Group Chief HR Officer and discussed with her plans for the enhancement of data collection and reporting for employees. The Committee reviewed training and development proposals for a number of key employees across the Group as part of the succession planning process.
Workforce engagement	With regard to its arrangements for workforce engagement the Board does not use the suggested methods set out in the Code, but an alternative arrangement involving the designation of non-executive directors on a rotating basis. During 2023, the Group continued the practice of the Group CEO holding 'town hall' meetings with employees following the announcement of the Group's quarterly results. In order to further enhance arrangements for engagement between the Non-Executive Directors and members of the workforce, the Committee arranged for these town hall meetings to be attended by the Chair of the Board or another Non-Executive Director. In addition to Mr Clarke, the Non-Executive Directors participants in the town hall meeting held during 2023 were Simon Fraser, Sally Williams and Bryan Joseph. The Board and Committee also received the results of an employee engagement survey undertaken during 2023 which covered topics including staff satisfaction and engagement (see page 33 for further details of the survey). The Directors once again had the opportunity to meet with employees less formally at lunches and other social gatherings organised around the time of the Board's regular meetings in Bermuda. The Committee considered these and other tools for workforce engagement at its November 2023 meeting and discussed arrangements for workforce engagement during 2024. The Committee, and the Board, consider that the mechanisms for workforce engagement and feedback have an appropriately high profile and this, in turn, informs debate within the relevant Committees, the Board and the wider Group.
Legal, regulatory and governance developments reform	The Committee monitored developments in the areas of law, regulation and guidance relevant to the Group and its operation. Topics covered included proposals for reform to corporate reporting requirements for UK listed entities, developments in audit market reform and guidance, UK guidance with regard to ethnicity pay data and developments in ESG regulation and practice.
Subsidiary boards	The Committee and Board monitored the composition and appointments and changes to the Group's subsidiary boards.

Sustainability

Sustainability and ESG reporting	The Committee received regular reports from Jelena Bjelanovic as Chair of the management ESG Committee regarding the current and developing ESG regulatory landscape as well as the Group's progress in these areas. The Committee has continued to monitor developments in the area of the Group's ESG responsibilities, including the climate change risk management, data collection and reporting within the business throughout its work in 2023. The Committee received feedback on the work of the Group's newly appointed sustainability manager, the activities of the Lancashire Employee Network and the Group's DE&I working group. The Committee noted the FCA consultation regarding the adoption of sustainability disclosures reporting standards.

How the Committee discharged its responsibilities *continued*

Environment

Committee responsibility	Committee activities
Climate change risk and opportunity and nature-related risk	The Committee also periodically reviews developments in the areas of environmental sustainability and climate change, and the management of related risks and opportunities. The Committee and Board reviewed and ratified the Group's 2023 CDP response and the Group's ClimateWise submission. For more information on these matters, please see the 2023 TCFD report starting on page 49. The Committee noted recommendations with regard to a reporting framework produced by the Taskforce on Nature-related Financial Disclosures (TNFD).

Social responsibility

Diversity, equity and inclusion	For data regarding the gender and ethnicity of the Board and executive management please refer to page 38. The Chair's introduction on page 41 covers the Board's disclosures under the UK listing rules with regard to the Company's diversity targets. The Committee recommended approval of an updated Board diversity policy, which is posted on the Company's website, and covers the Board and each of its committees. The gender makeup of each committee is included in the relevant committee reports. The Committee was pleased that during 2023 the Board was able to meet its Board level Parker review objective for minority ethnic representation. The Committee also discussed the option of the adoption of a Parker Review target for the executive management group and its reports, which is an option which the Committee and Board will keep under review pending enhancements to the Group's data collation and management capabilities. The Committee noted the drop in gender diversity on the Board and intends to address this as part of Board succession planning. The Committee received a report from management on the Group's gender pay gap data and discussed areas for focus and action, including workforce communication.
The Lancashire Foundation	The Committee is responsible for monitoring and making recommendations to the Board in relation to the Company's charitable giving policy and the operation of, and reporting requirements for, the Lancashire Foundation. During 2023, the Committee received a report from the Foundation, including its objectives, governance, approach to funding for 2024 and beyond, alongside its investment strategy, donations policy and charitable activities, as well as the ways in which the Foundation engages employees throughout the Group with its work and initiatives. The Committee made a recommendation to the Board that the Company donate to the Foundation 0.75% of full-year Group profits (subject to a cap of $750,000 and a $250,000 collar), conditional on the determination of financial performance for the full year. For more information regarding the work of the Lancashire Foundation, please see pages 45 to 48.
UK Modern Slavery Act 2015 and human rights	During 2023, the Committee recommended the approval by the Board of an updated anti-slavery and human trafficking statement, a copy of which is posted on the Company's website. The Committee discussed ongoing work on the development of a Group human rights statement which was approved by the Board at its meeting in March 2024.

Priorities for 2024

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

Investment Committee

"In 2023, the Group's investment portfolio has contributed materially to the Group's overall returns, which accorded with my expectations at the time of last year's Annual Report.

In 2023, the relatively more stable and higher yield interest rate environment, in conjunction with the relatively short duration profile of the Lancashire portfolio tended to reverse last year's losses and to generate higher returns. The investment portfolio is managed to support underwriting opportunities and to provide adequate liquidity to match the Group's risk exposures. The growth of the business over recent years, including the Group's longer tail casualty portfolio, has led to an increase in the size of the overall investment portfolio. This increased portfolio size, together with a higher interest rate environment is expected to deliver enhanced net investment income in future years."

Robert Lusardi
Chair of the Investment Committee

Committee membership

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

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

Committee members	Meetings attended
Robert Lusardi (Chair)	4/4
Peter Clarke*	3/4
Natalie Kershaw	4/4
Denise O'Donoghue	4/4

*Peter Clarke was unable to attend the November 2023 meeting due to illness.

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities

During 2023, the Group's investment portfolio generated $160.5 million, representing a positive return of 5.7%. This strong return was driven by the higher interest yield environment and the relatively short duration of the portfolio. The Committee received regular comprehensive reports from management regarding investment performance, strategy and risk monitoring. The Committee continued to work constructively with management to articulate, support and implement the Board's investment philosophy and discussed and agreed the resourcing requirements for the Group's investment department.

The Committee received regular reports from the professional investment portfolio managers concerning their forward-looking view of the macro-economic environment and implications for investment asset classes and strategy. The Committee received presentations from managers regarding potential new asset classes including senior tranches of collateralised loan obligations.

The Committee considered regular reports on the performance of the Group's investment portfolios, including asset allocation and compliance with pre-defined guidelines and tolerances; and recommended amendments to portfolio investment guidelines to the Board. During the year, the Committee approved an increased portfolio allocation to CLOs and decided to progressively liquidate the Group's hedge fund portfolio, which, though positive, had not delivered the expected risk-adjusted returns over the long term.

The Committee monitored a suite of investment portfolio risk analytics throughout the year, including a 1 in 100 Value at Risk measure, realistic disaster scenarios and realistic loss scenarios, credit risk and credit quality, liquidity risk and other market risks. The Committee also tracked FX exposure and its management.

The Committee monitors a number of tools to measure the ESG profile, climate change risk exposure and carbon intensity of the Group's investment portfolio, including the MSCI ESG and carbon intensity rating tools, with due regard to stakeholder expectations in these areas. The Committee considers that most of the available tools and methodologies for the ESG, carbon and climate factors are imperfect. Accordingly, the Committee expects to further develop and refine its ability to analyse these factors in future years, in consultation with the Group's external advisors and portfolio managers and aligned with the evolving market and regulatory standards and expectations for the measuring and reporting in these areas.

Notwithstanding these current perceived imperfections, the Committee has tracked the carbon intensity of portfolio assets covered by the MSCI carbon intensity rating (representing approximately 49% of portfolio assets, since U.S. treasuries and structural assets, among others, are not included).

In 2022, the Committee had directed its external managers to begin repositioning its portfolio to reduce the carbon intensity score, which continued in 2023.

The Committee noted that 96.7% of the Group's externally managed investment portfolio is assigned to mangers which are signatories to the UNPRI.

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

Priorities for 2024

- To build a diversified portfolio which supports Group underwriting activities, contributes to growth in DBVS and is balanced with the preservation of capital and the maintenance of liquidity to pay claims;
- To increase portfolio duration to align with the longer overall reserve duration as a result of the growth of the Group's casualty portfolio;
- To focus on the implications of macro-economic trends and the measurement and monitoring of associated investment risk within a framework of prudent investment risk management; and
- To monitor the climate change risk sensitivity, ESG profile and carbon intensity profile of the Group's investment portfolio with due regard to developing expectations and methodologies.

Underwriting Committee

"We had another record-breaking year in 2023 for our highest ever annual premium income, which was achieved through a combination of a strong premium rating environment and organic growth in our client base, particularly in our newer lines of business. The Committee had actively monitored underwriting performance during the year and also continues to approve and monitor the Group's underwriting risk tolerances and preferences and related performance. One of the Committee's roles is to monitor the Group's reinsurance planning, which is an important tool in managing our exposures across the portfolio. Through a combination of disciplined underwriting in well-priced markets and growth in non-catastrophe exposed lines, the Group has built a more diversified book which has improved our portfolio's overall resilience to the impact of catastrophe losses.

The Committee has also monitored progress in implementing our new U.S. underwriting platform."

Alex Maloney
Group CEO and Chair of the Underwriting and Underwriting Risk Committee

Committee membership

During 2023, the Underwriting and Underwriting Risk Committee comprised one Executive Director (the Group CEO) and three Non-Executive Directors (Bryan Joseph joined the Committee during the second quarter), together with other senior members of the Group's underwriting and actuarial management teams (who are not Directors).

Committee members	Meetings attended
Alex Maloney (Chair)	4/4
Jon Barnes	4/4
Michael Dawson	4/4
James Flude	4/4
Paul Gregory	4/4
Jack Gressier	4/4
James Irvine	4/4
Hayley Johnston	4/4
Bryan Joseph	2/2
Ben Readdy	4/4

Principal responsibilities of the Committee

- Reviews Group underwriting strategy, including consideration of new lines of business;
- Oversees the development of, and adherence to, underwriting criteria, limits, guidelines and authorities by operating company CUOs;
- Reviews underwriting performance;
- Reviews significant changes in underwriting rules and policies; and
- Monitors underwriting risk and its consistency with the Group's risk profile and risk appetite.

How the Committee discharged its responsibilities

Strategic oversight

During 2023, the Committee continued to monitor the overarching strategic priority for the business to maximise the underwriting opportunity during the improved pricing environment of the current insurance market cycle.

Management reporting to the Committee was developed for richer underwriting information, which was re-configured to align with the Group's streamlined insurance and reinsurance reporting segments. Reporting enhancements included dashboard presentation of data, which is a product of the Group's improved data warehouse and data management capabilities as a key part of the Group's IT development strategy.

The Committee received regular updates on the Group's strategic underwriting plans and the Lloyd's business plans, including related capital requirements.

The Committee regularly reviewed progress in the development of the Group's U.S. underwriting initiative, and worked in conjunction with a dedicated project committee, with Board and management participation, which also monitored progress. The Committee also received reports on a number of new business initiatives, including several which were explored but not pursued.

The LCM platform did not deploy third party capital during 2023 and the Committee monitored reserve movements on open Kinesis contracts.

Underwriting Performance

The Committee received regular reports on the Group's underwriting activities, including quarterly updates on gross premium written, insurance and reinsurance pricing trends, and combined ratio developments. In particular, the Committee considered the work performed by management in repositioning some of the Group's inwards reinsurance lines.

The Committee received a management progress report on those classes of business established during 2018. These included aviation deductible reinsurance, and the energy power and energy downstream insurance classes. All these lines are now contributing meaningfully to the Group's gross written premium.

The Committee received a presentation on the Group's US mortgage reinsurance protection portfolio and discussed an appropriate tolerance for a mortgage risk PML scenario.

In April 2023, the Committee received a presentation from Syndicate 2010 property reinsurance underwriters relating to underwriting optimisation work, which has been informed by improved data analysis.

Across the year the Committee monitored the progress made in building a more diversified underwriting portfolio, within which catastrophe risk is more broadly balanced against other non-correlating risks.

In April 2023, the Committee received a presentation on the Group's property insurance D&F lines of business, including a report on the allocation of D&F risks between the Group's LUK and Syndicate platforms.

In April 2023, the Committee received a report on progress made by the property construction underwriting team, first established during 2021. The focus in this class is within the North American and Australian markets.

The Committee received reports on underwriting conditions across a number of business classes including changes in underwriting appetites and client base.

The Committee discussed the Group's Japan property reinsurance treaty renewal season during April 2023.

The Committee also discussed data relating to insurance and reinsurance pricing trends. There has been a strong improvement in the pricing environment over recent years which has contributed to the Group's ability to grow its premium income materially.

At the half-year meeting, the Committee received its first report summarising the (re)insurance service result performance calculated under the new IFRS 17 accounting standard.

In August 2023, the Committee received an update of the Group's mid-year Florida property reinsurance renewals including pricing, underwriting appetite, and positioning.

Underwriting Controls

In April 2023, the Committee recommended to the Board approval of the Group's underwriting controls policy and procedure.

The Committee reviewed and recommended to the Board the summary of underwriting authorities and normal maximum lines by class of business and the statements for the aggregate political risk exposures by country.

Risk appetites and monitoring

The Committee reviewed and recommended to the Board the Group's underwriting PML and RDS risk tolerances and preferences. The Committee reviewed at each of its meetings a summary of the Group's top PML and RDS exposures, including quarterly movements.

Through the review and monitoring of underwriting PMLs, the Committee continued to monitor exposures to a range of natural catastrophe risks, including regional windstorm and hurricane exposures, and the articulation of an appropriate underwriting and risk management strategy and management preference for these and other risk exposures linked to climate change factors. The Committee is satisfied that the Group's underwriting strategy and reinsurance and risk management programmes are appropriate for the management of underwriting risk and natural catastrophe and climate linked exposures relating to these factors. For more detail, please see the ERM report starting on page 23 and the Group's TCFD report starting on page 49.

The Committee also monitors the potential for conflicts and their management within the business.

Oversight of reinsurance structures

The Group's programme of outwards reinsurance protections is a core risk and exposure management tool. The Committee reviewed the structure, pricing and operation of the outwards reinsurance programme and regularly discussed management reports covering outwards reinsurance developments. The Committee's work included a forward-looking presentation by management regarding opportunities for the Group's reinsurance structure for 2024. The Committee also approved the Group's intra-group reinsurance approval controls.

Claims reporting

The Committee monitored the status of key claims, including reserve developments during the course of the year. Topics discussed included market loss developments on winter storm Elliott, COVID-related market litigation developments and developments in aviation claims relating to the conflict in Ukraine. The Committee also discussed reserving, including within the context of the Group's business plan assumptions. At its November 2023 meeting, the Committee discussed with management the Group's potential policy exposures within Israel and the Middle East.

Board engagement

During 2023, the Committee meetings were ordinarily attended by all Board members. The Committee and Board seek to match the Company's capital to the underwriting requirements of the business in all parts of the underwriting cycle. A more detailed analysis of the Group's underwriting performance appears in the underwriting and business review starting on page 14.

Priorities for 2024

- To continue to monitor the development and implementation of a forward-looking and disciplined underwriting strategy with a focus on disciplined growth appropriate to the current market opportunities and nimble use of the Group's underwriting platforms, within a framework of appropriate risk tolerances;
- To work actively with management in the identification, analysis and consideration of new underwriting opportunities, including potential new lines of business, opportunities in new markets, opportunities for the Group's newly established U.S. underwriting platform and opportunities for the managed 'organic' growth in the Group's existing business lines;
- To consider opportunities for development of the Group's reinsurance structures; and
- To continue to foster a nimble, sustainable and responsive underwriting culture, capable of responding to the needs of clients, investors, employees and other stakeholders.

Remuneration Committee

"The 2023 year has been one of strong performance for the business, on both the underwriting and investment side. This represents significant delivery on our long term strategic objective of balancing risk and return to generate attractive returns for our investors across the insurance cycle. The Committee recognises the importance of management contribution in leading the Lancashire team to achieve these outcomes.

The year has also been one of transition in a number of important respects. Firstly, I would like to thank our shareholders for their strong support of our Remuneration Policy at the 2023 AGM, which included a number of minor changes. The Committee and Board have also tracked the implementation of the new IFRS 17 insurance accounting standard and performance outcomes during the year. The Committee also conducted a tender for remuneration advisory services, which has resulted in the appointment of PwC as our new advisor.

The Committee is satisfied that Lancashire's remuneration structures continue to ensure appropriate reward for our management and our people, who are the Group's key asset, and are strongly aligned with the Group's strategic priorities."

Irene McDermott Brown
Chair of the Remuneration Committee

Committee membership

The Remuneration Committee comprises four independent Non-Executive Directors and the Chair of the Board. Simon Fraser stepped down from the Committee and the Board, having completed nine years' service, at the 2023 AGM.

Committee members	Meetings attended
Irene McDermott Brown (Chair)	4/4
Peter Clarke	4/4
Michael Dawson	4/4
Jack Gressier	4/4
Robert Lusardi	4/4
Simon Fraser	2/2

Principal responsibilities of the Committee

- Sets the Remuneration Policy for all Directors and determines the total individual remuneration packages of the Company's Chair, the Executive Directors, Company Secretary and other designated senior executives, to deliver long-term benefits to the Group;
- Recommends to the Board the financial and personal objectives for each Executive Director and monitors the performance against these objectives for the annual bonus;
- Determines each year whether awards will be made under the Group's RSS and, if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives, and the performance targets to be used;
- Ensures that contractual terms on termination or retirement, and any payments subsequently made, are fair to the individual and the Company; and
- Oversees any major changes in employee reward and benefit structures throughout the Group.

How the Committee discharged its responsibilities

Throughout the year, the Committee kept under review the Group's performance and remuneration structures, in the light of due consideration of investor and stakeholder input and interests.

At the 2023 AGM, the Board put to our shareholders a revised Directors' Remuneration Policy, following a period of shareholder consultation led by Irene McDermott Brown as the Committee Chair. The Policy has a three-year term and was approved by shareholders with a majority of 92.9% of votes cast. The Remuneration Policy is summarised on page 105 of the Directors' Remuneration Report. The vote on the 2022 Annual Report on Remuneration received 92.2% of votes cast. The Committee noted the strong level of shareholder support for the Directors' Remuneration Policy and its implementation for the 2022 year.

Following shareholder feedback the Committee and Board agreed to utilise a profit-related RoE measure for the annual bonus for Executive Directors. The Committee and Board retained change in DBVS and TSR as the metrics used in the longer term RSS equity-linked awards for Executive Directors. The Committee monitored throughout the year the financial performance of the business, which was reported for the first time on the basis of the IFRS 17 and IFRS 9 accounting standards.

Under the leadership of Irene McDermott Brown the Committee conducted a tender process for remuneration advisory services. Following consideration of three shortlisted candidates (including Alvarez & Marsal, the Group's adviser in recent years) the Committee decided to appoint PwC as the Group's independent remuneration advisers. The Committee felt that PwC had access to excellent comparative data for UK and internationally listed businesses, and with regard to the insurance and financial services sectors, and has informed experts capable of giving practical remuneration advice.

During 2023, the Committee reviewed the Group's incentive packages for Executive Directors, for other designated senior executives within the agreed remuneration framework and more generally for the staff population, to ensure that remuneration is structured appropriately in order to promote the long-term success of the Company. The Committee reviewed industry benchmarking data for the Group's senior executive roles. In considering the salary and bonus awards for the Executive Directors, as well as other designated senior executives, the Committee also had regard to remuneration levels and practices across the workforce. The Committee and the Board noted and discussed the outcomes of the employee surveys conducted during the year and the results of the Group's gender pay gap data analysis.

The Committee also approved the grant of long-term incentive awards under the Company's RSS, considering a range of factors including the Company's share price movement. The Committee reviewed Executive Directors' shareholdings in the context of the Company's share ownership guidelines for senior/key executives. Share ownership targets have either been met, or acceptable progress made in accordance with guideline requirements. The Committee also discussed and agreed proposals for the treatment of unvested RSS equity awards of departing employees, including retirees.

In considering remuneration outcomes, the Committee gave formal consideration to the questions of malus and clawback and made enquiries with respect to the effective operation of the Group's risk and control framework.

The Committee reviewed and recommended to the Board two supplementary schedules to the Group RSS rules, relating to RSS awards made to U.S. and Canadian employees. These were duly approved by the Board.

At the November 2023 meeting, the Committee and all Directors received a presentation from PwC on developments in remuneration practice. Discussion covered developments in law, regulation, best practice and reporting obligations as well as the remuneration guidance from leading shareholder advisory groups.

The Committee reviewed and recommended to the Board for approval the Group's Solvency II remuneration policy relevant to the management population of staff within the Group's UK regulated entities.

The Committee received market benchmarking data on fees for directors of listed entities and operating insurance companies.

For discussion of the linkage between performance and remuneration outcomes, please see Irene McDermott Brown's introduction to the Directors' Remuneration Report on page 101. The Report also sets out in greater detail 2023 remuneration for Executive Directors and the Committee's work in reviewing performance and outcomes and in determining appropriate implementation of the Policy for 2024 (see pages 108 to 117 for the full report).

Priorities for 2024

- To ensure the appropriateness and relevance of the Group's remuneration structures and alignment with the Board's business strategy and objectives, effective risk management and the interests of stakeholders;
- To ensure that remuneration across the wider Group is appropriate to retain and reward employees and remains competitive and appropriate to meet the skills and resourcing needs of the business; and
- To work with the Group's independent remuneration adviser to keep abreast of compensation levels amongst the Group's London, Bermudian and other international peers, and appropriately reflect good market practices.

Annual Statement

Dear Shareholder,

I am pleased to present the 2023 Directors' Remuneration Report to shareholders.

2023 has been a year of strong operational and financial performance. For the third year in succession the business has achieved strong premium growth in excess of the rates of growth in premium pricing generating comprehensive income of $321.5 million, the highest since 2010. We have seen robust organic growth in our underwriting portfolio and the addition of new underwriting lines, including the Group's casualty reinsurance portfolio over recent years, has diversified the premium income streams and related policy exposures thereby creating greater portfolio resilience to the Group's catastrophe loss exposures. Whilst there have been several smaller to medium-sized industry losses during 2023, we have not witnessed any major catastrophe loss, which has further enhanced the Group's underwriting performance. Our investment portfolio has also delivered strong returns and investment performance has contributed meaningfully to Group returns.

In light of the strong financial performance, the Board has been very pleased with the strong growth in DBVS of 24.7%, with an undiscounted combined ratio of 82.6%. The Group's simple RoE, being adjusted profit over average shareholders' equity, has been similarly strong at 20.0%. Further detail on the RoE outturn is provided on page 109.

Expectations are that the current pricing environment and growth opportunity will continue into 2024. Overall, as we enter 2024, the Group is in a strong position to continue to maximise attractive underwriting opportunities in what we expect will be a positive pricing environment. The business has also reinforced its long-standing commitment to active capital management and, in light of the strong returns generated in 2023, the Board was able to declare in November 2023 a special dividend of $0.50 per share which was paid to shareholders during December 2023. The Board is confident that the business has the required capital and resilience to support its underwriting and growth plan for 2024 and the foreseeable future.

Against this background, total remuneration for our Group CEO and Group CFO has increased in comparison to 2022. The principal driver for this change is the strong performance delivery on the financial metric of the annual bonus, which accounts for 75% of bonus outturn. The financial element of annual bonus did not meet threshold in 2022 (see the comparison table for single figure remuneration on page 108). In 2023, the Directors' Remuneration Policy operated in line with the intentions set out in the 2022 Annual Report on Remuneration.

2023 AGM voting outcomes

Shareholders will recall that in the autumn of 2022, I led a consultation exercise in which shareholder feedback was sought, with a particular focus on proposals for the updated Directors' Remuneration Policy, which was included in last year's report and is summarised in this report (see page 105), and a proposal to modify the financial metrics used for annual bonus purposes to include a new simple RoE measure – which the Board adopted for the first time in 2023.

As is noted in the Remuneration Committee Report (see page 100) the Committee was very pleased with the levels of shareholder support at the 2023 AGM for the three year Directors' Remuneration Policy and report on remuneration both of which received over 92% of votes cast.

The Board and management continue to believe that there is a strong link between the Remuneration Policy and business strategy. The Committee and Board keep remuneration policy and performance metrics under regular review to ensure appropriate focus and alignment of our management team with the interests of our stakeholders. The Committee and Board consider that the three-year Directors' Remuneration Policy, which was set out in full in the 2022 Annual Report and approved at the 2023 AGM, remains fit for purpose and no policy changes are proposed at the 2024 AGM.

Performance outcomes for 2023

The Executive Directors' 2023 annual bonus performance targets for both financial and personal performance were stretching. The financial element made up 75% of the annual bonus opportunity and was linked to the Company's simple RoE metric. 2023 RoE performance of 20.0% exceeded the maximum level set by the Committee at the start of the year (19.2% being the risk free rate, confirmed as 5.2%, plus 14%), resulting in a 2023 annual bonus pay out for the financial performance element at the maximum level. This was considered by the Committee and Board to be an appropriate outcome for 2023 and therefore no discretion was exercised by the Committee.

The Board considered that the Executive Directors performed extremely well in achieving the agreed strategic aims for the business aligned with their personal performance targets. The outcomes achieved included strong organic growth in underwriting premium income, establishing and embedding new lines of underwriting, the establishment of the Group's new U.S. underwriting presence, successfully implementing the new IFRS 17 and 9 accounting standards, managing risk within the business and structuring a more diversified and resilient underwriting portfolio. The business has continued to demonstrate high levels of operational effectiveness, which has in turn driven the strong financial outcome for the 2023 year. The Board also noted the dynamic action of management in managing the Group's capital and in managing and monitoring risk.

The business was able not only to match its capital resources to the Group's underwriting activities but also to facilitate the payment to our shareholders of a special dividend. The Board considers that our Executive Directors have continued to provide the effective leadership which has contributed to the Group's strong financial performance during the year and has placed Lancashire in a robust position to grow, to return capital as appropriate and to withstand any future, more challenging, parts of the cycle. Performance versus personal and strategic objectives was assessed at 93% of maximum for the Group CEO and 94% of maximum for the Group CFO, resulting in 2023 bonus outcomes at 98% of maximum level for the Group CEO and 99% of maximum level for the Group CFO (see page 110 for further details of personal performance).

In relation to long-term incentives for Executive Directors, the 2021 Performance RSS awards were 85% based on the annual change in DBVS targets and 15% on compound annual growth TSR targets over the three-year period to 31 December 2023. The Company's TSR (calculated in U.S. dollars) for the performance period resulted in a compound annual rate of negative 3.5%, resulting in 0% vesting for the TSR component. The Change in DBVS performance over the three-year performance period was assessed based on the change for each of the three separate financial years as disclosed on page 111, resulting in nil vesting in respect of the 2021 and 2022 years for this element and 33.3% vesting in respect of the 2023 year for this element of the 2021 Performance RSS awards. Therefore overall, the 2021 Performance RSS awards will vest at 28.3%.

The Committee believes in setting challenging performance criteria and having a significant proportion of the overall package linked to Company performance. Furthermore, the Committee also continues to recognise the need to ensure that Executive Directors are appropriately remunerated and incentivised throughout every phase of the insurance cycle. The Board seeks to ensure that Executive Director compensation is structured in such a way as to discourage excessive risk to the business.

The Committee noted the 28.3% vesting of the 2021 RSS awards, which was a result of the three-year performance delivered. This outcome is relatively low and was a reflection of the challenging loss environment faced by insurance markets in 2021 and 2022 and the Group's strong performance in 2023. The Committee is satisfied that there has been sufficient linkage between longer-term performance and reward for Executive Directors. The Committee also considers that the Executive Directors will not benefit from any windfall gains; and as a result, no discretion was applied to the formulaic outcome. The Committee will continue to ensure that there is appropriate alignment between executive remuneration and Company performance in line with the Group's cross-cycle return expectations and is satisfied that the Policy operated as intended for 2023.

During the year, the Committee also engaged with management on matters of broader employee engagement and remuneration. As a committee, we value the opportunity to hear the views of employees and to support management in gathering and considering feedback and implementing changes. The Board and Committee received feedback during the year on a Group-wide employee survey monitoring issues of engagement, purpose and perception of management effectiveness and structures. As in previous years, one of our Non-Executive Directors routinely joins Alex in the Group CEO's quarterly staff town hall meetings. These are a forum for the presentation and discussion with staff of the performance and operation of the business and the activities and operation of the Board. They also afford Alex and the Board the opportunity to address employee questions and receive feedback.

Application of Remuneration Policy for 2024

The Committee has reviewed and discussed the remuneration structures to be used in 2024 in some detail and, following engagement with major shareholders and agencies, is putting forward an adjustment to RSS award level and increase to salary for the CEO. Both adjustments are within Policy and address concerns related to international competitive pressure for talent across the industry, highlighted in a remuneration benchmarking study commissioned from our independent remuneration adviser. The exercise considered the CEO remuneration levels of a bespoke peer group of comparable UK and US-listed insurers and reinsurers, primarily headquartered in the UK and Bermuda (taking note of the size and complexity in each case, and paying particular attention to the market capitalisation), to reflect the relevant talent market for Lancashire. The Committee proposes a salary uplift equal to 10% for Alex Maloney, comprised of an inflationary uplift of 5% plus an additional 5% (the average uplift across the workforce for 2024 is 6.2%) and an adjustment to RSS from the current level of 300% of salary to 350% of salary. The decision to adjust RSS in addition to salary is to ensure the link between CEO remuneration and shareholder value is maintained. No additional adjustment beyond an inflationary salary uplift of 5% is proposed for the CFO.

The Annual Report on Remuneration provides detailed disclosure on how the Policy will be implemented for 2024 and how Directors have been paid in relation to 2023.

The disclosures provide our shareholders with the information necessary to form a judgement as to the link between Company performance and how the Executive Directors are paid. This Annual Statement, together with the Annual Report on Remuneration, will be subject to an advisory vote, and I hope that you will be able to support this resolution at the forthcoming 2024 AGM. The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters and I welcome any feedback you may have.

Irene McDermott Brown
Chair of the Remuneration Committee

Directors' Remuneration Policy

As a Company incorporated in Bermuda, LHL is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of the Company's premium listing on the LSE, and for the purposes of explaining its compliance against the requirements of the Code, the Board is committed to providing full information on Directors' remuneration to shareholders.

The Company's current Remuneration Policy was approved by shareholders at the 2023 AGM, which is effective for a period of three years.

The Committee considers the Policy to be in line with best practice and shareholder expectations.

The Remuneration Policy addresses the following principles as set out in the Code:

- Clarity – the Committee regularly engages with shareholders to take into account shareholder feedback (as it did in developing the current Policy and proposals for 2024 implementation) and with the workforce, as described in the Annual Statement on page 101, to ensure there is transparency on the Remuneration Policy and its implementation. The Remuneration Policy has a clear objective: to enable the Group to attract, retain and motivate Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters.
- Simplicity – the Remuneration Policy is designed such that the arrangements are considered easy to communicate to all stakeholders. This includes variable pay which operates as an annual bonus plan and a single LTIP. The objective and rationale for each element of the Remuneration Policy is clearly explained in the Policy table.
- Risk – the Committee considers that the structure of remuneration does not encourage inappropriate risk-taking. The performance metrics used ensure remuneration aligns to the Board's strategic objective which is to achieve attractive returns appropriate to overall risk levels across the (re)insurance market cycle. There is a mixture of short-term and long-term performance metrics with an appropriate mix of performance conditions. Malus and clawback provisions are in place across all incentive plans and the Committee has the ability to use its discretion to override formulaic outcomes. The Committee receives a report from the Group CRO with regard to risk management developments which may be relevant to remuneration outcomes, and also makes inquiry with the Group Head of Internal Audit.
- Predictability – the range of possible reward outcomes is shown in the 'Illustrations of annual application of Remuneration Policy' (see page 114 for full details), which demonstrates the potential threshold, on-target and maximum scenarios of performance and the resulting pay outcomes which could be expected.
- Proportionality – a significant proportion of pay is delivered through variable remuneration. No variable remuneration will be delivered for below threshold performance with incentives only paying out if strong performance has been delivered by the Executive Directors. The Committee has the discretion to override outcomes if they are deemed inappropriate to ensure a robust link between reward and performance.
- Alignment to culture – the Policy has been designed to support the delivery of the Group's long-term strategy, and the interests of its shareholders and employees. Annual bonus performance metrics include an assessment of whether each Executive Director's contribution aligns to the Group values. The Policy seeks to appropriately motivate Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders.

Governance and approach

The Company's Remuneration Policy is geared towards providing a level of remuneration which attracts, retains and motivates Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters. The Remuneration Policy also seeks to ensure that Executive Directors are provided with appropriate incentives to drive Company and individual performance and to reward them fairly for their contribution to the successful performance of the Company.

The Remuneration Committee and the Board have again considered whether any element of the Remuneration Policy could conceivably encourage Executive Directors to take inappropriate risks and have concluded that this is not the case, given the following:

- there is an appropriate balance between fixed and variable pay, and therefore Executive Directors are not required to earn performance-related pay to meet their day-to-day living expenses;
- there is a blend of short-term and long-term performance metrics with an appropriate mix of performance conditions, meaning that there is no undue focus on any one particular metric;
- in the case of Alex Maloney, the Group CEO, there is a high level of share ownership, and in the case of Natalie Kershaw, who assumed the role of Group CFO and Executive Director during 2020, there is an appropriate opportunity to acquire a longer-term equity holding on a measured basis, meaning that there is a strong focus on sustainable long-term shareholder value; and
- the Company has the power to claw back bonuses (including the deferred element of the annual bonus) and long-term incentive payments made to Executive Directors in the event of material misstatements in the Group's consolidated financial statements, errors in the calculation of any performance condition, corporate failure and material damage to the Group's business or reputation or the Executive Director ceasing to be a Director and/or employee due to gross misconduct (see page 105 for a summary of the Policy). The full Policy details are included in the 2022 Lancashire Holdings Limited Annual Report.

How the views of shareholders are taken into account

The Committee Chair and, where appropriate, the Company Chair consult with major investors and representative bodies on any significant remuneration proposal relating to Executive Directors. Views of shareholders at the AGM, and feedback received at other times, will be considered by the Committee. The Committee also takes into account published guidance from shareholders and proxy agencies.

During 2023, management engaged regularly with investors touching on matters including remuneration and wider workforce pay principles. The Committee engaged specifically with the Group's major shareholders on the matter of CEO pay structure for 2024 which, within the Policy parameters approved at the 2023 AGM, addresses the challenges of an international competitive market in a proportionate manner. A number of investors sought additional clarity on the comparator group used, and we confirmed that this was based on listed companies, taking into account the business mix, geographic market, size and complexity compared to Lancashire and that, where comparators were larger or smaller than Lancashire, this was taken into account in the remuneration comparison.

How the views of employees are taken into account

The Remuneration Committee takes into account levels of pay elsewhere in the Group when determining the pay levels for Executive Directors. The Remuneration Policy for all staff is, in principle, broadly the same as that for Executive Directors in that any of the Group's employees may be offered similarly structured packages, with participation in annual bonus and long-term incentive plans, although award types (restricted cash, restricted stock or performance shares) and size may vary between different categories of staff. For Executive Directors, with higher remuneration levels, a higher proportion of the compensation package is subject to performance pay, share-based remuneration and deferral. This ensures that there is a strong link between remuneration, Company performance and the interests of shareholders.

Reflecting good practice in this area, Executive Directors' pension provision is the same as the standard pension contributions made to employees in the Group (in percentage of salary terms).

Whilst the Company does not expressly consult with employees on Executive Directors' remuneration, the Board and Committee, through the structured arrangements for regular workforce engagement, do receive employee feedback, including where relevant to matters of remuneration. As noted above, the Committee is made aware of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee also reviews and approves the size of any annual bonus pot to be distributed to employees and the allocation of RSS awards or other LTI structures, and its practice in this regard is well aligned with the expectations introduced within the Code. There is a broad understanding across the business of the influence of the financial performance of the Group on year-end remuneration outcomes via town hall meetings and internal communication of quarter end results with managers engaging directly with employees on their contribution. The percentage change in remuneration table on page 116 shows that wider employee pay outcomes are broadly aligned to those of senior executives, albeit with a less dramatic impact from financial performance due to active management decisions in previous years to soften the effect of more challenging years and the larger proportion of variable components in senior executive pay.

Remuneration Policy Summary

The following table summarises Lancashire's Remuneration Policy which became binding on 26 April 2023 with 92.9% of votes cast in favour. The full Policy can be reviewed in the 2022 Annual Report which can be found in the Results, Reports & Presentations section on the Group's website, www.lancashiregroup.com.

Component	Operation/Key Features	Maximum Potential Opportunity	Applicable Performance Measures
Salary	• Typically reviewed annually with regard to market conditions, role, experience and peer group • Percentage increases aligned with workforce other than in exceptional circumstances	• No maximum	• None
Pension and other benefits	• Money purchase pension arrangement or cash alternative • Benefits offered in line with wider workforce • Additional benefits can be offered to support relocation or local practice • Reasonable business-related expenses	• Maximum employer pension contribution of 10% in line with wider workforce	• None
Annual Bonus	• One third of annual bonus deferred into Lancashire shares vesting in three equal tranches over three years • Dividend equivalent is earned on deferred portion • Cash and deferred elements are subject to malus and clawback	• 400% of salary (2x target)	• At least 75% based on Financial Performance, e.g., growth in DBVS, profit, comprehensive income, combined ratio, investment return, simple RoE or any other financial KPI • No more than 25% based on strategic/personal objectives
Long Term Incentives (LTI)	• Normally awarded annually as nil-cost options or conditional awards • Vesting after three years with a two-year holding period • Dividend equivalent accrues in cash or shares • All awards are subject to malus and clawback	• Maximum 350% of salary	• Performance measures that reflect the long-term strategy of the business at the time of grant • May include TSR, growth in DBVS, Company profitability or any other relevant financial or strategic measure

Remuneration Policy Summary continued

Component	Operation/Key Features
Shareholding requirements	• Executive Directors are expected to maintain an interest equivalent in value to no less than two times salary • To be achieved within five years of appointment, with 50% of the shares (net of tax) from vesting RSS to be retained until the required level is achieved • Requirement to retain minimum shareholding level for two years post termination
Chair and Non-Executive Director fees	• Chair receives a single fee for all responsibilities which is reviewed periodically by the Committee and Group CEO • Non-Executive Directors receive a single fee for all responsibilities with the option to pay supplemental fees where additional responsibilities are undertaken • Any reasonable business expenses can be reimbursed
Committee discretion	• The Committee has discretion within the Policy over a number of areas of bonus and LTI operation including, but not limited to, participants, award timing, award size and vesting proportion, change of control arrangements, leaver treatment, special circumstances including rights issues, corporate restructuring, special dividends and adjustments to performance metrics, outcomes and deferral • Any use of exceptional discretion to override formulaic outcomes would, where relevant, be explained in the Annual Report on Remuneration, as appropriate
Approach to recruitment	• Remuneration packages for new Executive Directors would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment, taking into account the skills and experience of the individual • The Committee may offer to compensate a new Executive Director for deferred or incentive pay deemed forfeit on leaving a previous employer ensuring, where possible, that value, timing and performance requirements are consistent with the forfeit awards • The Committee may also agree that the Company should meet appropriate relocation and expatriate expenses
Service contracts and loss of office payments	• Notice periods for Executive Directors will normally be limited to six months and will not exceed 12 months • Base salary and benefits will continue for the notice period, in the event that a proportion of the notice period is not worked, the Executive Director would have no contractual right to bonus for this proportion • Depending on the leaver classification, an Executive Director may be eligible for certain payments or benefits to continue after cessation of employment
Leaver arrangements	• If an Executive Director leaves on agreed terms, there may be payments after cessation of employment and, subject to performance, the Committee has discretion to approve a bonus payment for the portion of the year worked with or without a deferral requirement. The Committee also has discretion to treat unvested RSS awards in line with the Good Leaver provisions contained within the plan rules • If an Executive Director resigns or is summarily dismissed, all payments will cease on the last day of employment
Non-Executive Director terms of appointment	• Non-Executive Directors are appointed subject to re-election at the AGM and are terminable by either party on six months' notice • Non-Executive Directors typically serve for up to six years, but can be invited to serve for an additional period
Legacy arrangements	• Authority is given to the Company to honour commitments paid, promised to be paid or awarded prior to commencement of this Policy, either under a previous Policy or made prior to appointment as a Director
Unexpired terms	• The Executive Directors are employed under service contracts with no fixed duration • Non-Executive Directors have letters of appointment rather than service contracts

Remuneration at a glance

Remuneration in the Group

Group CEO pay ratio to the median colleagues

31:1

2022 15:1

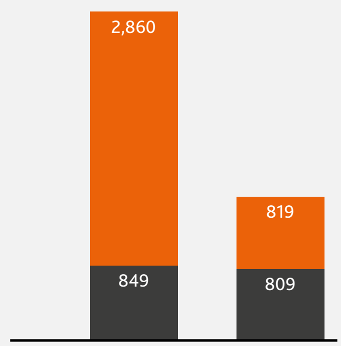
Total spend on pay

$135.1m

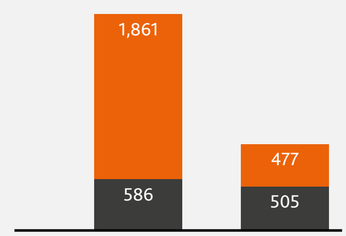
2022 $82.6m

2023 Total single figure remuneration

Alex Maloney
CEO



Natalie Kershaw
CFO



	Alex Maloney 2023 (£'000)	Alex Maloney 2022 (£'000)	Natalie Kershaw 2023 (£'000)	Natalie Kershaw 2022 (£'000)
Salary	**764**	728	**525**	453
Benefits	**9**	8	**8**	7
Pension	**76**	73	**53**	45
Bonus paid in cash	**1,503**	363	**1,034**	229
Bonus deferred in shares	**751**	121	**517**	77
Long-term Incentive Plan (LTIP)	**606**	335	**310**	171
Total	**3,709**	1,628	**2,447**	983

2023 RSS awards granted

On 20 February 2023, RSS nil cost option awards were granted to the Group CEO and Group CFO. Details are set out below.

Director	Basis of award % Salary	Date of grant	Number of options granted
Alex Maloney	300%	20-Feb-23	373,899
Natalie Kershaw	275%	20-Feb-23	235,523

Annual Report on Remuneration

This Annual Report on Remuneration together with the Chair's statement, as detailed on pages 101 to 104 and 108 to 117, will be subject to an advisory vote at the 2024 AGM. The following sections in respect of Directors' emoluments have been audited by KPMG LLP:

- Single figure of remuneration
- Non-Executive Director fees
- Annual bonus payments in respect of 2023 performance
- Long-term share awards with performance periods ending in the year – 2021 RSS awards
- Scheme interests awarded during the year
- Directors' shareholdings and share interests.

Single figure of remuneration

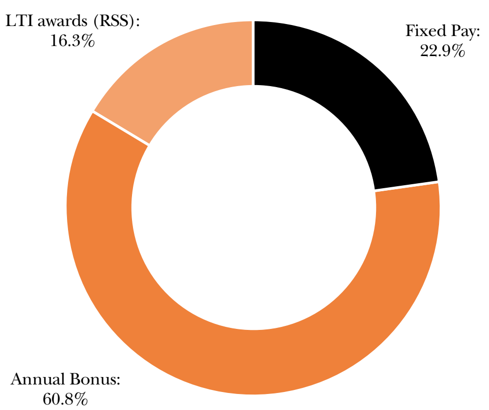
The following table presents the Executive Directors' emoluments in GBP in respect of the years ended 31 December 2023 and 31 December 2022 for time served as an Executive Director.

Executive Director		Salary £'000	Pension £'000	Taxable benefits[4] £'000	Total Fixed pay £'000	Annual bonus[1] £'000	Long-term incentives (RSS)[2,3] £'000	Total Variable pay £'000	Total '000
Alex Maloney, Group CEO	**2023**	**764**	**76**	**9**	**849**	**2,254**	**606**	**2,860**	**3,709**
	2022	728	73	8	809	484	335	819	1,628
Natalie Kershaw, Group CFO	**2023**	**525**	**53**	**8**	**586**	**1,551**	**310**	**1,861**	**2,447**
	2022	453	45	7	505	306	171	477	983

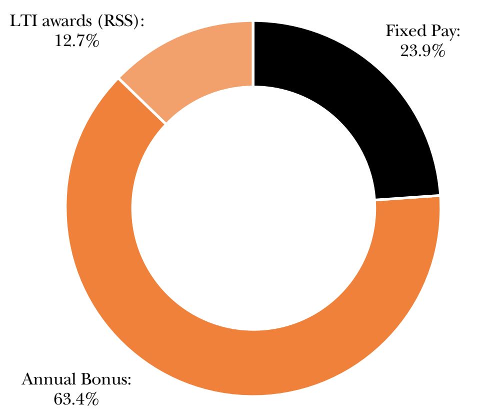
1. The final bonus earned by Executive Directors will be 98.4% of the maximum for the Group CEO, 98.5% of the maximum for the Group CFO. For full details of Executive Directors' bonuses and the associated performance delivered, see pages 110 and 111. One third of the serving Executive Directors' annual bonus is deferred into RSS awards without performance conditions, vesting at 33.3% per year over a three-year period.
2. For 2023, the long-term incentive values are based on the 2021 Performance RSS awards which vested at 28.3% and are based on a three-year performance period that ended on 31 December 2023. The values above are based on the average share price for the final quarter of 2023, being £6.0637, and includes the value of dividend equivalents accrued up to 31 December 2023.
3. For 2022, the long-term incentive values are based on the 2020 RSS awards which vested at 19.8%, and have been restated using the share price as at the date of vesting (10 February 2023) which was £6.145. The figures reflect the final number of shares that vested on 10 February 2023.
4. The benefits value shown reflects taxable benefits provided (Private Medical, Critical Illness, Dental and Gym reimbursement).

The following charts set out the above disclosed 2023 total remuneration received by serving Executive Directors as a percentage of their total 2023 remuneration.

Alex Maloney



Natalie Kershaw



Non-Executive Director fees

The following table presents the Non-Executive Directors' fees in respect of the years ended 31 December 2023 and 31 December 2022 for time served as a Non-Executive Director.

Current Non-Executive Directors		Fee $'000[6]	Other $'000	Total $'000
Peter Clarke	**2023**	**350**	**–**	**350**
	2022	350	–	350
Michael Dawson	**2023**	**175**	**–**	**175**
	2022	175	–	175
Simon Fraser[1]	**2023**	**56**	**50**	**106**
	2022	175	95	270
Jack Gressier[2]	**2023**	**175**	**–**	**175**
	2022	75	–	75
Robert Lusardi	**2023**	**175**	**–**	**175**
	2022	175	–	175
Irene McDermott Brown	**2023**	**175**	**–**	**175**
	2022	175	–	175
Sally Williams[3]	**2023**	**175**	**67**	**242**
	2022	175	39	214
Bryan Joseph[4]	**2023**	**119**	**41**	**161**
	2022	–	–	–
Philip Broadley[5]	**2023**	**26**	**–**	**26**
	2022	–	–	–

1. Simon Fraser stepped down from the Board on 26 April 2023 and from his role on the LSL Board on 18 May 2023, his fees represent his 2023 tenure.
2. Jack Gressier was appointed to the Board on 26 July 2022 and his fees represent his time as a Director.
3. Sally Williams was appointed to the LUK Board on 10 May 2022 and fees for LUK in 2022 represent her time as a Director in 2022.
4. Bryan Joseph was appointed to the Board on 26 April 2023 and the LSL Board on 1 August 2023. His 2023 fees represent his time as a Director.
5. Philip Broadley was appointed to the Board on 8 November 2023 and his fees represent his time as a Director.
6. LSL and LUK fees are paid in GBP at the average exchange rate for the month of payment.

Annual bonus payments in respect of 2023 performance

As detailed in the Remuneration Policy, each Executive Director participates in the annual bonus plan, under which performance is measured over a single financial year.

Bonus targets were set at the beginning of 2023 and based on a clear split between Company financial performance and personal performance on a 75:25 basis. The target value of bonus was 150% of salary for the Group CEO and Group CFO respectively, and the maximum payable was two times the target value.

Financial performance

75% of the 2023 bonus was based on Company performance conditions and the extent to which these were achieved is as follows:

Performance measure	Financial performance weighting (of total bonus) %	Threshold %	Target %	Max %	Actual performance %
RoE	75	RFR +5% (10.2%)	RFR +8% (13.2%)	RFR +14% (19.2%)	**RFR +14.8% (20.0%)**
Payout	% of Target	25%	100%	200%	200%

2023 is the first year in which financial performance has been measured using simple RoE, it is also the year in which the IFRS 17 and IFRS 9 accounting standards were implemented. The RoE outturn was calculated using adjusted profit after tax divided by average shareholders' equity. Profit in the RoE calculation was adjusted for elements considered to be outside management's control, most significantly the change in unrealised investment gains and losses, and on the impact of interest rate movements on the discounting of IFRS 17 loss reserves. Average equity was calculated as the average of the opening and closing shareholders' equity position, excluding the unrealised investment gains and losses and discounting impacts noted above. The RFR was calculated with reference to the average 13 week UST rates for the year.

Personal performance

25% of the 2023 bonus was based on performance against clearly defined personal objectives set at the start of the year.

The table below sets out a summary of the 2023 personal objectives for each Executive Director and some of the factors the Board has considered to determine whether the objectives have been met.

Executive Director	Personal strategic objectives	Factors relevant to the Board's determination for the 2023 performance year
Alex Maloney	Business management and leadership, including transformation and values	Strategy of diversification executed and delivering strong financial returns. Significant and tangible progress delivered on business transformation. Group COO appointed to directly oversee the delivery of further efficiencies. The Lloyd's relationship continues to develop positively and efficiently. Alex is highly regarded across all stakeholders as demonstrated in shareholder feedback, counterparty interactions, and the strongly positive Employee Opinion Survey (EOS) results. Leads by example in supporting and promoting the company values.
	Implementation of the long-term business growth and development strategy	Ongoing execution of the diversification strategy is evident in the financial results. Lancashire continues to attract leading talent to support the strategy and has built the framework for a successful and measured expansion into the U.S. market. Effective diversification and thoughtful capital allocation now enable capital returns to shareholders while maintaining headroom and facilitating growth. Significant focus and progress achieved on climate-related considerations in underwriting and investments, and in risk and reporting.
	ESG, with a focus on People and Culture and continued embedding and management of environmental considerations	Diversity continues to develop in terms of gender and ethnicity data tracking, and the EOS results demonstrate strong support and inclusion levels across Lancashire. Talent and succession planning is developing, positively supported by the new Group CHRO. Governance continues to be strong at Lancashire, and the appointment of a new Chair to work with management and the Board has been a successful demonstration of this.
Natalie Kershaw	Business Management and Leadership, including transformation and values	Strong performance delivered across all aspects of business management and leadership. IFRS 17 was implemented effectively and efficiently on time and below budget. Strong cost management demonstrated and delivery on major aspects of transformation. Effective team leadership with strong inter and intra departmental relationships demonstrated by strong EOS scores. Natalie is one of the strongest role models for Lancashire values with a commercial focus and ability to challenge and cut through complexity within the business.
	Strategic Financial Management supporting growth and transformation	Robust and prudent capital management has facilitated business growth and has directly contributed to the ability to deliver shareholder returns via special dividend. Significantly more streamlined business planning that will continue to evolve and deliver. Strong hiring decisions have added to the resilience and skills base of the finance function, creating a platform that will continue to support business growth.
	ESG, focusing on maintaining environmental considerations in investment portfolio management, and continued strong financial governance	Investment performance continues to generate strong returns despite challenging market conditions, making a material contribution to overall business performance in 2023. The investment portfolio continues to perform strongly, while maintaining a responsible approach to carbon intensity, via prudent management and oversight. Natalie assumed the leadership role over the reward function during the transition to the new Group CHRO. The approach to Group reward is now more structured and planned. Natalie's approach to financial governance and oversight is exemplary, resulting in high quality reporting, facilitating strong business performance.

The personal targets were tailored to each of the Executive Directors, according to their respective roles and areas of personal development.

During the 2023 annual performance reviews of each Executive Director, a performance rating, determined following an evaluation process and discussion and agreement of the outcomes with the Chair and members of the Board, was assigned to determine the level of bonus earned for delivery versus personal strategic objectives. The bonus earned by the Executive Directors in relation to 2023 personal strategic objectives assessment is, for the Group CEO, 70% of salary (being 93% of the maximum available for this element) and, for the Group CFO, 71% of salary (being 94% of the maximum available for this element).

A table of performance measures and total 2023 bonus achievement is set out below:

Executive Director	Financial performance (max % of total bonus)	Personal performance (max % of total bonus)	Bonus % of maximum awarded	Total bonus value £'000	Value of bonus paid in cash (2/3 of total bonus) £'000	Value of bonus deferred into RSS awards (1/3 of total bonus)[1] £'000
Alex Maloney[1]	75% (of 75%)	23% (of 25%)	98%	2,254	1,503	751
Natalie Kershaw[1]	75% (of 75%)	24% (of 25%)	99%	1,551	1,034	517

1. In line with the 2023 Remuneration Policy, one-third of total bonus award will be deferred into RSS awards with one-third of the award vesting annually over a three-year period with the first third becoming exercisable in February or March 2025, subject to the Company not being in a closed period. Vesting is subject to continued employment.

Long-term share awards with performance periods ending in the year – 2021 RSS awards

The 2021 RSS awards were based on a three-year performance period ending on 31 December 2023 and vest following the determination of financial results by the Board. The tables below set out the achievement against the performance conditions attached to the award and the resulting vesting.

	Absolute compound annual growth in TSR (relevant to 15% of the 2021 RSS awards)		Annual Change in DBVS (within the three year performance period) (relevant to 85% of the 2021 RSS awards)[1]	
Performance level	Performance required (%)	% vesting	Performance required (%)	% vesting
Below threshold	Below 8	–	Below 6	0
Threshold	8	25	6	25
Stretch or above	12 or above	100	13 or above	100
Actual achieved	(3.5)	–	see note[1]	33.3

Note 1.	2023	2022	2021
Change in DBVS	**24.7%**	(6.7%)	(5.8)%
Vesting % of one third by performance year	**100%**	0.0%	0.0%
2021 RSS Awards	**33.3%**	0.0%	0.0%

The table above shows the growth in DBVS for the performance period. The detailed vesting for each Executive Director is shown below.

Executive Director	Number of shares at grant	Number of shares to lapse	Number of shares to vest	Dividend accrual on vested shares value[1] £	Value of shares including dividend accrual[2] £
Alex Maloney	313,321	224,555	88,766	67,464	605,715
Natalie Kershaw	160,356	114,926	45,430	34,528	310,002

1. Dividend equivalents accrue on awards at the record date of a dividend payment and upon exercise the cash value of the accrued dividend equivalent is paid to the employee on the number of vested awards net of tax required.
2. The value of vested shares is based on the 2021 RSS awards which vest at 28.3% and are based on a three-year performance period that ended on 31 December 2023. The average share price rate for the final quarter of 2023 (£6.0637) is used for this calculation. No value is attributable to share price appreciation.

There is a two-year post-vesting holding requirement for the 2021 RSS awards for Executive Directors.

Scheme interests awarded during the year

The table below sets out the performance RSS awards that were granted to the serving Executive Directors as nil-cost options on 20 February 2023.

Executive Director	% Salary	Grant date[2]	Number of awards granted during the year	Face value of awards granted during the year[1] £	% vesting at threshold performance
Alex Maloney	300	20-Feb-23	373,899	2,292,001	25
Natalie Kershaw	275	20-Feb-23	235,523	1,443,756	25

1. The awards were based on the five-day average closing share price following announcement of the 2022 results, being £6.13 and the awards were granted as nil-cost options.
2. These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2025 and becoming exercisable in the first open period following the release of the Company's 2025 year-end results.

Performance conditions attached to 2023 RSS Awards

Absolute compound annual growth in TSR targets for RSS (15% weighting)

As at	2020	2021	2022	2023
100%	12%	12%	12%	**12%**
25%	8%	8%	8%	**8%**
Nil	< 8%	<8%	<8%	**<8%**

Annual internal rate of return of the Change in DBVS targets for RSS (85% weighting)

As at	2020	2021	2022	2023
100%	13%	13%	13%	**13%**
25%	6%	6%	6%	**6%**
Nil	< 6%	<6%	<6%	**<6%**

See above for the vesting methodology to be applied for the RSS awards.

The table below sets out the deferred bonus RSS awards that were granted to the serving Executive Directors as nil-cost options on 20 February 2023.

Executive Director	Award Type	Grant date	Number of awards granted during the year	Face value of awards granted during the year £	% vesting annually (without specific performance conditions)
Alex Maloney	Deferred Bonus	20-Feb-23	19,753	121,086	33.3
Natalie Kershaw	Deferred Bonus	20-Feb-23	12,474	76,466	33.3

Implementation of Remuneration Policy for 2024

Base salary and fees

Executive Directors

Salaries effective from 1 January 2024 are set out below:

Group CEO – £840,000, a 10% increase

Group CFO – £551,250, a 5% increase

Salary uplifts for Group employees varied across the workforce skewed towards the lowest paid cohort with an average of 7.2%, and an overall average uplift for Group employees of 6.2% for 2024.

Non-Executive Directors

The Chairman's and Non-Executive Directors' fees are as follows for 2024:

- The fee for the Board Chair will remain at $350,000 per annum.
- The Non-Executive Director fee will remain at $175,000 per annum.

Other fees

Sally Williams is a Non-Executive Director of LUK in which capacity she will receive a fee of $70,000 per annum.

Bryan Joseph is a Non-Executive Director of LSL in which capacity he will receive a fee of $100,000 per annum.

Annual bonus

For 2024, the Group CEO and the Group CFO will have a target bonus of 150% of salary and, therefore, a maximum opportunity of 300% of salary. This is within the approved policy limit and is in line with last year's opportunity and represents a maximum bonus opportunity which is 100% of salary less than the set policy limit.

The financial and personal portions of the annual bonus will remain unchanged with 75% on financial performance and 25% on personal performance.

Financial performance (75%)

Financial performance for bonus purposes will be measured on the basis of RoE (being profit divided by average equity).

Specific targets and ranges will be disclosed in full with the assessment of financial performance in the 2024 Annual Report on Remuneration. The Committee appreciates that this is a break from the historic practice of disclosing targets prospectively but is of the view that, in the current growth phase of the business, specific financial targets are commercially sensitive and should be disclosed retrospectively.

Personal performance (25%)

This element of the bonus plan is based upon the individual achievement of clearly articulated objectives created at the beginning of each year.

The table below sets out a broad summary of the 2024 personal objectives for each Executive Director.

Executive Director	Personal performance
Alex Maloney	Business Management and Leadership; including oversight of change, talent and succession, relationship management, and values
	Growth Strategy; including opportunity identification, capital management oversight and engagement
	ESG; with specific objectives related to environment, people and culture and governance
Natalie Kershaw	Business Management and Leadership, including values
	Strategic Financial Management supporting growth
	ESG, with a focus on maintaining environmental considerations in portfolio management, identifying and developing talent and continued strong financial governance

Due to their close link to Business Strategy detail, personal objectives for both CEO and CFO are considered commercially sensitive at the present time. Detailed objectives have been presented to and approved by the Committee and will be described in the 2024 Annual Report.

Restricted Share Scheme

Award levels

2024 RSS award levels are as follows:

- Group CEO – RSS awards in respect of shares to the value of £2,940,000 (being 350% of salary)
- Group CFO – RSS awards in respect of shares to the value of £1,515,938 (being 275% of salary)

The number of shares subject to the awards shall be determined based on the closing average share price for a period of five trading days immediately prior to the date of the award.

Weighting

For 2024, the weighting is 85% on annual Change in DBVS and 15% on absolute compound annual growth in TSR.

Target ranges

The annual Change in DBVS target range for 2024 awards is:

- threshold – 6%; and
- maximum – 13%.

Within the three-year performance period each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the RSS award. In each year, performance will be measured against the target range to determine the ultimate level of vesting in respect of one-third of the RSS award. Vesting will only occur after completion of the full three-year performance period, and continued employment of the Executive Director at the time of vesting.

The relevant elements of the RSS award will not vest if annual Change in DBVS is below threshold, 25% of the relevant element of the RSS award will vest at threshold, and 100% of the relevant element of the RSS award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

The TSR target range for 2024 awards is:

- threshold – 8% compound annual growth; and
- maximum – 12% compound annual growth.

Absolute TSR will be measured for compound annual growth over the full three-year performance period rather than looking at each year separately.

None of the relevant elements of the award will vest if compound annual growth in TSR is below threshold, 25% of the award will vest at threshold, and 100% of the award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

Overriding downwards discretion

If any year produces a return that the Committee believes is significantly worse than competitors and reflects poor management decisions, the Remuneration Committee will use its discretion to determine the extent to which any relevant element of the RSS award shall vest fully (or to a lesser extent) based on the performance over the full three-year period.

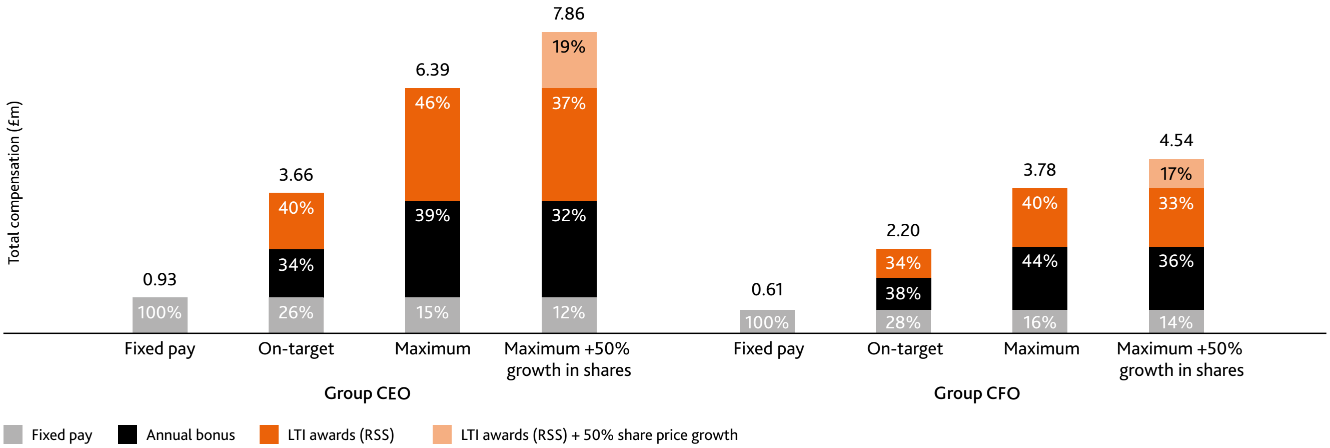
Post-vesting holding period

It is a requirement of RSS awards granted to Executive Directors that they are expected to hold vested RSS awards (or the resultant net of tax shares), which had a performance period of at least three years, for a further period of not less than two years following vesting.

Post-employment holding requirements

In respect of RSS awards made after 1 January 2020, there is a requirement on each Executive Director to retain 50% of the net of tax shares resulting on exercise in order to hold an interest equivalent in value of up to two times salary for a period of two years (or such other period or amount as the Committee may in future determine) following the date of termination of employment of the relevant Executive Director.

The charts below show the potential total remuneration opportunities for the Executive Directors in 2024 at different levels of performance under the Directors' Remuneration Policy.



Fixed pay = 2024 Salary + Actual Value of 2023 Benefits + 2024 Pension Contribution.

On-target = Fixed Pay + Target Bonus (being half the Maximum Bonus Opportunity) + Target Value of 2024 RSS grant (assuming 50% vesting with the face values of grant).

Maximum = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2024 RSS grant (assuming 100% vesting with the face values of grant).

Maximum + 50% growth over performance period = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2024 RSS grant + 50% share price appreciation (assuming 100% vesting with the face values of grant).

Directors' shareholdings and share interests

Formal shareholding guidelines were first introduced in 2012 and have subsequently been modified. The guidelines require the Group CEO and Group CFO to build and maintain a shareholding in the Company worth two times annual salary as set out in the Policy Report.

Details of the Directors' interests in shares are shown in the table below.

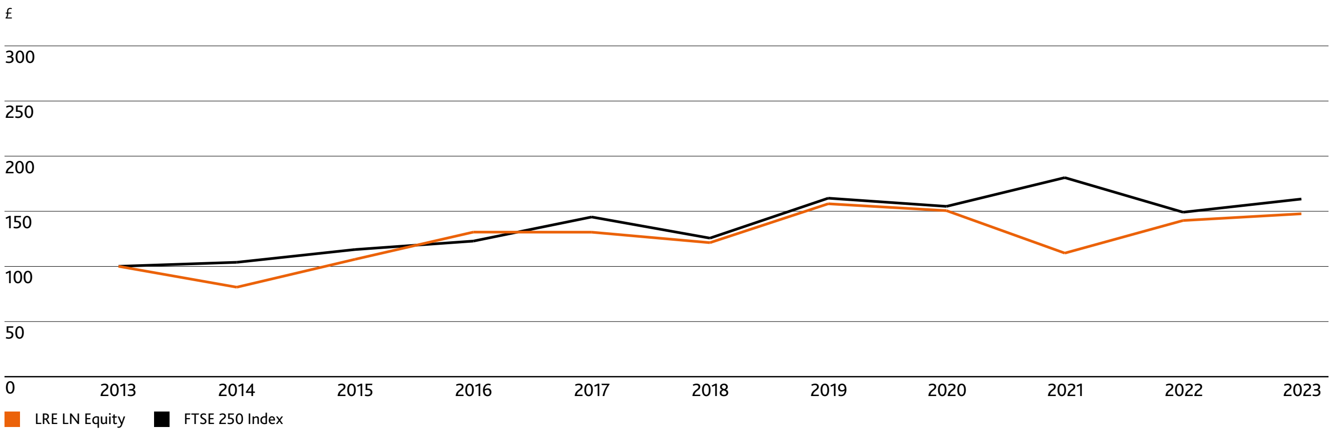
	Number of common shares and nil cost option share interests							
	Total as at 1 January 2023	As at 31 December 2023						
As at		Legally owned	Subject to deferral under the RSS	Subject to performance conditions under the RSS	Unvested and not subject to performance conditions under the RSS	Vested but unexercised awards under other share-based plans	Total	Shareholding guideline achieved
Alex Maloney	1,964,157	810,899	46,766	1,102,298	N/A	N/A	**1,959,963**	**Yes**
Natalie Kershaw	614,379	52,840	42,925	608,313	N/A	26,384	**530,543**	**No**
Peter Clarke	82,500	82,500	N/A	N/A	N/A	N/A	**82,500**	N/A
Michael Dawson	20,000	20,000	N/A	N/A	N/A	N/A	**20,000**	N/A
Jack Gressier	–	–	N/A	N/A	N/A	N/A	–	N/A
Robert Lusardi	48,000	48,000	N/A	N/A	N/A	N/A	**48,000**	N/A
Irene McDermott Brown	–	8,663	N/A	N/A	N/A	N/A	**8,663**	N/A
Sally Williams	11,082	11,082	N/A	N/A	N/A	N/A	**11,082**	N/A
Bryan Joseph	–	4,076	N/A	N/A	N/A	N/A	**4,076**	N/A
Philip Broadley	–	–	N/A	N/A	N/A	N/A	–	N/A

Share ownership interest equivalent is defined as wholly owned shares or the net of taxes value of RSS awards which have vested but are unexercised and the net of tax value of deferred bonus and/or non-performance RSS awards. Shares include those owned by persons closely associated with the relevant Executive Director.

On 24 February 2023 Alex Maloney, Group CEO, exercised 89,105 RSS nil cost options with an exercise price of £5.99602. The total gain on exercise of the awards was £534,275, of which shares to the value of £252,980 were sold to cover applicable taxes and fees, resulting in a net gain of £281,295.

Performance graph and total remuneration history for Group CEO

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index. The Company's common shares commenced trading on the main market of the LSE on 16 March 2009 and the Company joined the FTSE 250 Index on 22 June 2009 and is currently a constituent of this.



Source: Datastream (Thomson Reuters)

This graph shows the value, by 31 December 2023, of £100 invested in LHL on 31 December 2013 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

The table below sets out the total single figure of remuneration for the Group CEOs over the last 10 years with the annual bonus paid as a percentage of the maximum and the percentage of long-term share awards vesting in each year.

	2014[1]	2014[2]	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration (£000s[3])	6,088	1,453	2,511	2,758	1,517	1,067	2,398	3,193	2,033	1,628	**3,709**
Annual bonus (% of maximum)	80	73	72	76	17	19	80	60	19	22	**98**
LTI vesting (% of maximum)	61[1]	50	75	67	22.5	–	–	48.2	48.2	19.8	**28.3**

1. Richard Brindle was the Group CEO from 2005 until he retired from the Group and as a Director on 30 April 2014. Mr Brindle was afforded good leaver status and all RSS award interests were vested upon his departure, using estimated TSR and RoE values (as then defined) at the time of his retirement. The amounts in the table above reflect all awards which vested in 2014. Further particulars of the vesting were reported in the Group's 2014 Annual Report and Accounts.
2. Alex Maloney was appointed Group CEO effective 1 May 2014, after the retirement of Mr Brindle. For the purposes of this table his numbers have been pro-rated to account for only his time in office as CEO for 2014.
3. For the years 2014 – 2020 these figures were converted to GBP using the average exchange rate for the relevant year.

Group Chief Executive Pay Ratio

	Method	25th percentile Total Pay Ratio	Median Total Pay Ratio	75th percentile Total Pay Ratio
2023	**A**	**54:1**	**31:1**	**18:1**
2022	A	24:1	15:1	8:1

In 2022 the number of UK based employees of Group exceeded 250 for the first time and CEO pay ratio was reported. Financial performance in 2023 is significantly stronger than 2022 and a much greater proportion of CEO pay is directly linked to business financial performance versus the broader workforce. This is the driver for the change to CEO pay ratio from 2022 to 2023. The table above sets out how the single total figure of remuneration (STFR) for the Group Chief Executive compares to the STFR of the UK employees at the 25th percentile, median and 75th percentile in both 2023 and 2022. The UK employees included are those employed on 31 December and remuneration figures are determined with reference to the financial year ending on 31 December for the relevant year. The value of each employee’s total pay and benefits was calculated using the single figure methodology consistent with the CEO. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to be full-time and full-year equivalent basis based on the employee’s average full-time equivalent hours for the year and the proportion of the year they were employed. The table below sets out the split between total remuneration (fixed and variable pay and benefits) and the salary component of that total for the relevant 2023 employees. Lancashire has chosen to use methodology A (as defined in the applicable regulations) to calculate the figures in the tables above and below because it is the most statistically robust methodology.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Total Remuneration (£)	Base Salary (£)	Total Remuneration (£)	Base Salary (£)	Total Remuneration (£)	Base Salary (£)
2023	69,047	45,000	118,991	85,900	210,776	127,100
	54:1	17:1	31:1	9:1	18:1	6:1

Percentage change in Directors’ remuneration[1]

The following table sets out the percentage change in the aggregate value of salary, benefits and bonus for the Directors from the preceding year and the average percentage change in respect of the employees of the Group taken as a whole.

	2023			2022			2021			2020		
As at	Base salary/ Fees	Benefits[2]	Bonus	Base salary/ Fees	Benefits[2]	Bonus	Base salary/ Fees	Benefits[2]	Bonus	Base salary/ Fees	Benefits[2]	Bonus
Executive Directors												
Alex Maloney	**5.0**	**5.0**	**365.5**	4.0	4.3	23.1	(0.2)	(0.5)	(223.1)	3.1	–	(27.9)
Natalie Kershaw[3]	**15.9**	**16.0**	**407.2**	16.0	13.4	16.0	16.2	11.1	(197.0)	N/A	N/A	N/A
Non-Executive Directors												
Peter Clarke	**–**	**–**	**N/A**	–	–	N/A	–	–	N/A	–	–	N/A
Philip Broadley	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Michael Dawson	**–**	**–**	**N/A**	–	–	N/A	–	–	N/A	–	–	N/A
Simon Fraser[4]	**(60.7)**	**–**	**N/A**	5.9	–	N/A	–	–	N/A	–	–	N/A
Jack Gressier[5]	**134.0**	**–**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bryan Joseph	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robert Lusardi	**–**	**–**	**N/A**	–	–	N/A	–	–	N/A	–	–	N/A
Irene McDermott Brown	**–**	**–**	**N/A**	–	–	N/A	N/A	N/A	N/A	–	–	N/A
Sally Williams	**13.5**	**–**	**N/A**	34.1	–	N/A	–	–	N/A	–	–	N/A
Employees of the parent company[6]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	–	–	N/A
Employees of the Group	**10.4**	**14.1**	**168.5**	7.5	7.9	105.0	15.2	27.5	(57.9)	8.7	17.5	4.3

1. The change in remuneration for employees of the Group reported in the 2020 and 2021 annual reports and shown in the table above include the effect of headcount changes. The figures presented for 2022 and 2023 represent employees in post on 31 December of the reported and prior year to provide a like-for-like comparison to Directors.
2. Benefits include pension and all taxable benefits as reported on page 108 in the Single Figure on Remuneration table.
3. The change to Natalie Kershaw’s salary in 2022 reflects salary paid including the mid-year adjustment previously disclosed. The 2023 change further reflects the effect of amending salary at the mid-year point in 2022 and resulting pro-rata to that salary. There was no change in her CFO salary from 2020 to 2021. The apparent increase has arisen due to her 2020 salary shown being pro-rata following her appointment as Group CFO on 1 March 2020.
4. Simon Fraser stepped down from the Board on 26 April 2023, and from his role on the LSL Board on 18 May 2023 and his fees represent his 2023 tenure.
5. Jack Gressier was appointed to the Board on 26 July 2022 and his 2022 fees represent his time as a Director.
6. As the parent company does not have any employees, it is not possible to provide a percentage change in their pay and therefore the comparison is to the Group as a whole.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the year ended 31 December 2023 compared with the year ended 31 December 2022.

	2023 $m	2022 $m	Percentage change %
Employee remuneration costs	**135.1**	82.6	63.6
Dividends	**155.3**	36.2	329.0

Committee members, attendees and advice

For Remuneration Committee membership and attendance at meetings through 2023, please refer to page 99 of this Annual Report and Accounts.

The Remuneration Committee's responsibilities are contained in its Terms of Reference, a copy of which is available on the Company's website.

These responsibilities include determining the framework for the remuneration, including pension arrangements, for all Executive Directors, the Chair and senior executives. The Committee is also responsible for approving employment contracts for senior executives.

Remuneration Committee adviser

The Remuneration Committee is advised by the Executive Compensation practice at PwC since their appointment in July 2023. PwC replaced Alvarez & Marsal ('A&M'), who had been in place since 2020. Advisers hold discussions with the Remuneration Committee Chair regularly on Committee processes and topics which are of particular relevance to the Company.

The primary role of the Committee adviser is to provide independent and objective advice and support to the Committee's Chair and members. The Committee is satisfied that the advice that it receives is objective and independent, noting that both PwC and A&M are signatories to the Remuneration Consultants Group ('RCG') Code of Conduct which sets out guidelines for managing conflicts of interest, and have confirmed to the Committee their compliance with the RCG Code.

The total fees paid to PwC in respect of its services to the Committee for the year ended 31 December 2023 were $31,606. Additionally fees totalling $52,898 were paid to A&M in respect of services provided to the Committee during 2023 prior to the appointment of PwC. Fees are predominantly charged on both agreed and 'time spent' bases.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report are shown below along with the votes to approve the 2023 Remuneration Policy; any matters discussed with shareholders during the year, are provided in the Annual Statement for 2023 starting on page 101. Details on the 2023 AGM vote are also outlined in the statement.

	Vote to approve 2022 Annual Report on Remuneration (at the 2023 AGM)		Vote to approve 2023-2025 Remuneration Policy (at the 2023 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	**165,996,639**	**92.2**	**166,150,636**	**92.9**
Against	**14,137,270**	**7.8**	**12,769,776**	**7.1**
Total	**180,133,909**	**100.0**	**178,920,412**	**100.0**
Abstentions	**125**		**1,213,622**	

Please see page 101 for the Chair's discussion of the 2023 AGM Remuneration vote outcomes.

Approved by the Board of Directors and signed on behalf of the Board.

Irene McDermott Brown
Chair of the Remuneration Committee

5 March 2024

Directors' Report

Overview of the Group

LHL is a Bermuda incorporated company (Registered Company No. 37415) with operating subsidiaries in Bermuda, London, the U.S., and Australia and two syndicates at Lloyd's.

The Company's common shares were admitted to trading on AIM in December 2005 and were subsequently moved up to the Official List and to trading on the main market of the LSE on 16 March 2009. The shares have been included in the FTSE 250 Index since 22 June 2009 and have a premium listing on the LSE.

Principal activities

The Company's principal activity, through its wholly-owned subsidiaries, is the provision of global specialty, catastrophe and casualty insurance and reinsurance products. An analysis of the Group's business performance can be found in the underwriting and business review starting on page 14.

Dividends

During the year ended 31 December 2023, the following dividends were declared:

- a final dividend of $0.10 per common share was declared on 9 February 2023 subject to shareholder approval, which was received at the 2023 AGM. The final dividend was paid on 2 June 2023 in pounds sterling at the pound/U.S. dollar exchange rate of 1.26135 or £0.0793 per common share;
- an interim dividend of $0.05 per common share was declared on 9 August 2023 and paid on 15 September 2023 in pounds sterling at the pound/U.S. dollar exchange rate of 1.2719 or £0.0393 per common share; and
- a special dividend of $0.50 per common share was declared on 8 November 2023 and paid on 15 December 2023 in pounds sterling at the pound/U.S. dollar exchange rate of 1.2429 or £0.4023 per common share.

Dividend policy

The Group intends to maintain a strong balance sheet at all times, while generating an attractive risk-adjusted total return for shareholders. We actively manage capital to achieve those aims. Capital management is expected to include the payment of a sustainable annual (interim and final) ordinary dividend, supplemented by special dividends from time-to-time. Dividends will be linked to past performance and future prospects.

Under most scenarios, the annual ordinary dividend is not expected to reduce from one year to the next. Special dividends are expected to vary substantially in size and in timing. The Board may cancel the payment of any dividend between declaration and payment for purposes of compliance with regulatory requirements or for exceptional business reasons.

Current Directors

- Peter Clarke (Non-Executive Chair)
- Alex Maloney (Group Chief Executive Officer)
- Natalie Kershaw (Group Chief Financial Officer)
- Philip Broadley (Non-Executive Director and Chair designate)
- Michael Dawson (Non-Executive Director)
- Jack Gressier (Non-Executive Director)
- Bryan Joseph (Non-Executive Director)
- Robert Lusardi (Senior Independent Non-Executive Director)
- Irene McDermott Brown (Non-Executive Director)
- Sally Williams (Non-Executive Director)

Directors' interests

The Directors' beneficial interests in the Company's common shares as at 31 December 2023 and 2022, including interests held by family members, were as follows:

Directors	Common shares held as at 31 December 2023	Common shares held as at 31 December 2022
Philip Broadley[1]	–	N/A
Peter Clarke	**82,500**	82,500
Michael Dawson	**20,000**	20,000
Simon Fraser[2]	**N/A**	3,000
Jack Gressier	–	–
Bryan Joseph[3]	**4,076**	N/A
Natalie Kershaw[4]	**52,840**	77,922
Robert Lusardi	**48,000**	48,000
Alex Maloney[5]	**810,899**	910,899
Irene McDermott Brown[6]	**8,663**	–
Sally Williams	**11,082**	11,082

1. Philip Broadley was appointed to the Board with effect from 8 November 2023.
2. Simon Fraser ceased being a Director on 26 April 2023. Mr Fraser held 3,000 shares in the Company as at 26 April 2023.
3. Bryan Joseph was appointed to the Board with effect from 26 April 2023. Mr Joseph conducted the following transactions in the Company's shares during 2023:
   - 2 June 2023 – purchase of 2,200 shares at a price of £6.24 per share costing £13,725.80.
   - 29 June 2023 – purchase of 1,850 shares at a price of £5.78 per share costing £10,696.70.
   - 22 September 2023 – purchase of 26 shares at a price of £6.01 per share costing £159.26.
4. The 77,922 shares held at 31 December 2022 included 25,082 shares held by her spouse, Adam Burton. Natalie Kershaw conducted the following transactions in the Company's shares during 2023:
   - 17 May 2023 – sale of 25,082 shares at a price of £6.28 per share totalling £157,434.08 by Adam Burton.
5. Includes 181,819 shares owned by his spouse, Amanda Maloney. Alex Maloney conducted the following transactions in the Company's shares during 2023:
   - 24 February 2023 – exercise of 89,105 RSS awards and related sale of 89,105 shares at a price of £5.99 per share realising £534,275.36.
   - 24 February 2023 – sale of 100,000 shares at a price of £6.02 per share realising £601,842.20.
6. Irene McDermott Brown conducted the following transactions in the Company's shares during 2023:
   - 6 March 2023 – purchase of 5,054 shares at a price of £5.93 per share costing £29,983.87.
   - 22 March 2023 – purchase of 3,609 shares at a price of £5.58 per share costing £19,984.73.

Transactions in own shares

Pursuant to the authority granted at the AGM held on 26 April 2023, the Company announced on 22 November 2023 that it would commence a share repurchase programme to expire on 29 February 2024. No shares were repurchased under the programme.

Further details of the share repurchase authority and programme are set out on page 188. The authority to repurchase shares is subject to renewal at the 2024 AGM for an amount of up to 10% of the then issued common share capital.

Directors' remuneration

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. Details of the Directors' remuneration are set out in the Directors' Remuneration Report starting on page 101.

Substantial shareholders

As at 31 January 2024, the Company was aware of the following interests of 5% or more in the Company's issued share capital:

Shareholder	No. of Shares	% of issued ISC
Baillie Gifford	19,140,928	7.84
Setanta Asset Management	16,884,586	6.92
GLG Partners	14,983,203	6.14
Polar Capital	13,556,792	5.56
BlackRock	12,290,322	5.04

As at 5 March 2024, no further material changes have been notified to the Company.

Corporate governance – compliance statement

The Company's compliance with the Code is detailed in the Sustainability and Governance reporting sections of this Annual Report and Accounts on pages 40 to 121 and more particularly in Peter Clarke's introduction to those sections on page 41.

The Board considers, and the Company confirms, in accordance with the principle of 'comply or explain', that the Company has applied the principles and complied with the provisions and guidance set out in the Code throughout the year ended 31 December 2023.

Health and safety

The Group considers the health and safety of its employees to be a management responsibility equal to that of any other function. The Group operates in compliance with health and safety legislative requirements in Bermuda and the UK.

Greenhouse gas emissions and TCFD reporting

The Group's greenhouse gas emissions are detailed on page 69. The Group's TCFD Report is included in this Annual Report and Accounts starting on page 49.

Employees

The Group is an equal opportunities employer and does not tolerate discrimination of any kind in any area of employment or corporate life. The Group believes that education and training for employees is a continuous process and employees are encouraged to discuss training needs with their managers. The Group's health and safety, equal opportunities, training and other employment policies are available to all employees in the staff handbook which is located on the Group's Employee HR portal.

Creditor payment policy

The Group aims to pay all creditors promptly and in accordance with contractual and legal obligations.

Financial instruments and risk exposures

Information regarding the Group's risk exposures is included in the ERM report starting on page 23 and in the risk disclosures section starting on page 148 of the consolidated financial statements. The Group's use of derivative financial instruments can be found on page 158.

Accounting standards

The consolidated financial statements of the Group have been prepared on a going concern basis in compliance with the IFRS accounting standards, as adopted by the E.U.

Annual General Meeting

The Notice of the 2024 AGM, to be held on 1 May 2024 at the Company's head office, Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda, is contained in a separate circular to shareholders which is made available to shareholders at the same time as this Annual Report and Accounts. The Notice of the AGM is also available on the Company's website.

Electronic and website communications

Provisions of the Bermuda Companies Act 1981 enable companies to communicate with shareholders by electronic and/or website communications. The Company will notify shareholders (either in writing or by other permitted means) when a relevant document or other information is placed on the website and a shareholder may request a hard copy version of the document or information.

Going concern and viability statement

The performance review section starting on page 12 sets out details of the Group's financial performance, capital management, business environment and outlook. In addition, further discussion of the principal risks and material uncertainties affecting the Group can be found on pages 23 to 31. Starting on page 148 the risk disclosures section of the consolidated financial statements sets out the principal risks to which the Group is exposed, including insurance, climate change, market, liquidity, credit, operational and strategic, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks. Further details of the Group's scenario testing and resilience to climate change risk can be found in the TCFD Report starting on page 49.

The Board considers annually and on a rolling basis, a strategic plan for the business which the Company progressively implements. The strategic plan approved by the Board at its meeting on 9 August 2023 covered the period to the year 2030. The Board also approved at its meeting on 8 November 2023 a management proposal for a more detailed three-year business forecast covering 2024 to 2026, which (as in 2023 and prior years) will be revised and reviewed by the Board at each of its quarterly meetings throughout 2024. The three year business plan period aligns to the predominantly short-tail nature of the Group's liabilities and the agility in the business model, allowing the Group to adapt capital and solvency quickly in response to market cycles, events and opportunities. This is consistent with the outlook period in the Group's ORSA report. The Board receives quarterly reports from the Group CRO and sets, approves and monitors risk tolerances for the business.

During 2023, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. As part of this assessment the business plan was stressed for a number of severe but plausible scenarios and the impact on capital evaluated. As we note in the Audit Committee report on page 83 and throughout this Annual Report and Accounts, the Board continues to monitor Group reserves for a number of loss events including the conflict in Ukraine and various natural catastrophe and specialty market loss events. The Board also continued to monitor the conditions within the global investment markets. The Audit Committee also considered a formal and thorough 'going concern' analysis from management at both its July 2023 and March 2024 meetings (for further details see page 84 in the Audit Committee report). The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. Accordingly, the Board has a reasonable expectation that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2026, being the period considered under the Group's current three-year business plan.

Going Concern

Based on the going concern assessment performed as at 31 December 2023, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern and to adopt the going concern basis of accounting. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence as a going concern in the foreseeable future, a period of at least 12 months from the date of signing the Group's consolidated financial statements.

Auditors

Resolutions will be proposed at the Company's 2024 AGM to re-appoint KPMG LLP as the Company's auditors and to authorise the Directors to set the auditors' remuneration.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

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

Approved by the Board of Directors and signed on behalf of the Board.

Christopher Head
Company Secretary

5 March 2024

The Directors are responsible for preparing the Annual Report and Accounts and the Group's consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. The consolidated financial statements have been prepared in accordance with the IFRS accounting standards, adopted by the E.U. Further detail on the basis of preparation is described in the consolidated financial statements.

In preparing the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with the IFRS standards;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements;
- provide additional disclosures where compliance with the specific requirements of IFRS standards are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the consolidated financial statements comply with applicable laws and regulations. They are also responsible for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and also have general responsibility for safeguarding the assets of the Group, and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with the IFRS accounting standards as adopted by the E.U. give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- the strategy report including the business review section of this Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions. In addition, the rights of shareholders under Bermuda law may differ from those for shareholders of companies incorporated in other jurisdictions.

By order of the Board

5 March 2024

1. Our opinion is unmodified

We have audited the consolidated financial statements of Lancashire Holdings Limited ("the Company") for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows, and the related notes, including the accounting policies on pages 135 to 147 of this Annual Report and Accounts.

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of the Group's profit for the year then ended; and
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

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

Estimation of incurred but not reported element of both liability for incurred claims and asset for incurred claims

(Claims incurred but not reported is an element of both the liability for incurred claims and the asset for incurred claims at 31 December 2023: $1,765.9 million liability for incurred claims, $430.3 million asset for incurred claims; 31 December 2022: $1,644.5 million liability for incurred claims, $516.2m million asset for incurred claims)

Refer to pages 83 to 88 (Audit Committee report), page 138 to 143 (accounting policy) and pages 178 to 183 (financial disclosures).

Risk vs 2022: <>

The risk

The Group maintains liabilities (and related reinsurance assets) for incurred claims to cover the estimated ultimate cost of settling all losses and loss adjustment expenses arising from events which have occurred up to the balance sheet date, regardless of whether those losses have been reported to the Group. Incurred but not reported (IBNR) claims is the most subjective component of the liability for incurred claims and the asset for incurred claims.

Whilst the adoption of IFRS 17 affects the measurement of the incurred claims, for example by including a risk adjustment and requiring discounting, the adoption of IFRS 17 in the period had no effect on the estimation of IBNR.

There is high level of uncertainty within the IBNR portion of the liability (and asset) for incurred claims related to the estimate of the fulfilment cash flows for IBNR

Subjective valuation:

The liability for incurred claims represents the single largest liability for the Group and the estimation of the IBNR element is the most subjective. Valuation of the fulfilment cash flows related to incurred but not reported liabilities is highly judgemental because it requires a number of assumptions to be made with high estimation uncertainty such as initial expected loss ratios, large loss assumptions and claim development patterns. The determination and application of the methodology and performance of the calculations are also complex. These judgemental and complex calculations for the cash flows for incurred claims are also used along with net to gross ratio assumptions to derive the valuation of the related reinsurance asset for incurred claims.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of the liability and asset for incurred claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.

Our response

We have used our own actuarial specialists to assist us in performing our procedures in this area:

Our procedures included:

Controls design and implementation

Evaluating and testing the design and implementation of key controls over the appropriateness of the methodology and actuarial assumptions used in the valuation process of the portion of the liability (and asset) for incurred claims related to undiscounted IBNR fulfilment cash flows.

Assessment of assumptions and methodology

Assessing and challenging the reserving assumptions and methodology (on a gross and net of outwards reinsurance basis) based on our understanding of the reserving policy within the Group. This has also involved comparing the Group's reserving methodology for the calculation of the IBNR fulfilment cash flows with industry practice and understanding the rationale for any key differences.

Historical experience

Evaluating the reliability of the Group's reserving estimates by monitoring the development of losses against initial estimates.

Independent re-projections

Applying our own assumptions, across all attritional classes of business, to perform re-projections on the liability for incurred claims (fulfilment cash flows) and asset for incurred claims and comparing these to the Group's projected results. Where there were significant variances in the results, we have challenged the Group's assumptions with respect to the selected initial expected loss ratios or development patterns.

Data reconciliations

Assessing the completeness and accuracy of the data used within the reserving process by reconciling the actuarial source data to the financial systems.

Sector experience and benchmarking of large losses

Assessing and challenging the reserving assumptions by comparing the Group's loss experience to peers in the market, on a gross and net of outwards reinsurance basis, including on a contract by contract basis for selected large loss and catastrophe events.

We performed the tests above over the valuation rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Assessing transparency

Considering the adequacy of the Group's disclosures in respect of the valuation of the liability (and asset) for incurred claims.

Eligibility for the Premium Allocation Approach ("PAA")

Refer to pages 83 to 88 (Audit Committee report), page 136 (accounting policy)

Risk vs 2022: New risk in 2023

The risk

IFRS 17 was adopted by the Group on 1 January 2023. This new and complex standard requires the Group to measure its groups of insurance (and reinsurance) contracts using the General Measurement Model ("GMM") unless the criteria for measuring contracts using a simplified Premium Allocation Approach ("PAA") is met.

The Group has applied the PAA to simplify the measurement of groups of insurance (and reinsurance) contracts.

Insurance (and reinsurance) contracts are eligible for the PAA if the coverage period is one year or less. If the coverage period for any insurance (or reinsurance) contract in a group of contracts is more than one year, the Group is only eligible to apply the PAA to the group of contracts if it reasonably expects that the PAA and GMM would not produce materially different measurements of the liability (and asset) for remaining coverage.

The Group has to consider and apply judgement to assess whether significant variability in the fulfilment cash flows is expected. If significant variability is expected at the inception of the group of insurance (and reinsurance) contracts, then the PAA is not allowed.

The calculation for liability (and asset) for remaining coverage using the GMM is complex and requires the Group to perform a forecast based assessment. As part of this assessment the Group has calculated the liability (and asset) for remaining coverage at inception of each of the groups of contracts using the GMM approach and compared this with same output under the PAA over the coverage period of the group of contracts. The Group has then modelled a series of plausible scenarios to test the extent of variability and assess whether the eligibility test is met.

There are a number of subjective assumptions used in this assessment with high estimation uncertainty such as budgeted loss and expense ratios, cash flow patterns and estimates of ultimate premium. There is also subjectivity and judgement involved in concluding whether the difference between the liability (or asset) for remaining coverage calculated using the GMM is materially different to the PAA under what are considered reasonable scenarios.

Our response

We have used our own actuarial specialists to assist us in performing our procedures in this area.

The below responses are in respect of groups of contracts existing at the transition balance sheet as well as those commencing during 2022 and 2023.

Our procedures included:

Control Design and implementation

Evaluating and testing the design and implementation of key controls over the assessment of PAA eligibility for groups of insurance and reinsurance contracts.

Assessment of assumptions and methodology

Assessing the appropriateness of the methodology used, qualitative factors and key assumptions such as forecast ultimate loss ratios, cash flow patterns and expense ratios.

Independent Recalculation

Independently recalculating the liability for remaining coverage ("LRC") under the General Measurement Model (GMM) and the Premium Allocation Approach (PAA) and assessing whether the difference between the two measurement models differ materially considering both qualitative and quantitative factors.

Stress testing

Assessing the appropriateness of stresses applied on key assumptions by management, independently performing stress tests on key assumptions and evaluating whether groups of insurance and reinsurance contracts continue to be eligible for the PAA under various scenarios.

Data reconciliations

Assessing the completeness and accuracy of the data used within the PAA eligibility assessment by reconciling to approved forecasts by the Board.

We performed the tests above over the eligibility for the PAA rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Assessing transparency

Considering the adequacy of the Group's disclosures in respect of key judgements within the PAA eligibility assessment performed by the Group.

We continue to perform procedures over the valuation of expected estimated premium receipts (before adoption of IFRS 17, valuation of premiums receivable from insureds and cedants which are estimated) and the valuation of level 3 investments. However, based on our risk assessment we have not assessed these as the most significant risks of material misstatement in our current year audit and, therefore, they are not separately identified in our report this year.

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

Materiality for the consolidated financial statements as a whole was set at $14.0 million (2022: $12.0 million), determined with reference to a benchmark of insurance revenue of which it represents 0.9% (2022: $12.0 million determined with reference to a benchmark of gross premiums written under IFRS 4, of which it represented 0.7%). We consider insurance revenue to be the most appropriate benchmark given the size and complexity of the business as it provides a stable measure year on year. We also compared our materiality against other relevant benchmarks (total assets, net assets and profit before tax) to ensure the materiality selected was appropriate for our audit.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances aggregate to a material amount across the consolidated financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the consolidated financial statements as a whole, which equates to $10.5 million (2022: $9.0 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.7 million (2022: $0.6 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Of the Group's nine (2022: ten) reporting components, we subjected five (2022: five) to full scope audits for Group purposes which were the parent Company (LHL), UK insurance company (LUK), Bermudan insurance company (LICL), UK service entity (LISL) and the Group's participation in Lloyd's Syndicate 2010 and 3010. Including the audit of the consolidation adjustments, the components within our scope of work covered 100% of insurance revenue, 99.8% of total assets and total liabilities (2022: 100% of gross premiums written, total assets and total liabilities under IFRS 4).

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be included within audit scope, including the relevant risks detailed above and the information to be reported back.

The Group team determined the component materialities, which ranged from $3.5 million to $10.7 million (2022: $3.0 million to $8.9 million), having regard to the mix of size and risk profile of the Group across the components.

The work on four of the five full scope components (2022: four of the five components) was performed by component auditors and work on one (2022: one) full scope component was performed by the Group team.

In working with component auditors, we:

- Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components.
- Held planning calls with the component audit teams to discuss the impact of the adoption of IFRS 17 and 9 by the Group and the scope and timing of the relevant audit work to be performed by the component audit teams.
- Issued group audit instructions to component auditors on the scope of their work.
- Held risk assessment update discussions with the component audit teams before the commencement of the final phases of the audit led by the Group engagement partner and engagement quality control partner.
- Visited Bermuda and UK (2022: Bermuda and UK) components in-person as the audit progressed to understand and challenge the audit approach and organised video conferences with the partners and directors of the Group and component audit teams. At these visits and video conferences, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspected component audit teams' key work papers in person and/or using remote technology capabilities to evaluate the quality of execution of the audits of the components.

4. The impact of climate change on our audit

In planning our audit, we performed a risk assessment, including enquiries of management, to determine how the impact of commitments made by the Group in respect of the transition to net zero carbon emissions, as well as the physical risks of climate change, and transition risks faced by the Group's customer base, could impact on the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment. Through the procedures we performed, we did not identify any material impact of climate change on the Group's material accounting estimates and there was no significant impact of this assessment on our key audit matters.

The Group underwrites short-tail catastrophe risks. Climate change may result in an increase in the frequency and severity of climate-related catastrophe events, leading to higher insurance pay-outs. However, the short-term nature of the Group's insurance contracts means that the impact of losses from catastrophes for the year ended 31 December 2023 is already recorded within the Group's liability for incurred claims at the balance sheet date. The Group considers this loss experience in evaluating individual risk exposures, and the setting of insurance premium rates for both new policies and the periodic renewal of its existing insurance underwriting portfolio. The Group expects any increase in the frequency and severity of climate-related catastrophe events to be reflected in future market premium rates. These considerations are factored into the Group's going concern assessments, in the assessment of which the Group performed a specific climate change stress scenario.

The Group also holds investments and assesses climate risk exposure within the portfolio. Given the predominantly short-term nature of these investments, we have assessed that there is no significant risk related to climate with regards to the valuation of these investments at the balance sheet date.

Taking into account the extent of the headroom of the recoverable amount over the carrying amount of the cash generating units including the Group's intangible assets with indefinite useful lives, we assessed the risk of climate change to the carrying amount of these assets at the balance sheet date to be not significant.

We have read the disclosures of climate related information in the Annual Report and Accounts and considered their consistency with the consolidated financial statements and our audit knowledge.

5. Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was the valuation of the liability for incurred claims given the estimation and judgement involved in setting these reserves.

We also considered less predictable but realistic second order impacts that could affect demand in the Group's markets, such as the impact of climate change on the Group's results and operations, the performance of the investment portfolio, credit ratings for key insurance subsidiaries, solvency and capital adequacy.

We considered whether these risks could plausibly affect the liquidity and solvency in the going concern period by comparing severe, but plausible downside scenarios and the degree of downside changes in assumptions that, individually and collectively, could result in a liquidity and solvency issue taking into account the Group's current and projected financial resources (a reverse stress test).

We considered whether the going concern disclosure on page 135 of the consolidated financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement on page 120 of the consolidated financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's use of that basis for the going concern period, and we found the going concern disclosure on page 135 to be acceptable

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit, the Risk function, Head of Group legal and the Company Secretary, together with inspection of policy documentation, as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes and performance conditions for management remuneration which includes the annual change in diluted book value per share and return on equity.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communications from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and requests to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of liability and asset for incurred claims. On this audit we do not believe there is a fraud risk related to revenue recognition because insurance revenue is recognised based on standard non-complex revenue earning patterns.

We also identified a fraud risk in relation to the following area:

- The valuation of liability and asset for incurred claims due to the estimation required in setting these liabilities (and associated reinsurance asset) and the ability for changes in the valuation to be used to impact profit.

In order to address the risk of fraud specifically as it relates to the valuation of liability and asset for incurred claims, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

Further detail in respect of our procedures around the valuation of liability (and asset) for incurred claims is set out in the key audit matter disclosures in section 2 of this independent auditor’s report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls. The Audit Committee report on pages 83 to 88 also references the entity level controls in operation across the Group.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash, consolidation journals and post-closing journals meeting certain criteria.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As certain entities within the Group are regulated, our assessment of risks involved gaining an understanding of the control environment including an entity's procedures for complying with regulatory requirements. This was achieved through the procedures noted above.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

Firstly, the Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and regulatory capital, solvency and liquidity regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines, litigation or loss of regulatory approval to write insurance contracts. We identified the following areas as those most likely to have such an effect: anti-bribery and certain aspects of company legislation, recognising the financial and regulated nature of certain of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report and Accounts together with the consolidated financial statements. Our opinion on the consolidated financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our consolidated financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' remuneration report

In addition to our audit of the consolidated financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company was required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 120 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our consolidated financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the consolidated financial statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report and Accounts describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the consolidated financial statements, and how these issues were addressed; and
- the section of the Annual Report and Accounts that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 121, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

This report is made solely to the Company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Salim Tharani
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
5 March 2024

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Notes	2023 $m	Restated 2022 $m
Insurance revenue	2, 13	**1,519.9**	1,226.5
Insurance service expenses	2, 3, 6,13	**(696.2)**	(994.6)
Insurance service result before reinsurance contracts held		**823.7**	231.9
Allocation of reinsurance premium	2, 13	**(424.8)**	(371.8)
Amounts recoverable from reinsurers	2, 3, 13	**(16.8)**	281.5
Net expense from reinsurance contracts held		**(441.6)**	(90.3)
Insurance service result		**382.1**	141.6
Net investment return	2, 4	**160.5**	(76.7)
Finance (expense) income from insurance contracts issued	2, 3	**(98.3)**	20.1
Finance income (expense) from reinsurance contracts held	2, 3	**31.7**	(6.7)
Net insurance and investment result		**476.0**	78.3
Share of profit (loss) of associate	15	**12.1**	(5.4)
Other income	5	**2.9**	6.5
Net foreign exchange losses		**(4.1)**	(0.6)
Other operating expenses	2, 6	**(107.4)**	(58.3)
Equity based compensation	7	**(15.2)**	(8.6)
Financing costs	8	**(31.6)**	(29.2)
Profit (loss) before tax		**332.7**	(17.3)
Tax (charge) credit	9	**(11.2)**	1.8
Profit (loss) after tax		**321.5**	(15.5)
Earnings (loss) per share			
Basic	20	**$1.35**	($0.06)
Diluted	20	**$1.32**	($0.06)

Consolidated statement of financial position

As at 31 December 2023

	Notes	31 December 2023 $m	Restated 31 December 2022 $m	Restated 1 January 2022 $m
Assets				
Cash and cash equivalents	10, 18	**756.9**	548.8	517.7
Accrued interest receivable		**16.7**	11.3	7.1
Investments	11, 12, 18	**2,455.5**	2,204.9	2,048.1
Reinsurance contract assets	13	**387.8**	474.3	326.5
Other receivables		**58.4**	30.0	18.8
Corporation tax receivable		**—**	1.1	—
Investment in associate	12, 15	**16.2**	59.7	120.1
Right-of-use assets	16	**19.3**	20.3	13.4
Property, plant and equipment		**9.8**	1.1	0.8
Intangible assets	17	**181.1**	172.4	157.9
Total assets		**3,901.7**	3,523.9	3,210.4
Liabilities				
Insurance contract liabilities	13	**1,823.7**	1,673.5	1,302.3
Other payables		**80.6**	44.6	37.4
Corporation tax payable		**2.0**	—	1.6
Deferred tax liability	14	**16.2**	10.3	11.6
Lease liabilities	16	**24.7**	23.3	17.9
Long-term debt	18	**446.6**	446.1	445.7
Total liabilities		**2,393.8**	2,197.8	1,816.5
Shareholders' equity				
Share capital	19	**122.0**	122.0	122.0
Own shares	19	**(29.7)**	(34.0)	(18.1)
Other reserves	19	**1,233.2**	1,221.9	1,221.6
Retained earnings		**182.4**	16.2	67.9
Total shareholders' equity attributable to equity shareholders of LHL		**1,507.9**	1,326.1	1,393.4
Non-controlling interests		**—**	—	0.5
Total shareholders' equity		**1,507.9**	1,326.1	1,393.9
Total liabilities and shareholders' equity		**3,901.7**	3,523.9	3,210.4

The consolidated financial statements were approved by the Board of Directors on 5 March 2024 and signed on its behalf by:

Peter Clarke
Director/Chair

Natalie Kershaw
Director/CFO

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2023

	Notes	Share capital $m	Own shares $m	Other reserves $m	Accumulated other comprehensive income $m	Retained earnings $m	Shareholders' equity attributable to equity shareholders of LHL $m	Non-controlling interests $m	Restated Total shareholders' equity $m
Balance as at 1 January 2022, as previously reported		122.0	(18.1)	1,221.6	2.9	83.9	1,412.3	0.5	1,412.8
Initial application of IFRS 9 - Financial instruments, net of tax	24	—	—	—	(2.9)	2.9	—	—	—
Initial application of IFRS 17 - Insurance contracts, net of tax	23	—	—	—	—	(18.9)	(18.9)	—	(18.9)
Balance as at 1 January 2022 (restated)		122.0	(18.1)	1,221.6	—	67.9	1,393.4	0.5	1,393.9
Loss for the year (restated)		—	—	—	—	(15.5)	(15.5)	—	(15.5)
Share repurchases	19	—	(23.3)	—	—	—	(23.3)	—	(23.3)
Distributed by the trust	19	—	8.1	(8.9)	—	—	(0.8)	—	(0.8)
Shares donated to the trust	19	—	(0.7)	0.7	—	—	—	—	—
Dividends on common shares	19	—	—	—	—	(36.2)	(36.2)	—	(36.2)
Repurchase of shares from non-controlling interest		—	—	(0.6)	—	—	(0.6)	(0.5)	(1.1)
Net deferred tax		—	—	0.1	—	—	0.1	—	0.1
Equity based compensation		—	—	9.0	—	—	9.0	—	9.0
Balance as at 31 December 2022 (restated)		122.0	(34.0)	1,221.9	—	16.2	1,326.1	—	1,326.1
Profit for the year		—	—	—	—	**321.5**	**321.5**	—	**321.5**
Distributed by the trust	19	—	**4.3**	**(4.8)**	—	—	**(0.5)**	—	**(0.5)**
Dividends on common shares	19	—	—	—	—	**(155.3)**	**(155.3)**	—	**(155.3)**
Net deferred tax		—	—	**0.4**	—	—	**0.4**	—	**0.4**
Equity based compensation		—	—	**15.7**	—	—	**15.7**	—	**15.7**
Balance as at 31 December 2023		**122.0**	**(29.7)**	**1,233.2**	—	**182.4**	**1,507.9**	—	**1,507.9**

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 $m	Restated 2022 $m
Cash flows from operating activities			
Profit (loss) before tax		**332.7**	(17.3)
Adjustments for:			
Tax paid		**(1.9)**	(2.1)
Depreciation		**4.3**	3.1
Amortisation on intangible assets	17	**0.2**	—
Impairment of intangible assets	17	**1.4**	—
Interest expense on long-term debt	16	**25.8**	25.8
Interest expense on lease liabilities	16	**1.5**	0.8
Interest income		**(95.4)**	(46.1)
Dividend income		**(11.3)**	(8.1)
Net unrealised (gains) losses on investments	4	**(53.4)**	103.0
Net realised (gains) losses on investments	4	**(3.9)**	24.7
Equity based compensation		**15.2**	8.6
Foreign exchange losses (gains)		**3.9**	(7.9)
Share of (profit) loss of associate	15	**(12.1)**	5.4
Changes in operational assets and liabilities			
• Insurance and reinsurance contracts		**220.4**	239.7
• Other assets and liabilities		**14.5**	(5.8)
Net cash flows from operating activities		**441.9**	323.8
Cash flows used in investing activities			
Interest income received		**90.0**	41.9
Dividend income received		**11.3**	8.1
Purchase of property, plant and equipment		**(9.6)**	(0.7)
Purchase of underwriting capacity	17	**(3.3)**	(4.2)
Internally generated intangible asset	17	**(7.0)**	(10.3)
Investment in associate	22	**55.6**	55.0
Purchase of investments		**(1,057.4)**	(1,130.2)
Proceeds on sale of investments		**866.1**	845.5
Net cash flows used in investing activities		**(54.3)**	(194.9)
Cash flows used in financing activities			
Interest paid		**(25.8)**	(25.8)
Lease liabilities paid	16	**(3.8)**	(3.6)
Dividends paid	19	**(155.3)**	(36.2)
Share repurchases		**—**	(23.3)
Distributions by trust		**(0.5)**	(0.8)
Purchase of shares from non-controlling interest		**—**	(1.1)
Net cash flows used in financing activities		**(185.4)**	(90.8)
Net increase in cash and cash equivalents		**202.2**	38.1
Cash and cash equivalents at beginning of year		**548.8**	517.7
Effect of exchange rate fluctuations and other items on cash and cash equivalents		**5.9**	(7.0)
Cash and cash equivalents at end of year		**756.9**	548.8

Accounting policies

For the year ended 31 December 2023

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. Effective from 1 January 2023, the Group adopted IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments: Classification and Measurement. The related changes from adopting these standards are set out in notes 23 and 24 respectively.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS (as issued by the International Accounting Standards Board), as adopted by E.U.

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 2023, the Directors have considered a number of factors. These include:

- the current balance sheet and liquidity position;
- the level and composition of the Group's capital and solvency ratios;
- the Group's ability to service its long-term debt financing arrangements;
- the current performance against the Group's strategic and financial business plan;
- the Group's dividend distribution policy; and
- the current market environment, including consideration for 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, as well as various scenarios. This 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, 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 might be expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in a subsequent financial year.

Insurance contracts issued and reinsurance contracts held

The 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 claims, benefits and expenses in respect of, 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 within our risk disclosures on pages 148 to 166.

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 require significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include hedge funds, private investment funds and loans made to the Lloyd's central fund. The estimation of fair value, specifically for Level (iii) investments, is discussed in note 11.

Annual impairment assessments

The syndicate participation rights and goodwill are intangible assets with an indefinite life and subject to an annual impairment assessment. The Group applies judgement when determining the input assumptions to the value in use calculation. The input assumptions and their sensitivity are disclosed in note 17.

Management judgements, other than those involving estimations

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

Simplified premium allocation measurement model

IFRS 17 allows for the use of a simplified measurement model. The PAA can be applied by the Group for a group of insurance contracts which it underwrites if the coverage period of each contract within the Group is one year or less, or if the liability for remaining coverage determined under the PAA is not 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. Groups of insurance contracts issued and reinsurance contracts held which include contracts with a coverage period of more than one year require a PAA eligibility assessment upon initial recognition, which in turn requires management judgement to be made in respect of 1) the allocation of an individual insurance or reinsurance contract to a portfolio of insurance contracts based on those individual contracts having similar risks and being managed together, 2) the division of the portfolios of insurance contracts into the three IFRS 17 groups of insurance contracts (as defined within the insurance contracts issued and reinsurance contracts held accounting policies section below), and 3) the performance of the underlying insurance contracts.

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. In the years prior to IFRS 17 adoption, and in the initial year of adoption, this assessment was made through detailed modelling of all portfolios and groups of insurance contracts. Going forward the assessment will likely be more qualitative in nature, unless there is a significant shift in business mix, material new lines of business are entered into, or significant changes in relevant economic factors occur.

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 three IFRS 17 groups of contracts for recognition and measurement purposes based on their expected profitability.

Onerous contract assessment

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

Approach to transition

Judgement was applied to determine whether sufficient, reasonable and supportable information was available to apply a fully retrospective approach when transitioning to the new IFRS 17 and IFRS 9 accounting standards (see note 23 and 24).

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. This classification is discussed on page 144.

Changes in accounting policies

IFRS 17 and IFRS 9

Effective from 1 January 2023 the Group adopted IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments: Classification and Measurement, including any consequential amendments to other standards. These standards have brought significant changes to the accounting for insurance contracts issued and reinsurance contracts held, and financial instruments. The impact of retrospectively adopting IFRS 17 and IFRS 9 is summarised in notes 23 and 24.

The Group's accounting policies that were impacted by the adoption of IFRS 17 and IFRS 9, are disclosed on pages 191 to 195.

OECD global minimum tax and Bermuda corporate income tax

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. Legislation was also passed in Bermuda on 27 December 2023, to implement a corporate income tax regime from 1 January 2025.

The UK has substantively enacted Pillar Two tax legislation, to implement the global minimum top-up tax on 20 June 2023. The Group could potentially be subject to the top-up tax in relation to its operations.

The IASB has issued an amendment to IAS 12 'International Tax Reform – Pillar Two Model Rules' which includes an exception from accounting for deferred taxes which was endorsed for use in the E.U. on 2 June 2023. Prior to the endorsement, the Group had developed an accounting policy applying the guidance in IAS 8. Under this accounting policy, the Group does not recognise the deferred tax impact of the top-up tax or remeasure existing deferred taxes. Instead, any incremental effect of the top up tax is recognised as current tax as it is incurred.

Refer to note 14 for further information.

Other accounting changes

Effective from 1 January 2023, the IASB issued amendments to IAS 1 Presentation of Financial Statements, together with an update to IFRS Practice Statement 2 Making Materiality Judgements. The changes primarily relate to considering accounting policies and transactions as either material or significant, and have been determined to be immaterial to the Group's financial statements.

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2023. These are not currently relevant for the Group and do not impact the consolidated financial statements of the Group.

Consolidation principles

The Group consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2023. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary.

The Group participates in two syndicates at Lloyd's, which are managed by the Group's Lloyd's managing agent subsidiary. In view of the several liability of underwriting members at Lloyd's, the Group recognises its proportion of all the transactions undertaken by the syndicates in which it participates within its consolidated statement of comprehensive income. Similarly, the Group's proportion of the syndicates' assets and liabilities has been reflected in its consolidated statement of financial position. This proportion is calculated by reference to the Group's participation as a percentage of each syndicate's total capacity for each underwriting year of account.

Subsidiaries' accounting policies are generally consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring the subsidiaries accounting policies in line with that of the Group.

Associates

Investments in which the Group has significant influence over the operational and financial policies of the investee, are recognised at cost and thereafter accounted for using the equity method. Under this method, the Group records its proportionate share of income or loss from such investments in its consolidated statement of comprehensive income for the period. Adjustments are made to associate accounting policies, where necessary, in order to be consistent with the Group's accounting policies.

Foreign currency

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities' operations are conducted (the 'functional currency'). The functional currency is U.S. dollars for all of the Group's entities, other than the Group's Australian entities, which have a functional currency of Australian dollars. On this basis, the Group's 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 at the date the estimated fair value was determined.

Foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the balance sheet date;
- income and expenses are translated at average exchange rates for the period; and
- all resulting foreign exchange differences are recognised in other comprehensive income, and as a separate component of shareholders' equity.

On disposal of foreign operations, cumulative exchange differences previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on disposal.

Insurance contracts issued and reinsurance contracts held

Classification

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

Insurance contracts issued

Insurance contracts that are subject to similar risks and that are managed together are classified into a portfolio of insurance contracts. Each portfolio of insurance contracts is then further disaggregated into annual cohorts, and each annual cohort is classified into three IFRS 17 groups of contracts for recognition and measurement purposes based on their expected profitability:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous; or
- a group of the remaining contracts in the portfolio.

These three groups represent the level of aggregation at which insurance contracts issued are initially recognised and measured. The classification of insurance contracts into such groups is not subsequently reconsidered once determined for a particular annual cohort.

Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held within annual cohorts into:

- a group of contracts for which there is a net gain at initial recognition;
- a group of contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
- a group of the remaining contracts in the portfolio.

For some groups of reinsurance contracts held, a group can comprise a single contract, which is considered the lowest unit of account.

Initial recognition

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

- the beginning of the coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; or
- for a group of onerous contracts, when the group becomes onerous.

Groups of reinsurance contracts held are initially recognised at the earliest of:

- the beginning of the coverage period of the group of reinsurance contracts held; or
- the date of recognising an onerous group of underlying insurance contracts issued if the related reinsurance contract held was entered into at or before that date.

The recognition of a group of reinsurance contracts held that provide proportional or quota share coverage is delayed until the date that any underlying insurance contracts issued are initially recognised.

Insurance contracts issued and reinsurance contracts held that were acquired in a business combination, or a portfolio transfer, are accounted for as if they were entered into at the date of acquisition or transfer.

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 uses the PAA to simplify the measurement of groups of insurance contracts issued and reinsurance contracts held. The Group considers that it is eligible to apply the PAA measurement model to its groups of contracts (within a given portfolio of insurance contracts) where the measurement of the LRC or ARC is not reasonably expected to differ materially from that calculated under the GMM.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the FCF that would affect the measurement of the LRC or ARC during the period before a claim is incurred. Variability in the FCF increases with, for example, the length of the coverage period of the group of contracts.

For the accounting periods covered by these financial statements, the Group has determined that all groups of insurance contracts underwritten in respect of those accounting periods are eligible for the PAA.

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. 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 are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the period, through which 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. 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.

The reassessment of risk considers only risks transferred from policyholders to the Group, which may include both insurance and financial risk, but excludes expense risk.

Cash flows outside of the insurance contract boundary relate to future insurance contracts issued and are recognised only when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer, or has a substantive right to receive services from the reinsurer. 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.

Cash flows that are 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 that the Group expects to collect from premiums and pay out as claims, benefits and 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;
- are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date, including, where appropriate, expected credit losses from policyholders and intermediaries.

The Group may estimate certain FCF at the portfolio level, or a higher level where appropriate, and then allocate such estimates to groups of insurance contracts using a reasonable and consistent method.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for a group of reinsurance contracts held with the groups of underlying insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include potential credit losses, and potential disputes with the reinsurer to reflect the non-performance risk of the reinsurer.

The Group's insurance contracts issued and reinsurance contracts held that generate cash flows in a foreign currency are treated as monetary items and are revalued at period end exchange rates.

Discounting

The estimates of FCF within the LIC and AIC are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent they are not already included within the 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 initial impact of discounting is included within the Group's insurance service result. The effect of unwinding the impact of discounting, together with the effect of any changes in discounting assumptions applied, are both included within the Group's finance income or expense. The Group has not identified any significant financing component in the LRC or the ARC, and does not adjust these balances to reflect the time value of money and the effect of financial risk.

Risk adjustment for non-financial risk

An explicit risk adjustment for non-financial risk is estimated separately from the discounted FCF. For contracts measured under the PAA, unless facts and circumstances indicate that a group of contracts is onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows. It reflects the compensation the Group requires for bearing uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils its insurance contracts issued. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of non-financial risk being transferred by the Group to the reinsurer. Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed both below and within the risk disclosures section.

Insurance acquisition cashflows

Insurance acquisition cash flows arise from the cost of selling, underwriting, and initiating a group of insurance contracts (either issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group uses a systematic and rational method to:

- allocate insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  - to that group of insurance contracts; and
  - to groups of insurance contracts that include insurance contracts issued that are expected to arise from the renewal of the insurance contracts issued in that group.
- allocate insurance acquisition cash flows that are directly attributable to a specific portfolio of insurance contracts, but which are not directly attributable to a specific group of insurance contracts within that portfolio, to all groups within that particular portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the consolidated statement of financial position, a separate asset for insurance acquisition cash flows may be recognised for each related group. The asset is then derecognised when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The amortisation of insurance acquisition cash flows is based on the passage of time over the relevant coverage period.

The Group does not generally pay or incur significant insurance acquisition cash flows before a related group of insurance contracts is recognised in the statement of financial position. No asset for insurance acquisition cash flows has been recognised at any point during the accounting periods covered by these financial statements.

Initial measurement of insurance contracts issued applying the PAA

For a group of insurance contracts that is not onerous at initial recognition, the carrying amount of the LRC is measured with reference to the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the Group at that date, and adjusted for any amounts arising from 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. Where this is not the case, the Group performs additional analysis to determine if a net cash outflow is expected from the contract. On initial recognition of an onerous group of insurance contracts, the Group recognises an insurance service expense for the net cash outflows, and an onerous loss component is established in the LRC reflecting the losses recognised.

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.

The Group measures the carrying amount of the LRC at the end of each reporting period. 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.

If a group of insurance contracts becomes onerous, or facts and circumstances indicate that the expected loss of an onerous group during the remaining coverage period has increased, the Group increases the carrying amount of the LRC by the relevant amount, with the increase recognised within insurance service expenses. The relevant amount is determined as the additional amount which would result in the net liability for the relevant onerous group being equal to the expected net outwards FCF. This is equivalent to adjusting the LRC to equal the liability that would be determined by applying the GMM valuation requirements. If the expected loss in respect of an onerous group of contracts decreases, then a corresponding reduction to the LRC is recognised within insurance service expenses. The expected loss in respect of an onerous group is reassessed at the end of each reporting period. The Group amortises the amount of the loss component within the LRC by decreasing insurance service expenses. Consistent with the basis applied for insurance revenue above, the loss component is amortised based on the passage of time over the remaining coverage period of the onerous group of contracts, until the loss component is reduced to nil. The equivalent basis is also applied to any relevant reinsurance recovery component.

The Group measures the carrying amount of the LIC at the end of each reporting period.

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 measurement of reinsurance contracts held applying the PAA

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.

On initial recognition of a group of reinsurance contracts held, the Group measures the ARC at the amount of ceding premiums paid on initial recognition, minus commission income received.

For a group of reinsurance contracts held which cover onerous underlying insurance contracts issued, the Group establishes a loss-recovery component of the ARC. This results in a gain or loss within amounts recoverable from reinsurer to off-set the losses or gains recognised on the underlying onerous insurance contracts issued:

- on recognition of onerous underlying insurance contracts issued, if the reinsurance contracts held covering those insurance contracts is entered into before, or at the same time, as those insurance contracts issued are recognised; and
- for changes in FCF of the group of reinsurance contracts held relating to future services that results from changes in FCF of the onerous underlying insurance contracts issued.

Subsequent measurement of reinsurance contracts held applying the PAA

The carrying amount of a group of reinsurance contracts held at the end of the reporting period is the sum of the ARC and the AIC.

The Group measures the carrying amount of the ARC and the AIC at the end of each reporting period:

- the ARC includes reinsurance premiums paid, less amounts recognised as an allocation of reinsurance premium; and
- the AIC includes reinsurance recovery cash flows received from reinsurers during the period, less any FCF amounts still to be recovered from reinsurers.

Where the Group has established a loss-recovery component, the Group amortises the amount of the loss recovery component within the ARC by decreasing the allocation of recoverables from reinsurers. The loss-recovery component is amortised based on the passage of time over the remaining coverage period of the onerous group of reinsurance contracts held, until the loss recovery component is reduced to nil.

The Group measures the carrying value of the AIC at the end of each reporting period.

The Group recognises the AIC for a group of reinsurance contracts held at the amount of the FCF relating to the claims recoverable, less any amounts already recovered. Any expenses allocated to groups of reinsurance contracts held are presented within the AIC. 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.

Derecognition and modification under the PAA

The Group derecognises an insurance contract issued or a reinsurance contract held when it is extinguished (i.e. when the specified obligations in the contract expire, or are discharged, or cancelled) or the contract is modified and certain additional criteria are met.

When an insurance contract issued or reinsurance contract held is modified as a result of an agreement with a counterparty, or due to a change in regulations, the Group treats changes in the cash flows caused by the modification as a change in the estimate of the FCF, unless the conditions for derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. If, based on the modified terms, the Group would have concluded at the inception of the contract that it:
    - was not within the scope of IFRS 17;
    - results in different separable components that would be outside the scope of IFRS 17 if they were separate contracts;
    - results in a substantially different contract boundary; or
    - belongs to a different group of insurance contracts issued or reinsurance contracts held.

b. If the modification means that the contract no longer meets the PAA eligibility criteria.

When an insurance contract is derecognised, adjustments made to the FCF are recorded within profit or loss as follows:

- if the insurance or reinsurance contract is extinguished, any net difference between the derecognised part of the LRC of the original contract, and any other cash flows arising from the extinguishment is recorded within profit or loss;
- if the insurance or reinsurance contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party is recorded within profit or loss; and
- if the original contract is modified, resulting in its derecognition, any net difference between the derecognised part of the LRC and the premium the Group would have charged had it entered into a contract with equivalent terms to the new contract at the date of contract modification, less any additional premium charged for the modification is recorded within profit or loss.

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 (a) an insurance service result and (b) 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

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, except where the period of risk differs significantly from the contract period. In this instance, insurance revenue is recognised on the basis of the expected timing of the related incurred insurance service expenses. For the current periods presented, all insurance revenue has been recognised on the basis of the passage of time.

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

Insurance service expenses arising from insurance contracts issued are recognised as they are incurred. They exclude the repayment of non-distinct investment components 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 in other operating expenses in the consolidated statement of comprehensive income.

Allocation of reinsurance premium and amounts recoverable from reinsurers

The Group presents separately on the face of the consolidated statement of comprehensive income the allocation of reinsurance premiums, and amounts recoverable from reinsurers.

The allocation of reinsurance premiums under each group of reinsurance contracts held is the amount of expected reinsurance premium payments net of commission income receivable. Expected reinsurance premium payments exclude any investment components.

The Group recognises the allocation of reinsurance premium based on the passage of time over the relevant coverage period of the reinsurance contract.

Amounts expected to be recovered from reinsurers are recognised as they are incurred. 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.

The amounts expected to be recovered from reinsurers include the effect of any risk of non-performance by the issuer of the reinsurance contract.

For a group of reinsurance contracts held covering onerous underlying insurance contracts issued, the loss recovery component and the reversal of such loss recovery components are included as amounts recoverable from the reinsurer.

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

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

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

The 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 Group identifies the non-distinct investment component of an insurance contract by determining 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 deposit component and the subsequent repayment do not relate to insurance services. Non-distinct investment components are therefore excluded from insurance revenue and insurance service expenses, and are considered as a settlement of an insurance contract liability.

Financial instruments

Financial assets

On initial recognition, a financial asset is classified as either measured at amortised cost, FVTPL or FVOCI. The classification is dependant on the 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 in profit or loss as they are incurred. Financial assets held at FVTPL are subsequently measured at their fair value.

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

Investments	Classification	Reason
Fixed maturity securities	FVTPL	Mandatory - portfolio is managed at fair value
Private investment funds	FVTPL	Mandatory - portfolio is managed at fair value
Hedge funds	FVTPL	Mandatory - portfolio is managed at fair value
Index linked securities	FVTPL	Mandatory - portfolio is managed at fair value

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 recognised in profit or loss within net investment return. Interest income is recognised on the effective interest rate method and recognised in profit or loss 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 rights to receive cash flows from the asset has expired, with any realised gains or losses recognised in profit or loss 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 include 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 profit or loss 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 profit or loss within net investment return.

Other receivables

Other receivables includes trade receivables and contract assets. Trade receivables that do not have a significant financing component are measured on initial recognition at their fair value, which is typically their transaction price, and are subsequently measured at amortised cost using the effective interest 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 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 have been grouped based on shared credit risk characteristics. The expected loss rates are based on the payment profiles over a three-year period prior to 31 December 2023 and the corresponding credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macro-economic factors affecting the ability to collect receivables.

Financial liabilities

Other payables

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

Long-term debt

Long-term debt is recognised initially at fair value, net of transaction costs incurred. Thereafter it is measured at amortised cost using the effective interest method. Derecognition occurs when the obligation has been extinguished. The difference between the carrying amount that has been extinguished and the consideration paid, is recognised within the profit or loss.

Intangible assets

The Group’s intangible assets comprise indefinite life intangible assets, and internally generated intangible assets.

The Group’s indefinite life intangible assets comprise syndicate participation rights and goodwill. The cost of syndicate participation rights and goodwill acquired in a business combination is their fair value as at the date of acquisition. Additional syndicate participation rights may be purchased from time to time and are recorded at the cost on the date of the relevant syndicate capacity auction. As a result of their anticipated ability to continue to generate cash flows for the Group on a long-term basis, goodwill and syndicate participation rights are considered to have an indefinite useful life, and are not amortised. They are carried at cost less any accumulated impairment losses. Intangible assets with an indefinite useful life are tested annually for impairment at the CGU level by comparing the net present value of the future cash flow stream of the CGU to the carrying value of the net assets of the CGU, including the related intangible assets. The useful life of an indefinite life intangible asset is reviewed annually, to determine if the assessment that it has an indefinite life continues to be supportable.

Internally generated intangible assets represent directly attributable costs incurred in the development phase of implementing a cloud based software to support the Group’s target operating model. An internally generated intangible asset is recognised if it can be demonstrated that there is an intent, available resources, and technical feasibility to complete the intangible asset so that it is available for use, and that it will generate probable future economic benefits. The costs must be capable of being measured reliably. Such intangible assets are carried at cost less any accumulated impairment losses. Intangible assets not yet available for use are tested annually for impairment at the CGU level by comparing the net present value of the future cash flow stream of the CGU to the carrying value of the net assets of the CGU, including the related intangible assets.

Internally generated intangible assets available for use are considered to have a finite life. Applying the cost model, intangible assets with finite lives are amortised over their estimated useful economic life, and assessed for impairment whenever there are indicators of impairment.

The estimated useful lives and amortisation period of the internally generated intangibles is estimated to be seven years, and will be amortised using the straight-line method. No residual value has been assumed on these intangibles. The amortisation for these internally generated intangibles are recognised within other operating expenses.

Other income

Other income is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties.

Nature of services

The table below details the type of services from which the Group derives its other income.

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
LCM underwriting fees	The Group recognises underwriting fees over the underwriting cycle based on the underlying exposure of the covered contracts. Underwriting fees are received on or before the collateral funding date, which is prior to commencement of the underwriting cycle.
LCM profit commission	The Group recognises profit commission following the end of the underwriting cycle based on the underlying performance of the covered contracts and as collateral is released. Profit commissions may only be received once the profit commission hurdle has been met.
LSL consortium management fees	The Group recognises consortium fees over the risk period based on the underlying exposure of the covered contracts. Consortium fees are received quarterly.
LSL consortium profit commission	The Group recognises profit commission in line with the underlying performance of covered contracts once the year of account closes, which is also when the profit commissions are received.
LSL managing agency fees	The Group recognises managing agency fees in line with the services provided in respect of each underwriting year of account. Managing agency fees are received quarterly.
LSL managing agency profit commission	The Group recognises profit commission on open years of account when measurement is highly probable. Profit commissions are received once the year of account closes.
LSL coverholder fee income	The Group recognises coverholder fee income in line with services provided. Coverholder fee income is received quarterly.

Property, plant and equipment

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

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

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

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

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

Leases

The Group assesses whether a contract is, or contains, a lease, at the inception of the contract for all contracts that have been entered into or modified on or after 1 January 2019. 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 accounts for any identified impairment loss.

Employee benefits

Equity compensation plans

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

At each reporting date, the Group revises its estimate of the number of RSS nil-cost options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as an equity-based compensation expense in the consolidated statement of comprehensive income over the remaining vesting period, and a corresponding adjustment is made to other reserves in shareholders' equity.

Upon exercise, the differences between the expense charged to the consolidated statement of comprehensive income and the actual cost to the Group, if any, is transferred to other reserves in shareholders' equity.

Pensions

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

Tax

The tax charge or credit represents the sum of the tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period using tax rates and tax laws enacted, or substantively enacted, at the year-end reporting date, and any adjustments to tax payable in respect of prior periods. Taxable profit for the period can differ from that reported in the consolidated statement of comprehensive income due to non-taxable income, and certain items which are not tax deductible, or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the assets and liabilities in the consolidated statement of financial position and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable, and are reassessed each year for recognition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

At the date equity-based compensation awards are exercised, and where the current estimated fair value of an award exceeds the estimated fair value at the date they were granted, corporation tax on this excess amount is recognised within equity. At the period end date, equity-based compensation awards that have not been exercised, and for which the current estimated fair value of an award exceeds the estimated fair value at the date they were granted, have deferred tax on this excess amount recognised within equity.

Own shares

Own shares include shares repurchased under share repurchase authorisations and held as treasury shares, plus shares repurchased and held in trust, for the purposes of employee equity-based compensation schemes. Own shares are deducted from shareholders' equity. No gain or loss is recognised on the purchase, sale, cancellation, or issue of own shares, and any consideration paid or received is recognised directly in equity.

Risk disclosures

For the year ended 31 December 2023

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

Emerging risks

Climate change

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 relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate-related events) or chronic (due to longer-term shifts in climate patterns). As a (re)insurance company, the Group is more significantly affected by physical risk through its potential exposure to acute and chronic climate change. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. A risk radar has been prepared to illustrate the risks identified and the likelihood and magnitude of these risks; this diagram can be found on page 55. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy. A table summarising potential opportunities, their time frame, likelihood and magnitude is included on page 57. The Group's current assessment of risk in relation to climate change is discussed in more detail within the TCFD report on pages 49 to 70.

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 below in our risk disclosures.

Geopolitical conflict

We continue to monitor our loss exposure with regards to the ongoing conflict in the Ukraine and Russia, which remains a complex and fluid situation. With the increased tensions in the Middle East, focus has also been on monitoring our exposures in this area and seeking to ensure it remains within risk tolerance and expectations. 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.

Inflation risk

Both UK and worldwide inflation measures have increased significantly during the period following the COVID-19 pandemic. 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.

OECD global minimum tax and Bermuda corporate income tax

Management continue to closely monitor the progress of the legislative process in the jurisdictions in which it operates. Further details are outlined in note 14.

Cyber risk

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 via a tabletop exercise on an annual basis.

Economic capital models

The Group maintains economic capital models at the LICL, LUK and syndicate levels. These models are primarily focused on insurance risks, however they are also used to model other risks, including market, credit and operational risks. The syndicate models are vetted by Lloyd's as part of its own capital and solvency regulations.

The economic capital models produce data in the form of stochastic distributions for all classes, including non-elemental classes. The distributions include the mean outcome and the result at various return periods, including very remote events. Projected financial outcomes for each insurance class are calculated, as well as the overall portfolio, including diversification credit. Diversification credit arises as individual risks are generally not strongly correlated and are unlikely to all produce profits or losses at the same time.

A. Insurance risk

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

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

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

- a rolling strategic plan that helps establish the business goals that the Board of Directors aims to achieve;
- a detailed three-year business plan is produced annually. The plan is approved by the Board of Directors and is monitored, reviewed and updated on an ongoing basis;
- for LSL, the syndicates' business forecasts and business plans are subject to review and approval by Lloyd's;
- economic capital models are used to model risk levels and capital requirements;
- each authorised class has a predetermined normal maximum line structure;
- each underwriter has a clearly defined limit of underwriting authority;
- the Group and individual operating entities have predetermined tolerances on probabilistic and deterministic losses of capital for certain single events, which are monitored on a regular basis;
- pricing and aggregation models are used to assist with the underwriting process; and
- reinsurance is purchased to mitigate both frequency and severity of losses on a facultative, excess of loss treaty or proportional treaty basis.

Some of the Group's business provides coverage for natural catastrophes (e.g. 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 bears exposure to large losses arising from other non-seasonal natural catastrophes, such as earthquakes, tsunamis, droughts, floods and tornadoes, from risk losses throughout the year and from war, terrorism and political risk, and other events.

Climate change may expose the 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 with subject matter experts across the Group, discussions at the Emerging Risk Forum, and the ESG Co-ordination Committee.

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

The Group manages climate risk by using stochastic models from third-party vendors which have a long history of data quality governance. We adapt these models based upon our views of climate risk, as well as our clients' exposure data, to create aggregate loss scenarios. Underwriting guidelines support the underwriting process and provide guidance to assist underwriters in their decision-making. Performance against guidelines is monitored by the regular meetings, Quarterly Business Reviews and related reporting. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our PMLs.

The 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, as a percentage of tangible capital, including long-term debt, are shown below. Net loss estimates are undiscounted before income tax and net of reinstatement premiums and outwards reinsurance on a first occurrence return period basis.

		31 December 2023		31 December 2022	
100 year return period estimated net loss[1]		$m	% of tangible capital	$m	% of tangible capital (Restated)
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**300.5**	**16.9**	301.2	18.8
California	Earthquake	**256.0**	**14.4**	248.0	15.5
Non-Gulf of Mexico – U.S.	Hurricane	**237.9**	**13.4**	217.2	13.6
Pan-European	Windstorm	**161.4**	**9.1**	181.2	11.3
Japan	Earthquake	**137.6**	**7.8**	121.6	7.6
Japan	Typhoon	**134.0**	**7.6**	144.5	9.0
Pacific North West	Earthquake	**31.5**	**1.8**	29.5	1.8

1. Estimated net loss balances presented in the table are unaudited.
2. Landing hurricane from Florida to Texas.

		31 December 2023		31 December 2022	
250 year return period estimated net loss[1]		$m	% of tangible capital	$m	% of tangible capital (Restated)
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	**364.6**	**20.6**	348.0	21.8
California	Earthquake	**311.2**	**17.5**	291.9	18.2
Non-Gulf of Mexico – U.S.	Hurricane	**448.0**	**25.3**	362.5	22.7
Pan-European	Windstorm	**201.2**	**11.3**	218.4	13.6
Japan	Earthquake	**244.1**	**13.8**	172.1	10.8
Japan	Typhoon	**181.2**	**10.2**	180.3	11.3
Pacific North West	Earthquake	**123.0**	**6.9**	137.5	8.6

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.

Insurance revenue geographical split and operating segment

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

For the year ended	31 December 2023 Reinsurance $m	31 December 2023 Insurance $m	31 December 2023 Total $m	31 December 2022 Reinsurance $m	31 December 2022 Insurance $m	31 December 2022 Total $m
U.S. and Canada	**339.6**	**269.4**	**609.0**	260.8	206.1	466.9
Worldwide - multi territory	**257.4**	**276.5**	**533.9**	195.9	240.9	436.8
Europe	**62.1**	**83.2**	**145.3**	43.8	75.8	119.6
Rest of world	**55.8**	**175.9**	**231.7**	59.9	143.3	203.2
Total insurance revenue	**714.9**	**805.0**	**1,519.9**	560.4	666.1	1,226.5

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 product is sold through both 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.

Reinsurance

The Group, in the normal course of business and in accordance with its risk management practices, seeks to reduce certain types of losses that may arise from events that could cause unfavourable underwriting results by entering into external outwards reinsurance arrangements. Reinsurance does not relieve the Group of its obligations to policyholders. Under the Group's reinsurance security policy, reinsurers are assessed and approved based on their financial strength ratings, together with other factors. The RSC considers reinsurers that are not rated or do not fall within the predefined rating categories on a case-by-case basis, and may require collateral to be provided to support the reinsurer's obligations. There are specific guidelines for these collateralised contracts. The RSC monitors the Group's reinsurers on an ongoing basis, and formally reviews the Group's reinsurance arrangements at least quarterly. 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 in order to reduce the Group'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 contract;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (see interest rate risk section on page 157); and
- a risk adjustment for non-financial risk.

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

Probability-weighted best estimate of future cash flows

In estimating future cash flows, the 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 and other costs incurred in fulfilling contracts.

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

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

The 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 (the Bornhuetter-Ferguson, loss ratio and chain-ladder methods). Often, actuarial techniques assume that historic claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling attritional losses and large claims is estimated separately for each class of business.

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

For each nominal fulfilment amount, the timing of future cash flows is determined by applying cash flow assumptions based, where available, on the 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 88% (31 December 2022 – 84%) 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. These assumptions are set and agreed by Management. Volatility parameters are set with reference to historical internal and external data but may be adjusted at each reporting date to reflect the prevailing environment and associated reserve uncertainties. Given the inference of the confidence level, the 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 as has been the case in the current period. 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 years ended 31 December 2023 and 2022.

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 is sensitive to possible changes in insurance risk and interest rate risk variables.

	LIC as at 31 December 2023 $m	Impact on profit after tax and shareholders' equity $m	LIC as at 31 December 2022 $m	Impact on profit after tax and shareholders' equity $m
Insurance contract liabilities	**1,765.9**		1,644.5	
Reinsurance contracts assets	**(430.3)**		(516.2)	
Net insurance contract liabilities	**1,335.6**		1,128.3	
Unpaid claims and expense - 20% increase				
Insurance contract liabilities	**2,119.1**	**(307.9)**	1,973.4	(284.4)
Reinsurance contract assets	**(516.4)**	**72.0**	(619.4)	88.0
Net insurance contract liabilities	**1,602.7**	**(235.9)**	1,354.0	(196.4)

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 risks include:

i. Insurance market risk;

ii. Investment risk;

iii. Debt risk; and

iv. Currency risk.

These risks, and the management thereof, are described below.

I. Insurance market risk

Insurance market risk is the risk that factors within either the global insurance market, or the relevant local insurance markets in which the Group operates, have a detrimental financial impact on the Group. The Group is exposed to insurance market risk from several sources, including the following:

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

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

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

II. Investment risk

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

Investment guidelines are established by the Investment Committee of the Board of Directors to manage this risk. Investment guidelines set parameters within which the Group's external investment managers must operate. All of the Group's fixed income managers, private investment managers and a portion of our hedge fund portfolio are signatories of the UNPRI, which approximates to 96.7% (31 December 2022 – 93.9%) of the Group's externally managed assets. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a monthly basis. Any adjustments to the investment guidelines are approved by the Investment Committee and the Board of Directors.

The Group's fixed maturity portfolios are managed by external investment managers. The Group also has a diversified low volatility multi-strategy portfolio of hedge funds, credit funds, principal protected products, and private investment funds. The performance of the managers is monitored on an ongoing basis.

Within the Group's investment guidelines are subsets of guidelines for the 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. In addition to cash managed internally, funds held in the investment portfolio to cover this potential liability are designated as the core and core plus portfolios and the portfolio duration is matched to the duration of the insurance liabilities, within an agreed range. The core and core plus portfolios are invested in fixed maturity securities, fixed maturity funds, and cash and cash equivalents. The combined core and core plus portfolios 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 and core plus portfolios 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 or core plus portfolios.

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

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

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

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

As at 31 December 2023	Core $m	Core plus $m	Surplus $m	Total $m
• Short-term investments	**3.9**	**16.8**	**53.2**	**73.9**
• Fixed maturity funds	**27.1**	**—**	**—**	**27.1**
• U.S. treasuries	**226.5**	**252.7**	**106.7**	**585.9**
• Other government bonds	**18.7**	**—**	**28.5**	**47.2**
• U.S. municipal bonds	**2.7**	**7.4**	**3.4**	**13.5**
• U.S. government agency debt	**1.7**	**4.6**	**50.8**	**57.1**
• Asset backed securities	**45.2**	**53.3**	**138.2**	**236.7**
• U.S. government agency mortgage backed securities	**41.8**	**38.7**	**36.9**	**117.4**
• Non-agency mortgage backed securities	**—**	**0.6**	**10.9**	**11.5**
• Non-agency commercial mortgage backed securities	**—**	**—**	**21.3**	**21.3**
• Bank loans	**—**	**—**	**142.6**	**142.6**
• Corporate bonds	**307.9**	**367.6**	**260.9**	**936.4**
• Other fixed maturities	**—**	**—**	**9.5**	**9.5**
Total fixed maturity securities	**675.5**	**741.7**	**862.9**	**2,280.1**
Private investment funds	**—**	**—**	**165.6**	**165.6**
Hedge funds	**—**	**—**	**9.9**	**9.9**
Other investments	**—**	**—**	**(0.1)**	**(0.1)**
Total investments	**675.5**	**741.7**	**1,038.3**	**2,455.5**

As at 31 December 2022	Core $m	Core plus $m	Surplus $m	Total $m
• Short-term investments	14.3	6.5	0.7	21.5
• Fixed maturity funds	29.4	—	—	29.4
• U.S. treasuries	251.3	350.0	48.9	650.2
• Other government bonds	13.2	—	25.7	38.9
• U.S. municipal bonds	3.8	15.3	3.5	22.6
• U.S. government agency debt	2.8	22.9	33.3	59.0
• Asset backed securities	29.6	68.3	63.0	160.9
• U.S. government agency mortgage backed securities	11.2	13.9	15.9	41.0
• Non-agency mortgage backed securities	—	1.0	13.0	14.0
• Non-agency commercial mortgage backed securities	—	—	24.2	24.2
• Bank loans	—	—	128.9	128.9
• Corporate bonds	264.7	390.9	96.7	752.3
• Other fixed maturities	—	—	22.0	22.0
Total fixed maturity securities	620.3	868.8	475.8	1,964.9
Private investment funds	—	—	108.1	108.1
Hedge funds	—	—	103.9	103.9
Index linked securities	—	—	28.2	28.2
Other investments	—	—	(0.2)	(0.2)
Total investments	620.3	868.8	715.8	2,204.9

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

As at 31 December 2023	Financials $m	Industrial $m	Utility $m	Government & Government Agencies $m	Structured[1] $m	Other[2] $m	Total $m
United States	**270.6**	**523.2**	**18.7**	**773.5**	**123.9**	**20.3**	**1,730.2**
United Kingdom	**35.9**	**17.5**	**—**	**1.6**	**0.3**	**50.0**	**105.3**
Cayman Islands	**—**	**1.8**	**—**	**—**	**100.7**	**—**	**102.5**
Canada	**26.0**	**16.2**	**0.5**	**18.0**	**—**	**0.5**	**61.2**
Jersey	**—**	**0.8**	**—**	**—**	**32.3**	**—**	**33.1**
France	**25.2**	**2.5**	**—**	**—**	**2.2**	**—**	**29.9**
Japan	**13.4**	**10.0**	**—**	**—**	**—**	**—**	**23.4**
Netherlands	**6.7**	**2.3**	**3.7**	**—**	**—**	**0.4**	**13.1**
Mexico	**3.4**	**6.8**	**0.4**	**1.3**	**—**	**—**	**11.9**
Singapore	**0.3**	**10.3**	**0.4**	**0.5**	**—**	**—**	**11.5**
India	**1.8**	**4.5**	**—**	**2.9**	**—**	**1.3**	**10.5**
Germany	**2.7**	**7.7**	**—**	**—**	**—**	**—**	**10.4**
Switzerland	**9.3**	**—**	**—**	**—**	**—**	**—**	**9.3**
Bermuda	**—**	**—**	**—**	**1.7**	**7.0**	**—**	**8.7**
Finland	**8.3**	**—**	**—**	**—**	**—**	**—**	**8.3**
Other	**23.8**	**29.5**	**4.3**	**21.6**	**3.1**	**28.5**	**110.8**
Total fixed maturity securities	**427.4**	**633.1**	**28.0**	**821.1**	**269.5**	**101.0**	**2,280.1**

1. Structured products excludes any Government structured products.
2. Other includes Lloyd's overseas deposits and short-term investments.

As at 31 December 2022	Financials $m	Industrial $m	Utility $m	Government & Government Agencies $m	Structured[1] $m	Other[2] $m	Total $m
United States	211.3	426.9	18.8	772.6	118.3	20.8	1,568.7
United Kingdom	39.1	11.8	—	1.5	0.7	—	53.1
Cayman Islands	—	—	—	—	47.4	—	47.4
Canada	21.5	14.3	0.5	10.5	—	—	46.8
Jersey	—	—	—	—	25.8	—	25.8
Japan	14.0	9.8	—	—	—	—	23.8
Netherlands	9.3	7.7	3.6	—	—	—	20.6
France	13.9	2.5	—	0.6	2.1	—	19.1
Spain	10.7	—	—	—	—	—	10.7
Switzerland	10.0	0.6	—	—	—	—	10.6
Sweden	8.9	—	—	0.6	—	—	9.5
Mexico	2.8	4.2	0.5	2.0	—	—	9.5
Finland	8.1	—	—	—	—	—	8.1
Qatar	1.6	—	—	5.2	—	—	6.8
Germany	3.6	2.8	—	—	—	—	6.4
Other	19.3	23.6	1.5	18.7	4.8	30.1	98.0
Total fixed maturity securities	374.1	504.2	24.9	811.7	199.1	50.9	1,964.9

1. Structured products excludes any Government structured products.
2. Other includes Lloyd's overseas deposits and short-term investments.

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

Interest rate risk

(i) Investments

Interest rate risk is the risk that movements 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 comprised of fixed maturity securities and cash and cash equivalents. Fixed maturity funds are overseas deposits held by the syndicates in trust for the benefit of the policyholders in those overseas jurisdictions. They consist of high quality, short duration fixed maturity securities. The fair value of the Group's fixed maturity portfolio is generally inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Group's fixed maturity securities would tend to rise and vice versa.

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

	As at 31 December 2023		As at 31 December 2022	
	$m	%	$m	%
Immediate shift in yield (basis points)				
100	**(39.5)**	**(1.7)**	(34.1)	(1.7)
75	**(29.6)**	**(1.3)**	(25.6)	(1.3)
50	**(19.8)**	**(0.9)**	(17.1)	(0.9)
25	**(9.9)**	**(0.4)**	(8.5)	(0.4)
(25)	**10.0**	**0.4**	9.4	0.5
(50)	**20.0**	**0.9**	18.8	1.0
(75)	**29.9**	**1.3**	28.2	1.4
(100)	**39.9**	**1.8**	37.6	1.9

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 core plus portfolio is between zero and four years, and for the surplus portfolio is between one and five years.

The overall duration for fixed maturity securities, managed cash and cash equivalents and certain derivatives is 1.6 years (31 December 2022 – 1.6 years).

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

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

The Group's annual VaR calculations are as follows:

	As at 31 December 2023		As at 31 December 2022	
	$m	% of shareholders' equity	$m	% of shareholders' equity - Restated
99th percentile confidence level[1]	**110.0**	**7.3**	111.6	8.4

1. Including the impact of internal foreign exchange hedges.

(ii) Discounting approach on LIC and AIC

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

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

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

As at	31 December 2023			31 December 2022		
	1 year	3 years	5 years	1 year	3 years	5 years
USD	**5.33%**	**4.40%**	**4.29%**	5.26%	5.12%	5.11%
GBP	**5.31%**	**4.34%**	**4.14%**	4.54%	5.07%	5.12%
EUR	**4.03%**	**3.21%**	**3.21%**	3.36%	4.06%	4.29%
CAD	**5.23%**	**4.51%**	**4.25%**	5.05%	4.88%	4.84%
JPY	**0.65%**	**0.96%**	**1.24%**	0.17%	1.11%	1.64%
ZAR	**8.92%**	**8.63%**	**9.15%**	7.83%	8.72%	9.49%
AUD	**4.77%**	**4.55%**	**4.76%**	4.00%	4.85%	5.38%

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

	LIC as at 31 December 2023 $m	Impact on profit after tax and shareholders' equity $m	LIC as at 31 December 2022 $m	Impact on profit after tax and shareholders' equity $m
Insurance contract liabilities	**1,765.9**		1,644.5	
Reinsurance contracts assets	**(430.3)**		(516.2)	
Net insurance contract liabilities	**1,335.6**		1,128.3	
Yield curves - 1% increase				
Insurance contract liabilities	**1,733.3**	**28.9**	1,616.6	24.4
Reinsurance contract assets	**(422.3)**	**(6.7)**	(506.8)	(8.1)
Net insurance contract liabilities	**1,311.0**	**22.2**	1,109.8	16.3

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

Price risk

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

The Group's price risk exposure relates to private investment funds, hedge funds, and index linked securities. Listed investments that are quoted in an active market are recognised at quoted bid price, which is deemed to be the approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to note 11). This includes comparison to comparable orderly transactions between active market participants, reference to benchmarks or other indices to assess reasonableness, and other valuation techniques that are commonly used by market participants.

A 10% asset price decrease at 31 December 2023 would reduce the value of our private investment funds, hedge funds, and index linked securities by approximately $17.6 million (31 December 2022 – $24.0 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.

The Group currently invests in the following derivative financial instruments:

- futures; and
- forward foreign currency contracts.

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

As at 31 December 2023	Net realised gains (losses) $m	Net foreign exchange gains $m
Forward foreign currency contracts	—	1.9
Total	—	**1.9**

As at 31 December 2022	Net realised (losses) gains $m	Net foreign exchange (losses) gains $m
Interest rate futures	0.1	—
Forward foreign currency contracts	—	(3.0)
Interest rate swaps	(2.4)	0.2
Total	(2.3)	(2.8)

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

	2023			2022		
As at 31 December	Other investments $m	Other receivables $m	Other payables $m	Other investments $m	Other receivables $m	Other payables $m
Forward foreign currency contracts	**(0.1)**	**2.0**	**(0.7)**	(0.2)	2.5	(0.4)

A. Futures

Futures provide the Group with participation in market movements, determined by the underlying instrument on which the futures contract is based, without holding the instrument itself or the individual securities. This allows efficient and less costly access to the exposure than would be available by the exclusive use of individual fixed maturity and money market securities. Exchange-traded futures contracts may also be used as substitutes for ownership of the physical securities.

All futures contracts are held on a non-leveraged basis. An initial margin is provided, which is a deposit of cash and/or securities in an amount equal to a prescribed percentage of the contract value. The fair value of futures contracts is estimated daily and the margin is adjusted accordingly with unrealised gains and/or losses settled daily in cash and/or securities. A realised gain or loss is recognised when the contract is closed.

Futures contracts expose the Group to market risk to the extent that adverse changes occur in the estimated fair values of the underlying securities. Exchange-traded futures are, however, subject to a number of safeguards to ensure that obligations are met. These include the use of clearing houses (thus reducing counterparty credit risk), the posting of margins and the daily settlement of unrealised gains and losses. The amount of credit risk is therefore considered low. The investment guidelines restrict the maximum notional futures position as a percentage of the investment portfolio's estimated fair value.

B. Forward foreign currency contract

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 Group has the following open forward foreign currency contracts:

As at 31 December	2023 Notional long $m	2023 Notional short $m	2023 Net notional long (short) $m	2022 Notional long $m	2022 Notional short $m	2022 Net notional long (short) $m
Canadian Dollar	—	**28.7**	**(28.7)**	—	22.8	(22.8)
Euro	**49.0**	**3.6**	**45.4**	42.7	3.8	38.9
Australian Dollar	—	—	—	—	13.8	(13.8)
Japanese Yen	—	—	—	5.2	—	5.2
Sterling	**77.8**	**0.7**	**77.1**	93.5	0.8	92.7
Danish Krone	—	**0.2**	**(0.2)**	—	0.2	(0.2)
Total	**126.8**	**33.2**	**93.6**	141.4	41.4	100.0

III. Debt risk

Debt risk is the risk that the Group will not be able to service either the interest payment, or the principal repayment, amounts on its external borrowings as they fall due. In 2021, the Group issued $450.0 million (in aggregate principal amount) of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041 (see note 18). The fixed interest rate will reset on 18 September 2031 at a rate per annum equal to the prevailing five-year treasury rate, plus a credit spread of 4.08% and a 100 basis point step up.

The Group is exposed to interest rate risk in the future if prevailing rates at the time of reset are materially different from the existing rates on the debt issue.

IV. Currency risk

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

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

The 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 obligations, cash holdings, investments, premiums receivable and dividends payable. 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	**504.4**	**88.5**	**65.6**	**25.9**	**72.5**	**756.9**
Accrued interest receivable	**16.6**	—	—	—	**0.1**	**16.7**
Investments	**2,404.9**	**3.1**	**0.2**	—	**47.3**	**2,455.5**
Reinsurance contract assets	**340.6**	**20.8**	**27.2**	—	**(0.8)**	**387.8**
Other receivables	**44.7**	**12.6**	—	—	**1.1**	**58.4**
Investment in associate	**16.2**	—	—	—	—	**16.2**
Right-of-use assets	**2.4**	**16.8**	—	—	**0.1**	**19.3**
Property, plant and equipment	**0.6**	**9.2**	—	—	—	**9.8**
Intangible assets	**153.8**	**27.3**	—	—	—	**181.1**
Total assets as at 31 December 2023	**3,484.2**	**178.3**	**93.0**	**25.9**	**120.3**	**3,901.7**

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Total $m
Insurance contract liabilities	**1,504.9**	**96.0**	**135.3**	**18.5**	**69.0**	**1,823.7**
Other payables	**28.7**	**50.6**	—	—	**1.3**	**80.6**
Corporation tax payable	—	**2.0**	—	—	—	**2.0**
Deferred tax liability	**9.9**	**6.3**	—	—	—	**16.2**
Lease liabilities	**2.4**	**22.2**	—	—	**0.1**	**24.7**
Long-term debt	**446.6**	—	—	—	—	**446.6**
Total liabilities as at 31 December 2023	**1,992.5**	**177.1**	**135.3**	**18.5**	**70.4**	**2,393.8**

Assets	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Restated Total $m
Cash and cash equivalents	434.6	23.5	35.6	10.3	44.8	548.8
Accrued interest receivable	11.2	—	—	—	0.1	11.3
Investments	2,160.8	3.0	(0.3)	—	41.4	2,204.9
Reinsurance contract assets	431.4	15.9	28.4	(0.6)	(0.8)	474.3
Other receivables	11.1	17.8	—	—	1.1	30.0
Corporation tax receivable	0.1	1.3	—	—	(0.3)	1.1
Investment in associate	59.7	—	—	—	—	59.7
Right-of-use assets	0.9	19.2	—	—	0.2	20.3
Property, plant and equipment	0.5	0.6	—	—	—	1.1
Intangible assets	153.8	18.6	—	—	—	172.4
Total assets as at 31 December 2022	3,264.1	99.9	63.7	9.7	86.5	3,523.9

Liabilities	U.S.$ $m	Sterling $m	Euro $m	Japanese Yen $m	Other $m	Restated Total $m
Insurance contract liabilities	1,377.6	74.5	135.5	23.2	62.7	1,673.5
Other payables	12.0	25.8	—	—	6.8	44.6
Deferred tax liability	12.3	(2.0)	—	—	—	10.3
Lease liabilities	1.0	22.1	—	—	0.2	23.3
Long-term debt	446.1	—	—	—	—	446.1
Total liabilities as at 31 December 2022	1,849.0	120.4	135.5	23.2	69.7	2,197.8

The impact on net income of a proportional foreign exchange movement of 10.0% up and 10.0% down for the aggregated total of all non U.S. dollar currencies against the U.S. dollar, taken at the year-end spot rates, would be an increase or decrease of $3.1 million (31 December 2022 – $13.1 million (restated)).

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 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 2023	Core $m	Core plus $m	Surplus $m	Total $m
Less than one year	**165.8**	**211.7**	**116.4**	**493.9**
Between one and two years	**145.8**	**149.9**	**123.5**	**419.2**
Between two and three years	**149.4**	**135.7**	**106.9**	**392.0**
Between three and four years	**47.8**	**42.9**	**73.3**	**164.0**
Between four and five years	**54.0**	**85.2**	**105.1**	**244.3**
Over five years	**25.7**	**23.7**	**130.4**	**179.8**
Asset backed and mortgage backed securities	**87.0**	**92.6**	**207.3**	**386.9**
Total fixed maturity securities	**675.5**	**741.7**	**862.9**	**2,280.1**

As at 31 December 2022	Core $m	Core plus $m	Surplus $m	Total $m
Less than one year	159.5	212.1	20.9	392.5
Between one and two years	175.2	245.2	25.2	445.6
Between two and three years	113.9	155.3	69.4	338.6
Between three and four years	73.2	80.6	50.8	204.6
Between four and five years	21.1	28.2	48.2	97.5
Over five years	36.6	64.2	145.2	246.0
Asset backed and mortgage backed securities	40.8	83.2	116.1	240.1
Total fixed maturity securities	620.3	868.8	475.8	1,964.9

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

		Years until liability becomes due - undiscounted values				
As at 31 December 2023	Statement of financial position $m	Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Liabilities						
Insurance contract liabilities[1]	**1,823.7**	**795.3**	**705.7**	**263.5**	**166.9**	**1,931.4**
Other payables	**80.6**	**80.6**	**—**	**—**	**—**	**80.6**
Lease liabilities	**24.7**	**4.5**	**8.7**	**7.2**	**9.5**	**29.9**
Long-term debt[2]	**446.6**	**25.3**	**50.6**	**50.6**	**525.9**	**652.4**
Total	**2,375.6**	**905.7**	**765.0**	**321.3**	**702.3**	**2,694.3**

1. Since the Group applies the PAA model for all insurance contracts issued, the maturity profile represents only the liability for incurred claims, and has been presented on a undiscounted basis.
2. The maturity profile of long-term debt includes accrued interest.

						Restated
		Years until liability becomes due - undiscounted values				
As at 31 December 2022	Statement of financial position $m	Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Liabilities						
Insurance contract liabilities[1]	1,673.5	762.7	678.8	239.4	123.6	1,804.5
Other payables	44.6	44.6	—	—	—	44.6
Lease liabilities	23.3	3.6	6.6	6.8	12.3	29.3
Long-term debt[2]	446.1	25.3	50.6	50.6	551.3	677.8
Total	2,187.5	836.2	736.0	296.8	687.2	2,556.2

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 a undiscounted basis.
2. The maturity profile of long-term debt includes accrued interest.

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

While the estimation of future cash flows in relation to ultimate claims settlement is complex and incorporates a significant amount of judgement, the timing of the payment of claims is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience, and management's judgement have been used to determine a likely settlement pattern based on the earliest period in which the Group could be required by the relevant counterparty to make payment. There are no amounts contained within the insurance contract liabilities or reinsurance contract assets as at 31 December 2023 (31 December 2022 – none) that are payable on demand.

As at 31 December 2023, cash and cash equivalents were $756.9 million (31 December 2022 – $548.8 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 creation of the core and core plus portfolios, with their 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 maturity parameters within the investment guidelines, such that the majority of the investments are in high-quality assets which could be converted into cash promptly and at minimal expense. The Group monitors market changes and outlook, and reallocates assets as deemed necessary.

As at 31 December 2023, 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 shareholders' equity. 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 shareholders' equity. 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 exchange-traded derivative instruments is mitigated by the use of clearing houses to reduce counterparty credit risk, requiring the posting of margins and the settling of unrealised gains and losses on a daily basis. Credit risk on OTC derivatives is mitigated by monitoring the creditworthiness of the counterparties, and by requiring collateral amounts exceeding predetermined thresholds to be posted for positions which have accrued gains.

Credit risk on insurance contract cash flows from insureds and cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Binding authorities are subject to standard market controls, including credit control. Credit risk from reinsurance contract cash flows is primarily managed by the review and approval of reinsurer security, as discussed on page 151.

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 2023	Cash and cash equivalents $m	Fixed maturity securities $m	Credit exposed component of reinsurance contracts held $m
AAA	**463.2**	**246.9**	**—**
AA+, AA, AA-	**2.9**	**931.8**	**3.6**
A+, A, A-	**285.7**	**587.1**	**410.3**
BBB+, BBB, BBB-	**5.1**	**372.4**	**2.2**
Other[1]	**—**	**141.9**	**51.9**
Total	**756.9**	**2,280.1**	**468.0**

1. Reinsurance contracts held classified as 'other' include $43.4 million which are fully collateralised.

As at 31 December 2022	Cash and cash equivalents $m	Fixed maturity securities $m	Restated Credit exposed component of reinsurance contracts held $m
AAA	382.7	189.3	—
AA+, AA, AA-	2.5	903.4	4.1
A+, A, A-	163.4	459.0	513.1
BBB+, BBB, BBB-	—	284.4	2.7
Other[1]	0.2	128.8	50.5
Total	548.8	1,964.9	570.4

1. Reinsurance contracts held classified as 'other' include $42.0 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 $747.1 million (31 December 2022 – $622.2 million (restated)), 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 2023 and 31 December 2022.

E. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems, or non-insurance external events. The Group and its subsidiaries have identified and evaluated their key operational risks, and these are incorporated in the risk registers and modelled within the subsidiaries' capital models. The Group has also established, and monitors compliance with, internal operational risk tolerances. The RRC reviews operational risk on at least an annual basis and operational risk is covered in the Group CRO's quarterly ORSA report to the LHL Board of Directors, entity level boards, and in the LSL RCC reporting.

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.

The operational cyber risk that comes with employees working from home is managed through enhanced monitoring of network activity, targeted staff training, a quarterly risk and control affirmation process, annual testing of business continuity plans and disaster recovery plans, and a cyber security incident response plan. The risk is monitored on an ongoing basis through the use of a series of quantitative key risk indicators which are the aggregate of key performance indicators monitored by the Group's information security function.

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) capital management risk, iii) retention risk and iv) growth 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 2024 to 2026, and applies a number of sensitivity, stress and scenario tests. These tests include consideration of climate change risks. The sensitivity and stress testing identified that even under the more extreme stress scenarios the Group had more than adequate liquidity and regulatory solvency capital headroom.

II. 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 is as follows:

As at 31 December	2023 $m	Restated 2022 $m
Shareholders' equity	**1,507.9**	1,326.1
Long-term debt	**446.6**	446.1
Total capital	**1,954.5**	1,772.2
Less: intangible assets	**181.1**	172.4
Total tangible capital	**1,773.4**	1,599.8

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

- regular monitoring of current and prospective regulatory and rating agency capital requirements;
- regular discussion with the LSL management team regarding Lloyd's capital requirements;
- oversight of capital requirements by the Board of Directors;
- 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, the Association of Bermuda Insurers and Reinsurers and the Lloyd's Market Association.

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

- maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and
- meeting internal, rating agency and regulatory capital requirements.

Increases in the Group's capital are held within the Group, invested, or returned to shareholders as appropriate. The retention of earnings generated by the Group leads to an increase in capital. Capital raising can include debt or equity, and returns of capital may be made through dividends, share repurchases, a redemption of debt, or any combination thereof. All capital actions require approval by the Board of Directors.

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

The Group's long-term debt held as at 31 December 2023 and 31 December 2022 is approved as 'Tier 2 Ancillary Capital' by the BMA.

The Group's aim is to maximise risk-adjusted returns for its shareholders across the cycle through a purposeful and sustainable business culture. The return is measured by management in terms of the Change in DBVS in the period. This aim is a long-term goal, acknowledging that management expects both higher and lower results in the shorter term. The cyclicality and volatility of the insurance market is expected to be the largest driver of this pattern. Management monitors these peaks and troughs by adjusting the Group's portfolio to make the most effective use of available capital and seeking to maximise the risk-adjusted return.

The sources of capital used by the Group is equity shareholders' funds and borrowings. As a holding company, LHL relies on dividends from its operating entities to provide the cash flow required for debt service and dividends to shareholders. The operating entities' ability to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdictions in which they operate.

Both the Group and LICL are regulated by the BMA, and are required to monitor their enhanced capital requirement under the BMA's regulatory framework, which has been assessed as equivalent to the Solvency II regime. Bermuda is also recognised as a qualified and reciprocal jurisdiction by the U.S. NAIC, and LICL is approved as a reciprocal reinsurer. The Group and LICL's capital requirement are calculated using the BSCR standard formula model. For the years ended 31 December 2023 and 31 December 2022, both the Group and LICL were more than adequately capitalised under the BMA's regulatory regime.

The Group's UK regulated insurance companies are required to comply with the Solvency II regime and are regulated by the PRA and FCA. LSL is also regulated by Lloyd's. Under Solvency II, the basis for assessing regulatory capital and solvency comprises a market-consistent economic balance sheet and a SCR, determined using either an internal model or the standard formula.

LUK calculates its SCR using the standard formula. LUK's Solvency II own funds are primarily comprised of Tier 1 items for the years ended 31 December 2023 and 31 December 2022. Tier 1 capital is the highest-quality capital under Solvency II with the greatest loss-absorbing capacity, comprising share capital and retained earnings. For the years ended 31 December 2023 and 31 December 2022, LUK was more than adequately capitalised under the Solvency II regime.

The Group is closely monitoring consultations and proposals related to changes to the UK Solvency regime post the UK's departure from the E.U. on 31 December 2020. Whilst the areas under review are not currently expected to have a material impact on the solvency position of any of the Group's UK regulated entities, there will likely be a change in the reporting requirements.

The Group's underwriting capacity in its Lloyd's syndicates must be supported by providing a deposit in the form of cash, securities, or LOCs, which are referred to as FAL. The capital framework at Lloyd's requires each managing agent to calculate the capital requirement for each syndicate they manage. Solvency II internal models are used to determine capital requirements for Syndicate 2010 and Syndicate 3010 based on the uSCR. Lloyd's has the discretion to take into account other factors at syndicate or member level to uplift the calculated uSCR. This may include perceived deficiencies in the internal model result, as well as the need to maintain Lloyd's overall security rating. Currently, as a minimum, Lloyd's applies a 35.0% uplift to each syndicate's uSCR to arrive at the ECA.

Lloyd's then uses each syndicate's ECA as a basis for determining member level capital requirements, which is backed by FAL. For the 2024 calendar year the Group's corporate member's FAL requirement was set at 67.0% (2023 – 83.5%) of underwriting capacity. Further solvency adjustments are made to allow for open year profits and losses of the syndicates on which the corporate member participates. The Group has a FAL requirement of £461.2 million as at 31 December 2023 (31 December 2022 – £544.5 million).

For the years ended 31 December 2023 and 31 December 2022, the regulatory capital requirements of all the Group's regulatory jurisdictions were met.

III. 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 voluntary staff turnovers; and
- training schemes.

IV. 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.

Notes to the accounts

For the year ended 31 December 2023

1. General information

The Group is a provider of global specialty insurance and reinsurance products with operations in London, Bermuda, the U.S. and Australia. LHL was incorporated under the laws of Bermuda on 12 October 2005. On 16 March 2009, LHL (registered number 37415) was added to the Official List and its common shares were admitted to trading on the main market of the LSE; previously LHL's shares were listed on AIM, a subsidiary market of the LSE. Since 21 May 2007, LHL's shares have had a secondary listing on the BSX. LHL's head office and registered office is Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The consolidated financial statements for the year ended 31 December 2023 include LHL's subsidiary companies, the Group's investment in associate, and the Group's share of the syndicates' assets and liabilities, and income and expenses. A full listing of the Group's related parties can be found in note 22.

2. Segmental reporting

Management and the Board of Directors review the Group's business primarily by its two principal segments: reinsurance and insurance. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Lines of business are underwritten within each operating segment. These lines of business written primarily, but not exclusively, on a reinsurance or insurance basis are reported under the Head of Reinsurance and the Head of Insurance based on the products that they manage.

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

All amounts reported are transactions with external parties and the Group's associate (see note 15). There are no significant inter-segmental transactions, and there are no significant insurance or reinsurance contracts that insure or reinsure risks in Bermuda, the Group's country of domicile.

Revenue and expense by operating segment

For the year ended 31 December 2023	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	714.9	805.0	1,519.9
Insurance service expenses	(254.2)	(442.0)	(696.2)
Insurance service result before reinsurance contracts held	**460.7**	**363.0**	**823.7**
Allocation of reinsurance premium	(174.6)	(250.2)	(424.8)
Amounts recoverable from reinsurers	(78.2)	61.4	(16.8)
Net expense from reinsurance contracts held	**(252.8)**	**(188.8)**	**(441.6)**
Insurance service result	**207.9**	**174.2**	**382.1**
Finance (expense) from insurance contracts issued	(56.6)	(41.7)	(98.3)
Finance income from reinsurance contracts held	16.8	14.9	31.7
Net insurance financing result	**(39.8)**	**(26.8)**	**(66.6)**
Net investment return			160.5
Other operating expenses			(107.4)
Net other unallocated income and (expenses)			(35.9)
Profit before tax			**332.7**
Net insurance ratio	61.5%	68.6%	65.1%
Net operating expense ratio			9.8%
Combined ratio (discounted)			**74.9%**
Discounting impact on combined ratio			7.7%
Combined ratio (undiscounted)			**82.6%**

2. Segmental reporting continued

For the year ended 31 December 2022 - Restated	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	560.4	666.1	1,226.5
Insurance service expenses	(528.3)	(466.3)	(994.6)
Insurance service result before reinsurance contracts held	32.1	199.8	231.9
Allocation of reinsurance premium	(152.7)	(219.1)	(371.8)
Amounts recoverable from reinsurers	140.0	141.5	281.5
Net expenses from reinsurance contracts held	(12.7)	(77.6)	(90.3)
Insurance service result	19.4	122.2	141.6
Finance income from insurance contracts issued	16.6	3.5	20.1
Finance (expense) from reinsurance contracts held	(5.2)	(1.5)	(6.7)
Net insurance financing result	11.4	2.0	13.4
Net investment return			(76.7)
Other operating expenses			(58.3)
Net other unallocated income and (expenses)			(37.3)
Loss before tax			(17.3)
Net insurance ratio	95.2%	72.7%	83.4%
Net operating expense ratio			6.8%
Combined ratio (discounted)			90.2%
Discounting impact on combined ratio			8.5%
Combined ratio (undiscounted)			98.7%

3. Net insurance financing result

IFRS 17 requires insurance contracts issued and reinsurance contracts held to be accounted for on a discounted basis. The table below shows the total impact of discounting recognised in the consolidated statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022.

For the year ended 31 December 2023	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	**101.9**	**(17.2)**	**84.7**
Unwind of discount	**(84.2)**	**28.4**	**(55.8)**
Impact of change in assumptions	**(14.1)**	**3.3**	**(10.8)**
Finance (expense) income	**(98.3)**	**31.7**	**(66.6)**
Total net discounting income	**3.6**	**14.5**	**18.1**

For the year ended 31 December 2022	Insurance contracts issued $m	Reinsurance contracts held $m	Total $m
Initial discount included in insurance service result	109.1	(36.6)	72.5
Unwind of discount	(39.7)	13.7	(26.0)
Impact of change in assumptions	59.8	(20.4)	39.4
Finance income (expense)	20.1	(6.7)	13.4
Total net discounting income (expense)	129.2	(43.3)	85.9

The discounting approach and the yield curves used to discount the cash flows of insurance contracts issued and reinsurance contracts held for our major currencies are provided within the risk disclosures on pages 157 to 158.

An analysis of the Group's net investment return is disclosed within note 4. The relationship between the Group's total finance income and expense from insurance contracts issued, and reinsurance contracts held, is not typically expected to correlate directly with the Group's net investment return since:

- the Group's investment portfolio is of greater magnitude than its insurance contract liabilities, net of its reinsurance contract assets;
- in accordance with the requirements of IFRS 17, the discount rate 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

The total net investment return for the Group is as follows:

For the year ended 31 December	2023 $m	Restated 2022 $m
Interest and dividend income on financial investments	**85.9**	51.1
Interest on cash and cash equivalents	**22.6**	4.6
Net realised gains (losses)	**3.9**	(24.7)
Net unrealised gains (losses)	**53.4**	(103.0)
Investment income (loss)	**165.8**	(72.0)
Investment management fees	**(5.3)**	(4.7)
Total net investment return	**160.5**	(76.7)

The Group adopted IFRS 9 on 1 January 2023 (see note 24).

5. Other income

For the year ended 31 December	2023 $m	2022 $m
Lancashire Capital Management		
Underwriting fees	**—**	3.1
Profit commission	**—**	0.9
Lancashire Syndicates		
Managing agency fees	**1.0**	1.1
Consortium fees	**1.3**	1.1
Consortium profit commission	**0.3**	0.1
Coverholder commission income	**0.3**	0.2
Total other income	**2.9**	6.5

In the year ended 31 December 2023, LCM did not recognise any underwriting fees as there were no new underwriting cycles entered into. As at 31 December 2023, contract assets in relation to other income amounted to $2.1 million (31 December 2022 – $1.3 million). These contract assets are presented within other receivables in the consolidated statement of financial position.

6. Expenses

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

For the year ended 31 December	2023			Restated 2022		
	Other operating expenses $m	Directly attributable expenses $m	Total expenses $m	Other operating expenses $m	Directly attributable expenses $m	Total expenses $m
Employee remuneration costs	**70.5**	**49.4**	**119.9**	33.8	40.2	74.0
Operating expenses	**36.9**	**32.8**	**69.7**	24.5	30.2	54.7
Total	**107.4**	**82.2**	**189.6**	58.3	70.4	128.7

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

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

For the year ended 31 December	2023 $m	2022 $m
Auditor's remuneration		
Group audit fees	**4.9**	4.1
Other services	**0.6**	0.4
Total	**5.5**	4.5

During the years ended 31 December 2023 and 31 December 2022, KPMG LLP provided non-audit services in relation to the Group's half-year reporting review, Solvency II reporting and Lloyd's reporting. Fees for non-audit services provided in 2023 totalled $0.6 million (2022 – $0.4 million).

7. Employee benefits

For the year ended 31 December	2023			Restated 2022		
	Other operating expenses $m	Directly attributable expenses $m	Total expenses $m	Other operating expenses $m	Directly attributable expenses $m	Total expenses $m
Employee remuneration cost	**70.5**	**49.4**	**119.9**	33.8	40.2	74.0
Total cash compensation	**70.5**	**49.4**	**119.9**	33.8	40.2	74.0
RSS – performance	**4.3**	**—**	**4.3**	0.5	—	0.5
RSS – ordinary	**10.5**	**—**	**10.5**	7.4	—	7.4
RSS – bonus deferral	**0.4**	**—**	**0.4**	0.7	—	0.7
Total equity based compensation	**15.2**	**—**	**15.2**	8.6	—	8.6
Total employee benefits	**85.7**	**49.4**	**135.1**	42.4	40.2	82.6

Equity based compensation

The Group's equity based compensation scheme is its RSS. All outstanding and future RSS grants have an exercise price of $nil, and an exercise period of ten years from the grant date.

The fair value of any TSR component of the nil-cost options is estimated using a stochastic model. For all other components the Black-Scholes model is used to estimate the fair value. The following table lists the assumptions used in the stochastic model for the RSS awards granted during the years ended 31 December 2023 and 31 December 2022:

Assumptions	2023	2022
Dividend yield	**—**	—
Expected volatility[1]	**33.5%**	28.1%
Risk-free interest rate[2]	**3.3%**	1.3%
Expected average life of options	**3.0 years**	3.0 years
Share price	**$7.48**	$6.72

1. The expected volatility of the LHL share prices are calculated based on the movement in the share prices over a period prior to the grant date, equal in length to the expected life of the award.
2. The risk-free interest rate is consistent with three-year UK government bond yields on the date of grant.

The calculation of the equity based compensation expense assumes forfeitures due to employee turnover of 10.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

RSS – Performance

The performance RSS options vest after a three-year period and are dependent on certain performance criteria. A maximum of 85.0% (2022 – 85.0%) of the performance RSS options will vest only on the achievement of a change in DBVS in excess of a required amount. A maximum of 15.0% (2022 – 15.0%) of the performance RSS options will vest only on the achievement of an absolute TSR in excess of a required amount. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

	Total number of restricted shares
Outstanding as at 31 December 2021	3,263,712
Granted	1,166,257
Exercised	(387,722)
Forfeited	(186,988)
Lapsed	(457,700)
Outstanding as at 31 December 2022	3,397,559
Granted	**892,049**
Exercised	**(102,529)**
Forfeited	**(19,846)**
Lapsed	**(665,089)**
Outstanding as at 31 December 2023	**3,502,144**

Exercisable as at 31 December 2022	140,323
Exercisable as at 31 December 2023	**197,203**

	2023 Total restricted shares	2022 Total restricted shares
Weighted average remaining contractual life	**7.9 years**	8.1 years
Weighted average fair value at date of grant during the year	**$6.12**	$5.59
Weighted average share price at date of exercise during the year	**$7.31**	$6.59

RSS – Ordinary

The ordinary RSS options vest three years from the date of grant and do not have associated performance criteria. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise.

	Total number of restricted shares
Outstanding as at 31 December 2021	2,883,971
Granted	1,994,874
Exercised	(548,748)
Forfeited	(153,132)
Outstanding as at 31 December 2022	4,176,965
Granted	**1,989,850**
Exercised	**(487,050)**
Forfeited	**(177,723)**
Outstanding as at 31 December 2023	**5,502,042**

Exercisable as at 31 December 2022	634,373
Exercisable as at 31 December 2023	**834,085**

	2023 Total restricted shares	2022 Total restricted shares
Weighted average remaining contractual life	**7.8 years**	8.0 years
Weighted average fair value at date of grant during the year	**$7.48**	$6.69
Weighted average share price at date of exercise during the year	**$7.49**	$6.02

RSS – Bonus deferral

The vesting periods of the bonus deferral RSS options range from one to three years from the date of grant and do not have associated performance criteria. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise.

7. Employee benefits continued

	Total number of restricted shares
Outstanding as at 31 December 2021	350,152
Granted	46,648
Exercised	(114,196)
Forfeited	(14,056)
Outstanding as at 31 December 2022	268,548
Granted	**48,515**
Exercised	**(86,391)**
Forfeited	**—**
Outstanding as at 31 December 2023	**230,672**
Exercisable as at 31 December 2022	63,247
Exercisable as at 31 December 2023	**103,377**

	2023 Total restricted shares	2022 Total restricted shares
Weighted average remaining contractual life	**6.7 years**	7.2 years
Weighted average fair value at date of grant during the year	**$6.58**	$6.04
Weighted average share price at date of exercise during the year	**$7.31**	$6.45

RSS – Lancashire Syndicate Limited acquisition

The vesting periods of the LSL acquisition RSS options ranged from three to five years and were dependent on certain performance criteria. These options vested in full on 31 December 2018. An amount equivalent to the dividends paid between the grant date and the exercise date accrues and is paid at the time of exercise, pro-rata according to the number of RSS options that vested.

	Total number of restricted shares
Outstanding as at 31 December 2021	64,742
Exercised	(33,387)
Outstanding as at 31 December 2022	31,355
Exercised	**(28,437)**
Forfeited	**(2,918)**
Outstanding as at 31 December 2023	**—**
Exercisable as at 31 December 2022	31,355
Exercisable as at 31 December 2023	**—**

	2023 Total restricted shares	2022 Total restricted shares
Weighted average remaining contractual life	**—**	0.9 years
Weighted average fair value at date of grant	**$13.01**	$13.01
Weighted average share price at date of exercise during the year	**$7.44**	$5.59

8. Financing cost

For the year ended 31 December	2023 $m	2022 $m
Interest expense on long-term debt	**25.8**	25.8
Interest expense on lease liabilities	**1.5**	0.8
Other financing costs	**4.3**	2.6
Total financing cost	**31.6**	29.2

Refer to note 18 for details of long-term debt and financing arrangements, and to note 16 for details of lease liabilities.

9. Tax

For the year ended 31 December	2023 $m	Restated 2022 $m
Corporation tax charge for the period	**5.8**	—
Adjustments in respect of prior period corporation tax	**(0.9)**	(0.6)
Deferred tax charge (credit) for the period (see note 14)	**3.8**	(2.3)
Adjustment in respect of prior period deferred tax (see note 14)	**2.5**	1.1
Total tax charge (credit)	**11.2**	(1.8)

Tax reconciliation[1]	2023 $m	Restated 2022 $m
Profit (loss) before tax	**332.7**	(17.3)
Tax calculated at the standard corporation tax rate applicable in Bermuda 0%	**—**	—
Non-taxable income		
Effect of income taxed at a higher rate	**10.0**	0.7
Adjustments in respect of prior period	**1.6**	0.5
Differences related to equity based compensation	**(0.7)**	(0.4)
Other expense permanent differences	**0.3**	(2.6)
Total tax charge (credit)	**11.2**	(1.8)

1. All tax reconciling balances have been classified as recurring items.

The current tax charge (credit) as a percentage of the Group's profit (loss) before tax is 3.4% (2022 – negative 10.4%).

United Kingdom

The UK subsidiaries of LHL are subject to normal UK corporation tax on all their taxable profits.

Refer to note 14 for details of recent OECD global minimum tax and Bermuda corporate income tax developments.

10. Cash and cash equivalents

As at 31 December	2023 $m	2022 $m
Cash at bank and in hand	**324.0**	191.6
Cash equivalents	**432.9**	357.2
Total cash and cash equivalents	**756.9**	548.8

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 18 for the cash and cash equivalent balances on deposit as collateral. Cash and cash equivalents include managed cash of $263.8 million (31 December 2022 – $260.8 million).

11. Investments

As at 31 December 2023	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities[1]	**2,314.1**	**22.6**	**(56.6)**	**2,280.1**
Private investment funds	**174.4**	**4.2**	**(13.0)**	**165.6**
Hedge funds	**8.5**	**1.4**	**—**	**9.9**
Other investments	**—**	**—**	**(0.1)**	**(0.1)**
Total investments	**2,497.0**	**28.2**	**(69.7)**	**2,455.5**

1. The nature of our fixed maturity securities are presented in the risk disclosures on pages 154 to 156.

				Restated
As at 31 December 2022	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities[1]	2,059.8	6.7	(101.6)	1,964.9
Private investment funds	116.0	1.5	(9.4)	108.1
Hedge funds	95.0	13.4	(4.5)	103.9
Index linked securities	30.0	—	(1.8)	28.2
Other investments	—	0.2	(0.4)	(0.2)
Total investments	2,300.8	21.8	(117.7)	2,204.9

1. The nature of our fixed maturity securities are presented in the risk disclosures on pages 154 to 156.

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 nationally recognised pricing services whose pricing processes, and the controls thereon, are subject to an annual audit on both the design and the operational effectiveness of those controls. The fair value of private investment funds is estimated based on the most recently available NAV as advised by the external fund manager or third-party administrator.

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

The Group has not made any adjustments to any pricing provided by independent pricing services, or its third-party investment managers for either the year ending 31 December 2023 or the year ending 31 December 2022.

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 via 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 require therefore significant management judgement to determine an appropriate fair value. The Group determines securities classified as Level (iii) to include hedge funds, private investment funds and loans made by the Group's Lloyd's syndicate platforms to the Lloyd's central fund.

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

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers between Level (i) to Level (ii) securities amounted to $101.9 million, and transfers from Level (ii) to Level (i) securities amounted to $188.9 million during the year ended 31 December 2023.

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

As at 31 December 2023	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
• Short-term investments	21.4	52.5	—	73.9
• Fixed maturity funds	—	27.1	—	27.1
• U.S. treasuries	585.9	—	—	585.9
• Other government bonds	24.2	23.0	—	47.2
• U.S. municipal bonds	—	13.5	—	13.5
• U.S. government agency debt	41.8	15.3	—	57.1
• Asset backed securities	—	236.7	—	236.7
• U.S. government agency mortgage backed securities	—	117.4	—	117.4
• Non-agency mortgage backed securities	—	11.5	—	11.5
• Non-agency commercial mortgage backed securities	—	21.3	—	21.3
• Bank loans	15.0	127.6	—	142.6
• Corporate bonds	519.2	417.2	—	936.4
• Other fixed maturities	—	6.3	3.2	9.5
Total fixed maturity securities	**1,207.5**	**1,069.4**	**3.2**	**2,280.1**
Private investment funds	—	—	165.6	165.6
Hedge funds	—	—	9.9	9.9
Other investments	—	(0.1)	—	(0.1)
Total investments	**1,207.5**	**1,069.3**	**178.7**	**2,455.5**

11. Investments continued

As at 31 December 2022	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
• Short-term investments	18.5	3.0	—	21.5
• Fixed maturity funds	—	29.4	—	29.4
• U.S. treasuries	650.2	—	—	650.2
• Other government bonds	5.5	33.4	—	38.9
• U.S. municipal bonds	—	22.6	—	22.6
• U.S. government agency debt	38.0	21.0	—	59.0
• Asset backed securities	—	160.9	—	160.9
• U.S. government agency mortgage backed securities	—	41.0	—	41.0
• Non-agency mortgage backed securities	—	14.0	—	14.0
• Non-agency commercial mortgage backed securities	—	24.2	—	24.2
• Bank loans	22.7	106.2	—	128.9
• Corporate bonds	235.0	517.3	—	752.3
• Other fixed maturities	—	18.9	3.1	22.0
Total fixed maturity securities	969.9	991.9	3.1	1,964.9
Private investment funds	—	—	108.1	108.1
Hedge funds	—	—	103.9	103.9
Index linked securities	—	28.2	—	28.2
Other investments	—	(0.2)	—	(0.2)
Total investments	969.9	1,019.9	215.1	2,204.9

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

	Private investment funds $m	Hedge funds $m	Other fixed maturities[1] $m	Total $m
As at 31 December 2021	105.7	102.9	3.9	212.5
Purchases	17.6	13.3	—	30.9
Sales	(7.6)	(10.5)	—	(18.1)
Net realised (losses) recognised in profit or loss	—	(1.1)	—	(1.1)
Net unrealised (losses) recognised in profit or loss	(7.6)	(0.7)	(0.8)	(9.1)
As at 31 December 2022	108.1	103.9	3.1	215.1
Purchases	**63.5**	**0.9**	**—**	**64.4**
Sales	**(5.1)**	**(99.6)**	**—**	**(104.7)**
Net realised gains recognised in profit or loss	**—**	**12.2**	**—**	**12.2**
Net unrealised (losses) gains recognised in profit or loss	**(0.9)**	**(7.5)**	**0.1**	**(8.3)**
As at 31 December 2023	**165.6**	**9.9**	**3.2**	**178.7**

1. Included within fixed maturity securities are the Lloyd's central fund loans which are classified at Level (iii) within the fair value hierarchy.

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

Included within net unrealised (losses) gains recognised in profit or loss within the table above are net unrealised gains related to Level (iii) investments still held as at 31 December 2023 of $1.3 million (31 December 2022 – $9.1 million net unrealised losses).

12. Interest in structured entities

Consolidated structured entities

The Group provides capital contributions to the EBT to enable it to meet its obligations to employees under the various Group equity based compensation plans (see note 7). The Group has a contractual agreement which may require it to provide financial support to the EBT (see note 19 and note 22).

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 2023	Investments $m	Interest in associate $m	Total $m
Fixed maturity securities			
• Asset backed securities	**236.7**	**—**	**236.7**
• U.S. government agency mortgage backed securities	**117.4**	**—**	**117.4**
• Non-agency mortgage backed securities	**11.5**	**—**	**11.5**
• Non-agency commercial mortgage backed securities	**21.3**	**—**	**21.3**
Total fixed maturity securities	**386.9**	**—**	**386.9**
Investment funds			
• Private investment funds	**157.6**	**—**	**157.6**
• Hedge funds	**9.9**	**—**	**9.9**
Total investment funds	**167.5**	**—**	**167.5**
Specialised investment vehicles			
• KHL (note 15)	**—**	**16.2**	**16.2**
Total	**554.4**	**16.2**	**570.6**

			Restated
As at 31 December 2022	Investments $m	Interest in associate $m	Total $m
Fixed maturity securities			
• Asset backed securities	160.9	—	160.9
• U.S. government agency mortgage backed securities	41.0	—	41.0
• Non-agency mortgage backed securities	14.0	—	14.0
• Non-agency commercial mortgage backed securities	24.2	—	24.2
Total fixed maturity securities	240.1	—	240.1
Investment funds			
• Private investment funds	105.6	—	105.6
• Hedge funds	103.9	—	103.9
Total investment funds	209.5	—	209.5
Specialised investment vehicles			
• KHL (note 15)	—	59.7	59.7
Total	449.6	59.7	509.3

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 considered appropriate to aggregate the investments into the categories detailed above.

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

The maximum potential exposure to loss in respect of these structured entities is the carrying value of the instruments that the Group holds as at 31 December 2023. 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 the 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 2023, the Group has a commitment of $50.0 million (31 December 2022 – $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 2023 is $15.9 million (31 December 2022 – $19.9 million), which currently remains unfunded. The maximum exposure to the credit facility funds is $50.0 million, and as at 31 December 2023 there have been no defaults under these facilities.

13. Insurance contracts issued and reinsurance contracts held

A. Movements in the carrying amount - Insurance contract liabilities

The table below shows how the net carrying amounts of insurance contracts issued changed during the year ended 31 December 2023.

	Liability for remaining coverage	Liability for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract liabilities (assets) as at 1 January 2023	29.0	1,307.2	337.3	1,673.5
Insurance revenue	(1,519.9)	—	—	(1,519.9)
Insurance service expenses				
• Incurred claims and other insurance service expenses	—	624.5	93.0	717.5
• Changes in liability for incurred claims	—	(111.6)	(97.9)	(209.5)
• Amortisation of insurance acquisition cash flows	188.2	—	—	188.2
Insurance service result before reinsurance contracts held	(1,331.7)	512.9	(4.9)	(823.7)
Finance expense from insurance contracts issued	—	77.9	20.4	98.3
Effects of movements in exchange rates	1.0	18.3	1.6	20.9
Total changes in consolidated statements of comprehensive income	(1,330.7)	609.1	17.1	(704.5)
Investment components	(47.1)	47.1	—	—
Other[1]	—	5.4	—	5.4
Other changes	(47.1)	52.5	—	5.4
Premiums received net of insurance acquisition cash flows	1,406.6	—	—	1,406.6
Claims and other expenses paid	—	(557.3)	—	(557.3)
Total cash flows	1,406.6	(557.3)	—	849.3
Net insurance contract liabilities (assets) as at 31 December 2023	57.8	1,411.5	354.4	1,823.7

1. Other movements includes the effect of the 2021 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2022 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

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

13. 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 2022.

	Liability for remaining coverage	Liability for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net insurance contract liabilities (assets) as at 1 January 2022	32.9	1,050.9	218.5	1,302.3
Insurance revenue	(1,226.5)	—	—	(1,226.5)
Insurance service expenses				
• Incurred claims and other insurance service expenses	(0.3)	807.2	228.8	1,035.7
• Changes in liability for incurred claims	—	(98.2)	(103.1)	(201.3)
• Amortisation of insurance acquisition cash flows	160.2	—	—	160.2
Insurance service result before reinsurance contracts held	(1,066.6)	709.0	125.7	(231.9)
Finance income from insurance contracts issued	—	(15.0)	(5.1)	(20.1)
Effects of movements in exchange rates	(8.3)	(23.7)	(1.8)	(33.8)
Total changes in consolidated statements of comprehensive income	(1,074.9)	670.3	118.8	(285.8)
Investment components	(59.0)	59.0	—	—
Other[1]	4.4	(0.5)	—	3.9
Other changes	(54.6)	58.5	—	3.9
Premiums received net of insurance acquisition cash flows	1,125.6	—	—	1,125.6
Claims and other expenses paid	—	(472.5)	—	(472.5)
Total cash flows	1,125.6	(472.5)	—	653.1
Net insurance contract liabilities (assets) as at 31 December 2022	29.0	1,307.2	337.3	1,673.5

1. Other movements includes the effect of the 2020 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2021 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The liability for remaining coverage as at 31 December 2022 includes an onerous loss component of $1.0 million (31 December 2021 – $1.3 million).

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 2023.

	Asset for remaining coverage	Asset for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract (assets) liabilities as at 1 January 2023	**41.9**	**(373.5)**	**(142.7)**	**(474.3)**
Allocation of reinsurance premium paid	**424.8**	**—**	**—**	**424.8**
Amounts recoverable from reinsurers				
• Recoveries of incurred claims and other insurance service expenses	**(0.2)**	**(62.3)**	**(4.9)**	**(67.4)**
• Change in assets for incurred claims in relation to past service	**—**	**63.6**	**39.6**	**103.2**
• Reinsurance expenses	**(16.3)**	**—**	**—**	**(16.3)**
• Recoveries and reversals of recoveries of losses on onerous underlying contracts	**0.2**	**—**	**—**	**0.2**
• Effect of changes in non-performing risk of reinsurers	**—**	**(2.9)**	**—**	**(2.9)**
Net expenses from reinsurance contracts held	**408.5**	**(1.6)**	**34.7**	**441.6**
Finance income from reinsurance contracts held	**—**	**(24.4)**	**(7.3)**	**(31.7)**
Effects of movements in exchange rates	**(4.9)**	**(2.5)**	**—**	**(7.4)**
Total changes in consolidated statements of comprehensive income	**403.6**	**(28.5)**	**27.4**	**402.5**
Other[1]	**—**	**(2.6)**	**—**	**(2.6)**
Other changes	**—**	**(2.6)**	**—**	**(2.6)**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	**(403.0)**	**—**	**—**	**(403.0)**
Recoveries from reinsurance	**—**	**89.6**	**—**	**89.6**
Total cash flows	**(403.0)**	**89.6**	**—**	**(313.4)**
Net reinsurance contract (assets) liabilities as at 31 December 2023	**42.5**	**(315.0)**	**(115.3)**	**(387.8)**

1. Other movements includes the effect of the 2021 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2022 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

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

The table below shows how the net carrying amounts of reinsurance contracts held changed during the year ended 31 December 2022.

	Asset for remaining coverage	Asset for incurred claims		
	Including loss component $m	Estimates of the present value of future cash flows $m	Risk adjustment $m	Total $m
Net reinsurance contract (assets) liabilities as at 1 January 2022	41.8	(272.0)	(96.3)	(326.5)
Allocation of reinsurance premium paid	371.8	—	—	371.8
Amounts recoverable from reinsurers				
• Recoveries of incurred claims and other insurance service expenses	(0.1)	(224.4)	(100.2)	(324.7)
• Change in assets for incurred claims in relation to past service	—	7.4	51.6	59.0
• Reinsurance expenses	(18.3)	—	—	(18.3)
• Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	—	—	—
• Effect of changes in non-performing risk of reinsurers	—	2.5	—	2.5
Net expenses from reinsurance contracts held	353.4	(214.5)	(48.6)	90.3
Finance expense from reinsurance contracts held	—	4.5	2.2	6.7
Effects of movements in exchange rates	6.9	5.0	—	11.9
Total changes in consolidated statements of comprehensive income	360.3	(205.0)	(46.4)	108.9
Other[1]	—	(2.1)	—	(2.1)
Other changes	—	(2.1)	—	(2.1)
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	(360.2)	—	—	(360.2)
Recoveries from reinsurance	—	105.6	—	105.6
Total cash flows	(360.2)	105.6	—	(254.6)
Net reinsurance contract (assets) liabilities as at 31 December 2022	41.9	(373.5)	(142.7)	(474.3)

1. Other movements includes the effect of the 2020 and prior underwriting years of account losses and loss adjustment expenses, and reinsurance recoveries, being reinsured to close into the 2021 underwriting year of account, to the extent where the Group's syndicate participation has changed between those years of account.

The asset for remaining coverage as at 31 December 2022 includes an onerous loss recovery component of $0.1 million (31 December 2021 – $nil).

13. 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 the undiscounted liability for incurred claims, and the undiscounted asset for incurred claims, as at 31 December 2023. The Group considers that there is no significant uncertainty with regards to claims that were incurred prior to the 2018 accident year. The Group has therefore elected to use a permitted practical expedient, and has presented only six accident years of claims development prior to the adoption date of IFRS 17. The total undiscounted liability for incurred claims for all years prior to the 2018 accident year represents less than 10% of the total undiscounted liability for incurred claims. The Group considers the claims development information presented to show the period (being the 2018 accident year) when the earliest material claims arose, and for which there is still uncertainty in respect of the amount and timing of the claims payments as at 31 December 2023.

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Liability for incurred claims - undiscounted							
Estimate of ultimate liability[1]							
At end of accident year	456.2	357.9	475.5	828.4	1,137.4	815.0	
One year later	479.0	353.5	435.6	759.5	1,046.0		
Two years later	445.7	320.8	388.0	727.7			
Three years later	429.3	308.1	387.6				
Four years later	403.0	312.3					
Five years later	394.5						
Cumulative claims and other directly attributable expense paid	(358.8)	(253.9)	(276.7)	(466.8)	(374.9)	(170.8)	
Liability for incurred claims - undiscounted	**35.7**	**58.4**	**110.9**	**260.9**	**671.1**	**644.2**	**1,781.2**
Liability for incurred claims - undiscounted - prior years							91.0
Effect of discounting							(165.5)
Non-distinct investment components							59.2
Liability for incurred claims							**1,765.9**

1. Adjusted for the revaluation of foreign currencies as at the 31 December 2023 exchange rates.

Accident year	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Asset for incurred claims - undiscounted							
Estimate of ultimate asset[1]							
At end of accident year	123.7	102.9	83.4	185.8	349.8	69.2	
One year later	164.3	104.2	79.4	165.4	285.3		
Two years later	157.6	92.0	72.1	151.0			
Three years later	149.0	94.4	72.6				
Four years later	140.1	98.3					
Five years later	136.4						
Cumulative claims and other directly attributable expenses paid	(121.3)	(59.6)	(38.2)	(39.0)	(57.3)	(40.0)	
Asset for incurred claims - undiscounted	**15.1**	**38.7**	**34.4**	**112.0**	**228.0**	**29.2**	**457.4**
Asset for incurred claims - undiscounted - prior years							11.6
Effect of discounting							(38.7)
Asset for incurred claims							**430.3**

1. Adjusted for the revaluation of foreign currencies as at the 31 December 2023 exchange rates.

13. Insurance contracts issued and reinsurance contracts held continued

During 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million. None of these events were individually material for the Group.

In comparison, during 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events of $329.4 million. Within this, catastrophe and weather related losses for the year ended 31 December 2022, were $232.4 million. This included $181.0 million from hurricane Ian. Large losses for the year amounted to $97.0 million and included $70.5 million related to the conflict in Ukraine.

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 2023 and 31 December 2022.

14. Provision for deferred tax

As at 31 December	2023 $m	Restated 2022 $m
Equity based compensation	**(8.1)**	(5.0)
Syndicate underwriting profits	**3.5**	(0.3)
Syndicate participation rights	**18.8**	18.8
Other temporary differences	**2.0**	(2.9)
Tax losses carried forward	**—**	(0.3)
Net deferred tax liability	**16.2**	10.3

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable. It is anticipated that sufficient taxable profits will be available within the Group in 2023 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse, and the tax losses carried forward.

For the years ended 31 December 2023 and 2022, the Group had no uncertain tax positions (see note 9). The table below reconciles the movements within the net deferred tax liability.

As at 31 December	2023 $m	Restated 2022 $m
Opening liability	**10.3**	11.6
Deferred tax charge (credit) for the period	**3.8**	(2.3)
Adjustment in respect of prior period deferred tax	**2.5**	1.1
Deferred tax in equity	**(0.4)**	(0.1)
Closing liability	**16.2**	10.3

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

OECD global minimum tax and Bermuda corporate income tax

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021 the OECD released a draft legislative framework, followed by detailed guidance in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws.

Subsidiary companies in the UK, Canada and Australia will be subject to a global minimum tax of 15% from 1 January 2024 as they are implementing an income inclusion rule or a qualifying domestic minimum top-up tax.

Legislation was also passed in Bermuda on 27 December 2023 to implement a corporate income tax regime from 1 January 2025. The Bermuda corporate income tax regime will supercede the previously granted tax assurances which provided an exemption from corporate income taxes until 31 March 2035 for LHL and its Bermuda domiciled subsidiaries. To the extent the Bermuda corporate income tax results in an effective tax rate of less than 15%, the shortfall in tax will be collected applying the Pillar Two under taxed payments rule which will be 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, Lancashire expects to meet the relevant conditions to benefit from exclusion for a period of five years, from 2025 to 2029, from the under taxed payments rule.

The Group will continue during 2024 to assess the potential impact of the Economic Transition Adjustment introduced by the recent Bermuda Corporate Tax legislation. In light of emerging guidance and uncertainty as to the potential impact for the Group, no decision has yet been taken as to whether to take advantage of available tax deductions arising from the Economic Transition Adjustment or to use the opt out available.

The Group does not anticipate that it will become subject to the Bermuda corporate income tax until 1 January 2030, as it expects to fall within the exclusion within the Bermuda corporate income tax rules that means groups with a limited international presence are excluded from scope for a period of up to five years. In the event the Group makes a future decision to make use of the Economic Transition Adjustment it expects to have potential deferred tax assets relating to the transition rules and elections available in the Bermuda corporate income tax legislation but does not consider that taxable profits for 2030 and subsequent years can currently be considered to be sufficiently probable to allow for recognition of any potential deferred tax assets in the short term.

15. Investment in associate

The Group holds an interest in the preference shares of each segregated account of KHL. KHL is a company incorporated in Bermuda and its operating subsidiary, KRL, is authorised by the BMA as a Special Purpose Insurer. KRL commenced writing insurance business on 1 January 2014. As at 31 December 2023, the carrying value of the Group's investment in KHL was $16.2 million (31 December 2022 – $59.7 million (restated)). The Group's share of profit for KHL for the period was $12.1 million (2022 – $5.4 million loss (restated)).

Key financial information for KHL is as follows:

	2023 $m	Restated 2022 $m
Assets	**315.7**	532.7
Liabilities	**220.2**	287.1
Shareholders' equity	**95.5**	245.6
Insurance revenue	**(0.1)**	40.3
Comprehensive income (loss)	**62.4**	(29.4)

The Group has the power to participate in the operational and financial policy decisions of KHL and KRL, and has therefore classified its investment in KHL as an investment in associate.

Refer to note 22 for details of transactions between the Group and its associate.

16. Leases

The Group leases five properties and various items of office equipment.

Right-of-use assets

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

	Property $m	Equipment $m	Total $m
Net book value as at 31 December 2021	13.2	0.2	13.4
Additions	6.3	0.1	6.4
Modifications	3.2	—	3.2
Depreciation charge	(2.6)	(0.1)	(2.7)
Net book value as at 31 December 2022	20.1	0.2	20.3
Additions	**0.2**	**—**	**0.2**
Modifications	**2.2**	**—**	**2.2**
Depreciation charge	**(3.3)**	**(0.1)**	**(3.4)**
Net book value as at 31 December 2023	**19.2**	**0.1**	**19.3**

Lease liabilities

As at 31 December	2023 $m	2022 $m
Due in less than one year	**4.5**	3.6
Due between one and five years	**15.9**	13.4
Due in more than five years	**9.5**	12.3
Total undiscounted lease liabilities	**29.9**	29.3
Total discounted lease liabilities as per the consolidated statement of financial position	**24.7**	23.3
Current	**3.2**	2.2
Non-current	**21.5**	21.1

The Group does not face a significant liquidity risk with regards to its lease liabilities.

Amounts recognised in profit or loss

For the year ended 31 December	2023 $m	2022 $m
Depreciation of right-of-use assets	**3.4**	2.7
Interest expense on lease liabilities	**1.5**	0.8
Expenses relating to short-term leases and variable leases	**1.2**	0.9
Total	**6.1**	4.4

Total lease payments amounted to $3.8 million for the year ended 31 December 2023 (31 December 2022 – $3.6 million).

17. Intangible assets

	Syndicate participation rights $m	Goodwill $m	Internally generated intangible assets $m	Total $m
Net book value as at 31 December 2021	83.5	71.2	3.2	157.9
Additions	4.2	–	10.3	14.5
Net book value as at 31 December 2022	87.7	71.2	13.5	172.4
Additions	**3.3**	**—**	**7.0**	**10.3**
Amortisation	**—**	**—**	**(0.2)**	**(0.2)**
Impairment	**—**	**—**	**(1.4)**	**(1.4)**
Net book value as at 31 December 2023	**91.0**	**71.2**	**18.9**	**181.1**

Syndicate participation rights and goodwill

During the year ended 31 December 2023, the Group's corporate member acquired additional participation rights in Syndicate 2010, which took the Group's share on the 2024 year of account to 72.1% (2023 year of account – 69.3%).

Indefinite life intangible assets are tested annually for impairment. For the purpose of impairment testing, the syndicate participation rights and goodwill have been allocated to the LSL CGU.

The recoverable amount of the LSL CGU is determined based on its value in use. Value in use is calculated using the projected cash flows of the LSL CGU. These are approved by management and cover a three-year period. The most significant assumptions used to derive the projected cash flows include an assessment of business prospects, business plans approved by Lloyd's, expected future market conditions, premium growth rates, outwards reinsurance expenditure, projected loss ratios, investment returns and climate change. To mitigate the impact of climate risk, the Group accepts insurance risk for periods primarily of one year. This provides the Group with the ability to re-evaluate its insurance portfolio on an annual basis and, therefore, reprice the relevant elements of risk, and also reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events, as appropriate.

A pre-tax discount rate of 8.9% (2022 – 9.9%) has been used to discount the projected cash flows. This discount rate reflects the current market assessment of the time value of money and the risks specific to the asset for which the projected cash flow estimates have not been adjusted. The discount rate is determined with reference to a combination of factors, including the Group's expected weighted average cost of equity and cost of borrowing. This has been calculated using independent measurements of the risk-free rate of return and is indicative of the Group's risk profile relative to the market. The lower pre-tax discount rate compared to 2022 is primarily due to an overall decrease in the cost of equity included in the Group's weighted average cost of capital calculation. This was driven by an increase in the risk-free rate and a decrease in the beta value input assumptions. The growth rate used to extrapolate the cash flows is 2.5% (2022 – 2.5%) and is based on historical growth rates, as well as management's best estimate of future growth rates, taking into account current economic market conditions.

Sensitivity testing has been performed to model the impact of reasonably possible changes in input assumptions to the base case impairment analysis and headroom. The discount rate has been flexed to 100 basis points above the central assumption (resulting in a 15% reduction in headroom), the growth rate has been flexed to 100 basis points below the central assumption (resulting in a 13% reduction in headroom), and the pre-tax projected cash flows have been flexed to 500 basis points below the central assumption (resulting in a 5% reduction in headroom). Within these ranges, the recoverable amount remains supportable.

No impairment loss has been recognised for the years ended 31 December 2023 and 31 December 2022.

Internally generated intangible assets

Internally generated intangible assets represent directly attributable costs incurred in the development phase of implementing cloud-based software to support the Group's target operating model. As at 31 December 2023, certain of the internally generated intangible assets are available for use and have commenced amortisation. During the year ended 31 December 2023, management considered the relevant indicators of impairment at an individual intangible asset level and performed an impairment review where it was determined appropriate. Following the performance of this impairment review, $1.4 million of impairment losses were recognised in other operating expenses (2022 – $nil).

18. Long-term debt and financing arrangements

Long-term debt

During the year ended 31 December 2021, LHL issued $450.0 million (being the aggregate principal amount) of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021, and $50.0 million issued on 31 March 2021. Interest is payable semi-annually in arrears on 18 March and 18 September of each year, from 18 September 2021. The fixed interest rate will reset on 18 September 2031 and each reset date thereafter, at a rate per annum equal to the prevailing five-year treasury rate, plus a credit spread of 4.08% and a 100 basis point step-up.

The carrying value of the Company's issued $450.0 million junior subordinated notes are shown below:

As at 31 December	2023 $m	2022 $m
Junior subordinated notes		
$450.0 million 5.625% fixed-rate reset notes issued March 2021, due September 2041	**446.6**	446.1
Carrying value	**446.6**	446.1

The fair value of the long-term debt is $388.3 million (31 December 2022 – $352.0 million). The fair value measurement is classified within Level (ii) of the fair value hierarchy and is based on observable data.

The interest accrued on the long-term debt as at 31 December 2023 was $7.2 million (31 December 2022 – $7.2 million) and is included within other payables. Refer to note 8 for details of the interest expense for the year included within financing costs.

LHL has the option to redeem some or all of the junior subordinated notes, in whole or in part, prior to the maturity date. There are no negative or financial covenants attached to the issued junior subordinated notes.

Letters of credit

As both LICL and LUK are non-admitted insurers or reinsurers throughout the U.S., the terms of certain contracts require them to provide LOCs to policyholders as collateral.

The following LOCs have been issued by the Group:

As at 31 December	2023 $m	2022 $m
Issued to third parties	**5.6**	27.3

These LOCs are required to be fully collateralised.

LHL and LICL have a $250.0 million syndicated collateralised credit facility that has been in place since 20 March 2020, and will expire on 20 March 2025. There was no outstanding debt under this facility as at 31 December 2023 and 2022.

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 $250.0 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. a maximum subordinated unsecured indebtedness of $350.0 million; and

iv. a maximum aggregated indebtedness (a) under any syndicate arrangement entered into by Lancashire Syndicates in connection with the underwriting business carried on by all such members of the syndicates, and (b) incurred by CCL 1998, LHL or LICL in the ordinary course of business in connection with coming into line requirements, of $200.0 million.

On 3 March 2021 and 20 October 2022, LHL and LICL obtained waivers from their lenders in relation to the limits on debt incurrence under the $250.0 million syndicated collateralised credit facility, which allowed (a) LHL to issue its $450.0 million 5.625% fixed-rate reset junior subordinated notes due in 2041, and (b) the Group to increase the aggregate amount of indebtedness incurred under the facilities referenced in part (iv.) above up to a maximum of $400.0 million.

A $215.5 million syndicated uncollateralised LOC facility and a $70.0 million collateral pledge facility have been in place since 25 October 2023 and 5 December 2023, respectively, and are available for utilisation by LICL and guaranteed by LHL for FAL purposes. As at 31 December 2023, a $215.5 million LOC was issued under the syndicated uncollateralised LOC facility, due to expire on 31 December 2027, and $70.0 million of agreed collateral had been deposited, due to expire on 31 December 2024.

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 junior subordinated notes are excluded as debt from this calculation; and

iii. maintenance of a minimum net worth requirement.

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

Syndicate bank facilities

As at 31 December 2023 and 31 December 2022, Syndicate 2010 had in place a $60.0 million LOC catastrophe facility. The facility is available to assist in paying claims and the gross funding of catastrophes for Syndicate 2010. A separate uncommitted overdraft facility of $20.0 million is also available to Syndicate 2010.

There are no balances outstanding under the Syndicate bank facilities as at 31 December 2023 and 31 December 2022.

Trust and restricted balances

The Group 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 2022 and 2023 in the majority of U.S. states, the MBRT is no longer expected to be required for new business written with policyholders domiciled in the 52 U.S. states and 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.

The Group is required to hold a portion of its assets as FAL to support the underwriting capacity of both Syndicate 2010 and Syndicate 3010. FAL are restricted in their use and are only drawn down to pay cash calls to syndicates supported by the Group. FAL requirements are formally assessed twice a year and any funds surplus to requirements may be released at that time. See page 166 for more information regarding FAL requirements.

In addition to the FAL, certain cash and investments held by Syndicate 2010 and Syndicate 3010 are only available for paying the syndicates' claims and expenses. See page 166 within the risk disclosures for more information regarding the capital requirements for Syndicate 2010 and Syndicate 3010.

As at and for the years ended 31 December 2023 and 31 December 2022, the Group was in compliance with all covenants under its trust facilities.

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

As at 31 December	2023 Cash and cash equivalents $m	2023 Fixed maturity securities $m	2023 Total $m	2022 Cash and cash equivalents $m	2022 Fixed maturity securities $m	2022 Total $m
FAL	**7.0**	**245.3**	**252.3**	2.5	398.4	400.9
MBRT accounts	**0.2**	**266.0**	**266.2**	3.1	251.9	255.0
Syndicate accounts	**61.9**	**127.9**	**189.8**	127.4	240.2	367.6
In trust accounts for policyholders	**112.2**	**47.0**	**159.2**	69.1	24.3	93.4
In favour of LOCs	**2.4**	**17.3**	**19.7**	2.3	30.8	33.1
Loan to Lloyd's Central Fund	**—**	**3.2**	**3.2**	—	3.1	3.1
Total	**183.7**	**706.7**	**890.4**	204.4	948.7	1,153.1

19. Share capital and other reserves

Authorised common shares of $0.50 each	Number	$m
As at 31 December 2023 and 2022	**3,000,000,000**	**1,500.0**

Allocated, called up and fully paid common shares of $0.50 each	Number	$m
As at 31 December 2023 and 2022	**244,010,007**	**122.0**

Own shares	Number held in treasury	$m	Number held in trust	$m	Total number of own shares	$m
As at 31 December 2021	—	—	2,170,898	18.1	2,170,898	18.1
Shares distributed	—	—	(1,084,053)	(8.1)	(1,084,053)	(8.1)
Shares repurchased	4,589,592	23.3	—	—	4,589,592	23.3
Shares donated to trust	(4,589,592)	(23.3)	4,589,592	24.0	—	0.7
As at 31 December 2022	—	—	5,676,437	34.0	5,676,437	34.0
Shares distributed	**—**	**—**	**(704,407)**	**(4.3)**	**(704,407)**	**(4.3)**
As at 31 December 2023	**—**	**—**	**4,972,030**	**29.7**	**4,972,030**	**29.7**

The number of common shares in issue with voting rights (allocated share capital, less shares held in trust/treasury) as at 31 December 2023 was 244,010,007 (31 December 2022 – 244,010,007).

Share repurchases

At the AGM held on 26 April 2023, LHL's shareholders approved a renewal of the Company's Repurchase Programme authorising the repurchase of a maximum of 24,401,000 common shares, with such authority to expire on the conclusion of the 2024 AGM or, if earlier, 15 months from the date the resolution approving the Repurchase Programme was passed.

During the year ended 31 December 2023, no shares were repurchased by the Company under the Repurchase Programme. During the year ended 31 December 2022, 4,589,592 common shares were repurchased by the Company under its Repurchase Programme, at a weighted average share price of £4.23.

Under the Repurchase Programme, the Board authorised management to repurchase 24,401,000 common shares within certain parameters for a maximum consideration not exceeding $50.0 million, commencing on 22 November 2023 and ending on 29 February 2024. No shares were repurchased by the Company during this period.

Dividends

The Board of Directors have authorised the following dividends:

Type	Per share amount	Record date	Payment date	$m
Final	$0.10	13 May 2022	10 June 2022	24.3
Interim	$0.05	5 Aug 2022	2 Sep 2022	11.9
Final	**$0.10**	**5 May 2023**	**2 June 2023**	**23.9**
Interim	**$0.05**	**18 Aug 2023**	**15 Sep 2023**	**11.9**
Special	**$0.50**	**17 Nov 2023**	**15 Dec 2023**	**119.5**

Other reserves

The Group's other reserves of $1,233.2 million (31 December 2022 – $1,221.9 million) comprises contributed surplus and an equity based compensation reserve. The equity based compensation reserve comprises $23.9 million (31 December 2022 – $33.3 million) of this balance and relates to the Group's equity compensation plans (see note 7).

20. Earnings per share

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

For the year ended 31 December	2023 $m	Restated 2022 $m
Profit (loss) after tax	**321.5**	(15.5)

	2023 Number of shares	2022 Number of shares
Basic weighted average number of shares	**238,811,761**	240,328,201
Dilutive effect of RSS	**5,192,761**	3,017,193
Diluted weighted average number of shares	**244,004,522**	243,345,394

Earnings (loss) per share	2023	Restated 2022
Basic	**$1.35**	($0.06)
Diluted[1]	**$1.32**	($0.06)

1. Diluted EPS excludes dilutive effect of RSS when in a loss making position.

Equity based compensation awards are only treated as dilutive when their conversion to common shares would decrease the earnings per share, or increase loss per share, from continuing operations. Unvested restricted shares without performance criteria are therefore included in the number of potentially dilutive shares. Incremental shares from ordinary restricted share options, where relevant performance criteria have not been met, are not included in the calculation of dilutive shares.

21. Commitments and contingencies

Credit facility fund

As at 31 December 2023, the Group has a commitment of $50.0 million (31 December 2022 – $50.0 million) relating to one credit facility fund (refer to note 12).

Private investment funds

The table below shows the dates on which the Group committed to invest in four different private investment funds and the amount of the total commitment that remains undrawn as at 31 December 2023.

Date of commitment to invest in private investment fund	Total commitment $m	Undrawn commitment $m
18 October 2022	**10.0**	**3.5**
28 July 2021	**34.0**	**15.3**
9 December 2020	**25.0**	**0.5**
5 November 2019	**25.0**	**1.0**
Total	**94.0**	**20.3**

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.

22. Related party disclosures

The Group's consolidated financial statements include LHL and the entities listed below:

Name	Principal Business	Domicile
Subsidiaries[1]		
CCHL	Holding company	United Kingdom
CCL	Holding company	United Kingdom
CCL 1998[2]	Lloyd's corporate member	United Kingdom
CCL 1999	Non trading	United Kingdom
CUL	Non trading	United Kingdom
LAPL	Non trading	Australia
LICLIHL	Holding company	Bermuda
LCM	Insurance agent services	Bermuda
LCMMSL	Support services	United Kingdom
LICL	General insurance business	Bermuda
LUS[3]	Surplus line broker	United States of America
LIHL	Holding company	United Kingdom
LHUS[3]	Holding company	United States of America
LIMSL	Insurance mediation activities	United Kingdom
LISL	Support services	United Kingdom
LHAPL	Holding company	Australia
LMSCL	Support services	Canada
LSL	Lloyd's managing agent	United Kingdom
LUAPL	Lloyd's service company	Australia
LUK	General insurance business	United Kingdom
Associate		
KHL[4] (and its subsidiary KRL)	Holding company / General insurance business	Bermuda
Other controlled entities		
EBT	Trust	Jersey

1. Unless otherwise stated, the Group owns 100% of the ordinary share capital and voting rights in its subsidiaries listed.
2. 69.3% participation on the 2023 year of account, and 72.1% participation on the 2024 year of account, for Syndicate 2010.
3. Entities incorporated in May 2023.
4. The Group has a 15.0% holding through its interest in the preference shares of each segregated account of KHL.

The EBT was established to assist in the administration of the Group's employee equity based compensation schemes. While the Group does not have legal ownership of the EBT, and the ability of the Group to influence the actions of the EBT is limited by the trust deed in place, the EBT was set up by the Group with the sole purpose of assisting in the administration of these schemes and it is in essence, therefore, controlled by the Group, and is, consequently, consolidated within the Group.

The Group has a Loan Facility Agreement (the 'Facility') with JTC PLC, the trustee of the EBT. The Facility is an interest free revolving credit facility under which the trustee can request advances on demand, within the terms of the Facility, up to a maximum aggregate amount of $80.0 million. The Facility may only be used by the trustee for the purpose of achieving the objectives of the EBT. During the year ended 31 December 2023, the Group had made advances of $nil (31 December 2022 – $0.5 million) to the EBT under the terms of the Facility.

During the year ended 31 December 2023, no common shares were donated by the Company to the EBT. During the year ended 31 December 2022, the Company donated 4,589,592 common shares (repurchased under its Repurchase Programmes) to the EBT for a total market value of $23.3 million at the prevailing rate. LHL did not issue any common shares to the EBT during the year ended 31 December 2023 or 31 December 2022.

LICL holds $215.5 million (31 December 2022 – $203.8 million) of cash and cash equivalents, fixed maturity securities, and accrued interest in trust for the benefit of LUK relating to intra-group reinsurance agreements. In addition, LICL is required to provide 100% of the required FAL for the Group to support the underwriting activities of Syndicate 2010 and Syndicate 3010. LICL holds $252.3 million (31 December 2022 – $400.9 million) of cash and cash equivalents and fixed maturity securities in FAL with the remaining FAL requirement covered by a LOC and a collateral pledge facility (refer to note 18).

Mr Maloney and his spouse acquired 100.0% of the shares in Nameco on 7 November 2016. Nameco provides capacity to a number of Lloyd's syndicates, including Syndicate 2010 which is managed by LSL. Nameco has provided $0.2 million of capacity to Syndicate 2010 for the 2024 year of account (2023 year of account – $0.2 million). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. These transactions occurred on an arm's length basis.

Key management compensation

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

For the year ended 31 December	2023 $m	2022 $m
Short-term compensation	**4.9**	2.7
Equity based compensation	**2.5**	0.8
Directors' fees and expenses	**2.5**	2.3
Total	**9.9**	5.8

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 the Group's associate and the associate's subsidiary

In 2013, LCM entered into an underwriting services agreement with KRL and KHL to provide various services relating to underwriting, actuarial, premium payments and relevant deductions, acquisition expenses, and receipt of claims. For the year ended 31 December 2023, the Group recognised $nil (2022 – $4.0 million) of service fees and profit commissions in other income (refer to note 5) in relation to this agreement.

During 2023, the Group committed an additional $nil (31 December 2022 – $nil) of capital to KHL. During 2023, KHL returned $55.6 million (31 December 2022 – $55.0 million) of capital to the Group.

Refer to note 15 for further details on the Group's investment in associate.

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	2023 $m	Restated 2022 $m
Reinsurance contract asset	**19.1**	19.1

Consolidated statement of comprehensive income	2023 $m	Restated 2022 $m
Allocation of reinsurance premium	—	(3.1)
Amounts recoverable from reinsurers	—	(4.1)

23. Impact of adoption - IFRS 17 Insurance Contracts

Recognition, measurement and presentation

IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held.

The standard includes a number of significant changes to existing practice regarding the measurement and disclosure of insurance contracts issued and reinsurance contracts held both in terms of liability measurement and profit recognition.

IFRS 17 is a principles-based accounting standard and the valuation of insurance contract liabilities continues to be the largest area of estimation uncertainty. This includes consideration of the cash flows within the contract boundary, discounting and the risk adjustment for non-financial risk calculation. There are a number of accounting policy choices that are allowed under the standard and this requires the application of judgement and an increased use of estimation techniques. Management has applied judgement in interpreting the standard in areas such as determining the applicable measurement model, the approach to discounting and the level of aggregation (see accounting policies).

The Group has determined that at the date of transition it is eligible to apply the PAA to its portfolios and groups of insurance contracts issued, and reinsurance contracts held, on the basis that the measurement of the LRC and the ARC is not expected to differ materially from that calculated under the GMM. The PAA simplifies the measurement of the LRC, replacing the FCF plus contractual service margin approach of the GMM with a measurement based on net of acquisition cost premiums received less those recognised through revenue. For reinsurance contracts held, the Group applied the PAA adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Effect of initial application

The Group has adopted IFRS 17 retrospectively from its effective date of 1 January 2023. The transition approach was determined at a group of insurance contracts level. Under the PAA, the Group concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the fully retrospective approach practicable.

Accordingly, as at 1 January 2022, the Group identified, recognised and measured each group of insurance contracts issued and reinsurance contracts held as if IFRS 17 had always applied, derecognised any existing balances that would not have existed had IFRS 17 always applied, and recognised any resulting differences in shareholders' equity.

The Group has applied the transition provisions in IFRS 17, and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS.

The consequential amendments to IFRS 3 Business Combinations, introduced by IFRS 17, require the Group to assess and classify any insurance contracts acquired as part of a business combination effective at a date on or after the implementation date of IFRS 17, being 1 January 2023, on the basis of the contractual terms of the insurance contracts, and other relevant factors, as at the date of acquisition. This requirement is not applicable to business combinations before 1 January 2023, for which the Group was required to assess and classify all insurance contracts acquired as part of a business combination as insurance contracts on the basis of the conditions at the inception of the individual insurance contracts. Therefore this requirement of IFRS 17 has not been applied retrospectively.

The initial application of IFRS 17 resulted in a $18.9 million net reduction to total shareholders' equity reported within the consolidated statement of shareholders' equity.

The two largest valuation adjustments, representing $15.7 million of the net reduction in total shareholders' equity on the initial application of IFRS 17, included:

- a $38.4 million net reduction in shareholders' equity from establishing a directly attributable expense reserve and releasing the ULAE provision previously established under IFRS 4. This is due to the IFRS 17 requirement that all future cash flows related to the fulfilment of insurance contracts issued be captured within portfolios and applied to groups of insurance contracts. This replaced, at an increased amount, the existing ULAE provision; and
- a $22.7 million net increase in shareholders' equity from discounting the LIC and the AIC. Since not all cash flows are expected to be paid or received in one year or less from the date claims are incurred, the Group is required to discount the estimate of future cash flows included in both the LIC and the AIC. As current discount rates are applied, this is subject to a degree of volatility (see note 3). Under IFRS 4, insurance contract liabilities were not discounted by the Group.

Other smaller valuation adjustments, representing $3.2 million of the net reduction in total shareholders' equity on initial application of IFRS 17, arose from:

- the requirement to revalue all component parts of insurance contract liabilities and reinsurance contract assets at current foreign exchange rates. Under IFRS 4, the previously established unearned premium and deferred acquisition cost balances were considered non-monetary assets and were translated at historic exchange rates;
- including expected premiums within the estimates of future cash flows that are used to determine insurance revenue. Under IFRS 4, for the majority of the Group's excess of loss contracts, premiums written were recorded based on the minimum, deposit, or flat premiums, as defined in the contract. Subsequent adjustments to the minimum, deposit or flat premiums were recognised in the period in which they were determined;
- the requirement to recognise immediately an onerous loss component and, if applicable, the corresponding reinsurance coverage in place (a loss recovery component), on the initial recognition of an onerous group of insurance contracts (see note 13); and
- the requirement to include an element of non-performance risk in the cash flow assumptions when measuring the reinsurance contract asset balance under IFRS 17. Under IFRS 4, the Group had not previously recognised a bad debt provision on losses recoverable from reinsurers.

The Group reported a total comprehensive loss of $92.6 million in the annual audited consolidated financial statements for the year ended 31 December 2022. Following the adoption of IFRS 17, the restated total comprehensive loss for the year ended 31 December 2022 is $15.5 million. This $77.1 million increase in the consolidated statement of comprehensive income, alongside the $18.9 million decrease in total shareholders' equity, recorded at the date of initial application, results in a $58.2 million cumulative increase to total shareholders' equity from adopting IFRS 17 as at 31 December 2022.

Under IFRS 17, a risk adjustment for non-financial risk is required to be determined, to reflect the compensation that the Group requires for bearing non-financial risk, and its degree of risk aversion to such non-financial risks. The Group's risk adjustment for non-financial risk under IFRS 17 does not differ materially from the Group's reserve margin under IFRS 4, as the fundamentals of our reserving methodology remain unchanged following the implementation of IFRS 17 (see insurance risk disclosure).

IFRS 17 has also resulted in a number of presentation differences compared to the previous IFRS 4 consolidated financial statements, specifically:

- the insurance service result comprises insurance revenue, insurance service expenses, and the net expenses from reinsurance contracts held;
- reinsurance contracts held are required to be presented separately from insurance contracts issued;
- the reporting of gross premiums written is no longer applicable under IFRS 17 and insurance revenue equates more closely to gross earned premium. Reinstatement premiums are recognised net against insurance service expenses, while commissions paid to cedants are recognised as a net deduction to insurance revenue. Non-distinct investment components, which are defined as amounts that are repayable in all circumstances, are required to be excluded from insurance revenue and insurance service expenses;
- a portion of operating expenses are included in insurance service expenses (see note 6); and
- on the face of the consolidation statement of financial position all insurance-related balances will be presented in either insurance contract liabilities, or reinsurance contract assets, as appropriate.

The accounting policies for insurance contracts issued and reinsurance contracts held under IFRS 17 are set out on pages 138 to 143.

24. Impact of adoption - IFRS 9 Financial Instruments: Classification and Measurement

The Group adopted IFRS 9 on 1 January 2023 (the same effective date as IFRS 17), as permitted under the June 2020 amendments to IFRS 4 - Insurance Contracts. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting. In summary:

- the classification and measurement categories of financial assets under IFRS 9 are assessed based on the Group's business model for managing those financial assets;
- under IFRS 9, the three classification categories for financial assets are: FVTPL (mandatory or designated), FVOCI and amortised cost. IFRS 9, therefore, eliminates the previous IAS 39 measurement categories of FVTPL (held for trading or designated), AFS, held-to-maturity, and loans and receivables;
- an ECL impairment model replaces the IAS 39 incurred loss model. The expected credit loss approach requires an allowance to be established at initial recognition of an asset classified as FVOCI or amortised cost, reflecting the level of losses anticipated having regard to, amongst other things, expected future economic factors. Subsequently, the amount of the allowance is affected by changes in the expectations of loss driven by changes in the associated credit risk. As at the date of transition, it was determined that the impact of ECLs were not material;
- new hedge accounting requirements have been introduced. The Group does not apply hedge accounting and has, therefore, not considered in detail the changes in this area as a result of adopting IFRS 9;
- the requirements for derecognition under IFRS 9 are broadly unchanged from IAS 39; and
- the classification and measurement for financial liabilities under IFRS 9 are broadly unchanged from IAS 39.

Effect of initial application

The Group has adopted IFRS 9 retrospectively effective from the date of initial application of IFRS 17 on 1 January 2023. The Group also elected to apply the classification overlay to restate its comparative information, as permitted by an amendment to IFRS 17 (amendments of the initial application of IFRS 17 and IFRS 9 - Comparative Information, issued in December 2021). The classification overlay has been applied to all financial assets derecognised in the comparative period. A change of classification as at 1 January 2022 has been applied using the business model classification on 1 January 2023.

The Group has established that all investment classes are managed, and their performance evaluated, on a fair value basis, and, therefore, they have been classified as FVTPL. For cash and cash equivalents, and other receivables, the objective is to collect the contractual cash flows only, and, therefore, they have been classified as amortised cost. The Group's classification of financial liabilities has remained unchanged.

The Group's accounting policies for financial instruments under IFRS 9 are set out on pages 144 to 145. The application of these policies resulted in the reclassifications set out below:

As at 1 January 2022	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $m	Carrying amount under IFRS 9 $m
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	517.7	**517.7**
Fixed maturity securities - AFS	AFS	FVTPL (mandatory)	1,780.2	**1,780.2**
Fixed maturity securities - FVTPL	FVTPL (designated)	FVTPL (mandatory)	28.9	**28.9**
Private investment funds - FVTPL	FVTPL (designated)	FVTPL (mandatory)	105.7	**105.7**
Hedge funds - FVTPL	FVTPL (designated)	FVTPL (mandatory)	102.9	**102.9**
Index linked securities - FVTPL	FVTPL (designated)	FVTPL (mandatory)	30.5	**30.5**
Other investments	FVTPL	FVTPL (mandatory)	(0.1)	**(0.1)**
Other receivables	Loans and receivables	Amortised cost	18.8	**18.8**
Total financial assets			2,584.6	**2,584.6**
Financial liabilities				
Other payables	Amortised cost	Amortised cost	37.4	**37.4**
Long-term debt	Amortised cost	Amortised cost	445.7	**445.7**
Total financial liabilities			483.1	**483.1**

The adoption of IFRS 9 has resulted in a $2.9 million, net of tax reclassification adjustment between opening accumulated other comprehensive income and opening retained earnings, as at 1 January 2022 (see consolidated statement of shareholders' equity). This reclassification adjustment does not impact opening shareholders' equity as at 1 January 2022. The tables below outline the reclassification of financial statement line items, as well as the earnings per share impacts of adopting IFRS 9.

Consolidated statement of financial position	As at 31 December 2021 - IAS 39 $m	Reclassification of investments $m	Reclassification of tax $m	Restated as at 1 January 2022 $m
Investments				
• Fixed maturity securities - AFS	1,780.2	(1,780.2)	—	—
• Fixed maturity securities - FVTPL	28.9	1,780.2	—	1,809.1
Total financial assets[1]	2,584.6	—	—	2,584.6
Total financial liabilities[1]	483.1	—	—	483.1
Accumulated other comprehensive income	2.9	(3.3)	0.4	—
Retained earnings	83.9	3.3	(0.4)	86.8
Total shareholders' equity[1]	86.8	—	—	86.8

1. Line items that were not impacted by changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position	As at 31 December 2022 - IAS 39 $m	Reclassification of investments $m	Reclassification of tax $m	Restated as at 31 December 2022 $m
Investments				
• Fixed maturity securities - AFS	1,942.9	(1,942.9)	—	—
• Fixed maturity securities - FVTPL	22.0	1,942.9	—	1,964.9
Total financial assets[1]	2,783.8	—	—	2,783.8
Total financial liabilities[1]	490.2	—	—	490.2
Accumulated other comprehensive loss	(86.4)	89.9	(3.5)	—
Retained earnings	44.4	(89.9)	3.5	(42.0)
Total shareholders' equity[1]	(42.0)	—	—	(42.0)

1. Line items that were not impacted by changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

The following table shows the adjustments to the consolidated statement of comprehensive income for the year ended 31 December 2022 for each individual line item impacted by the adoption of IFRS 9.

Consolidated statement of comprehensive income	For the year ended 31 December 2022 - IAS 39 $m	IFRS 9 impact $m	Restated for the year ended 31 December 2022 - IFRS 9 $m
Net investment income (IAS 39) / return (IFRS 9)	43.7	(120.4)	(76.7)
Net other investment income (IAS 39 only)	(4.5)	4.5	—
Net realised (losses) gains and impairment (IAS 39 only)	(22.7)	22.7	—
Loss before tax[1]	(2.8)	(93.2)	(96.0)
Tax (charge) credit	(0.5)	3.9	3.4
Loss after tax[1]	(3.3)	(89.3)	(92.6)
Net change in unrealised losses on investments	(93.2)	93.2	—
Tax credit on net change in unrealised losses on investments	3.9	(3.9)	—
Other comprehensive loss[1]	(89.3)	89.3	—
Total comprehensive loss for the year[1,2]	(92.6)	—	(92.6)
Loss per share			
Basic	($0.01)	($0.38)	($0.39)
Diluted	($0.01)	($0.38)	($0.39)

1. Line items that were not impacted by changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.
2. See note 23 for the impact to the consolidated statement of comprehensive income of adopting IFRS 17.

The table below illustrates the impact that changes in the classification of our investment portfolio, following the adoption of IFRS 9, had on the Group's earnings per share data for the year ended 31 December 2023.

Earnings per share	Reported earnings per share (see note 20)	IFRS 9 impact	Earnings per share had the Group not adopted IFRS 9
Basic	$1.35	($0.25)	$1.10
Diluted	$1.32	($0.25)	$1.07

25. Adoption of IFRS 17 and IFRS 9 - Comparative information

Comparative figures have been restated to reflect the new accounting standards and the accounting policies described on pages 135 to 147.

26. Subsequent events

Dividend

On 5 March 2024, the Board of Directors declared the payment of a special dividend of $0.50 per common share, which will result in an aggregate payment of approximately $119.0 million. The dividend will be paid on 12 April 2024 to shareholders of record on 15 March 2024. An amount equivalent to the dividend accrues on all RSS awards and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

On 5 March 2024, the Board of Directors also declared the payment of an ordinary dividend of $0.15 per common share, subject to a shareholder vote of approval at the AGM on 1 May 2024, which will result in an aggregate payment of approximately $36.0 million. On the basis that the final dividend is so approved by the shareholders at the AGM, the dividend will be paid on 7 June 2024 to shareholders of record on 10 May 2024. An amount equivalent to the dividend accrues on all RSS awards and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

Commitment

On 11 January 2024, the Group entered into an agreement to invest in a private investment fund, with an initial commitment of $44.4 million. The capital commitment is expected to be partially drawn down quarterly throughout 2024.

Annual General Meeting

The Company's AGM is scheduled for 1 May 2024 and is to be held at the Company's registered and head office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. Notice of this year's AGM and forms of proxy and direction shall be delivered to shareholders by electronic means. If you have any queries regarding the notice or AGM voting requirements please contact Chris Head, Company Secretary, using Tel: +44 (0) 20 7264 4000 and email: chris.head@lancashiregroup.com.

Further information

Lancashire Holdings Limited is registered in Bermuda under company number EC 37415 and has its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. Further information about the Group including this Annual Report and Accounts, press releases and the Company's share price is available on our website at www.lancashiregroup.com. Please address any enquiries to info@lancashiregroup.com.

Note regarding forward-looking statements

Some of the statements in this document include forward-looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward-looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements containing the words 'believes', 'anticipates', 'aims', 'plans', 'projects', 'forecasts', 'guidance', 'policy', 'intends', 'expects', 'estimates', 'predicts', 'may', 'can', 'likely', 'will', 'seeks', 'should' or, in each case, their negative or comparable terminology and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

These factors include, but are not limited to: the impact of the ongoing conflict in Ukraine, including any escalation or expansion thereof, on the Group's clients, reserves, the continued uncertainty of the situation in Russia, including issues relating to coverage and the impact of sanctions, the securities in our investment portfolio and on global financial markets generally, as well as any governmental or regulatory change arising therefrom; and a continuation in financial market volatility and other adverse market conditions generally; the impact of hostilities in the Middle East, including any escalation thereof and its impact on the stability of the region, global supply routes and insurance and financial markets, the actual development of losses and expenses impacting estimates for claims which arise as a result of hurricane Ian, which occurred in the third quarter of 2022, the COVID-19 pandemic, the Kentucky tornadoes, hurricane Ida and the European storms which occurred in the second half of 2021, winter storm Uri which occurred during the first quarter of 2021, hurricanes Laura and Sally, the Midwest Derecho storm and the wildfires in California which occurred in 2020, the 2020 and 2021 large loss events across the Group's specialty business lines, typhoon Hagibis in the fourth quarter of 2019, hurricane Dorian and typhoon Faxai in the third quarter of 2019, the Californian wildfires and hurricane Michael which occurred in the fourth quarter of 2018, hurricane Florence, the typhoons and marine losses that occurred in the third quarter of 2018, hurricanes Harvey, Irma and Maria and the earthquakes in Mexico, that occurred in the third quarter of 2017 and the wildfires which impacted parts of California during 2017; the impact of complex and unique causation and coverage issues associated with attribution of losses to wind or flood damage or other perils such as fire or business interruption relating to such events; potential uncertainties relating to reinsurance recoveries, reinstatement premiums and other factors inherent in loss estimations; the Group's ability to integrate its business and personnel; the successful retention and motivation of the Group's key management; the increased regulatory burden facing the Group; the number and type of insurance and reinsurance contracts that the Group writes or may write; the Group's ability to successfully implement its business strategy during 'soft' as well as 'hard' markets; the premium rates which may be available at the time of such renewals within its targeted business lines; potentially unusual loss frequency; the impact that the Group's future operating results, capital position and rating agency and other considerations may have on the execution of any capital management initiatives or dividends; the possibility of greater frequency or severity of claims and loss activity than the Group's underwriting, reserving or investment practices have anticipated; the reliability of, and changes in assumptions to, catastrophe pricing, accumulation and estimated loss models; increased competition from existing alternative capital providers and insurance-linked funds and collateralised special purpose insurers, and the related demand and supply dynamics as contracts come up for renewal; the effectiveness of its loss limitation methods; the potential loss of key personnel; a decline in the Group's operating subsidiaries' ratings with A.M. Best, S&P Global Ratings, Moody's or other rating agencies; increased competition on the basis of pricing, capacity, coverage terms or other factors; cyclical downturns of the industry; the impact of a deteriorating credit environment for issuers of fixed maturity investments; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates; the impact of inflation or deflation in relevant economies in which the Group operates; the effect, timing and other uncertainties surrounding future business combinations within the insurance and reinsurance industries; the impact of terrorist activity in the countries in which the Group writes risks; a rating downgrade of, or a market decline in, securities in its investment portfolio; changes in governmental regulations or tax laws in jurisdictions where the Group conducts business; Lancashire or its Bermudian subsidiaries becoming subject to income taxes in the United States or in the United Kingdom; the impact of the change in tax residence on stakeholders of the Group; the availability to the Group of the exclusion that removes companies with a limited international presence from the scope of Bermuda corporate income tax for a period of up to five years from 1 January 2025 and the impact of the expiration of the transition period on 31 December 2020 following the United

Kingdom's withdrawal from the European Union on the Group's business, regulatory relationships, underwriting platforms or the industry generally, the focus and scrutiny on ESG-related matters regarding the insurance industry from key stakeholders of the Group, and any adverse asset, credit, financing or debt or capital market conditions generally which may affect the ability of the Group to manage its liquidity.

Any estimates relating to loss events involve the exercise of considerable judgement and reflect a combination of ground-up evaluations, information available to date from brokers and insureds, market intelligence, initial and/or tentative loss reports and other sources. Judgements in relation to loss arising from natural catastrophe and man-made events are influenced by complex factors. The Group cautions as to the preliminary nature of the information used to prepare such estimates as subsequently available information may contribute to an increase in these types of losses.

These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking (save as required to comply with any legal or regulatory obligations including the rules of the LSE) to disseminate any updates or revisions to any forward-looking statement to reflect any changes in the Group's expectations or circumstances on which any such statement is based. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Active Underwriter
The individual at a Lloyd's syndicate with principal authority to accept insurance and reinsurance risk on behalf of the syndicate

Additional case reserves
Additional reserves deemed necessary by management

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

AGM
Annual General Meeting

AIC
Asset for incurred claims

AIM
A sub-market of the LSE

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

APMs
Alternative performance measures

ARC
Asset for remaining coverage

BCP
Business Continuity Plan

BMA
Bermuda Monetary Authority

Board of Directors; Board
Unless otherwise stated refers to the LHL Board of Directors

BREEAM
Building Research Establishment Environmental Assessment Method

BSCR
Bermuda Solvency Capital Requirement

BSX
Bermuda Stock Exchange

CCHL
Cathedral Capital Holdings Limited

CCL
Cathedral Capital Limited

CCL 1998
Cathedral Capital (1998) Limited

CCL 1999
Cathedral Capital (1999) Limited

CCWG
Climate Change Working Group

CDP
Carbon Disclosure Project

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

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash generating unit

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

CIO
Chief Investment Officer

CIT
Corporate income tax

The Code
UK Corporate Governance Code published by the UK FRC (www.frc.org.uk)

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

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

Consolidated primary statements
Includes the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows

COO
Chief Operating Officer

CRO
Chief Risk Officer

CUL
Cathedral Underwriting Limited

CUO
Chief Underwriting Officer

DAE
Directly attributable expenses

D&F
Direct and facultative (re)insurance

DE&I
Diversity, equity and inclusion

Delegated authorities
Arrangements under which a managing agent or (re)insurer delegates its authority to another to enter into contracts of insurance on its behalf

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

Diluted earnings per share
Calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards into common shares under the treasury stock method

Directors' fees and expenses
Unless otherwise stated includes fees and expenses of all Directors across the Group

DEC
Disasters Emergency Committee

Dividend yield
Calculated by dividing the annual dividends per share by the share price on the last day of the given year

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

EAP
Employee Assistance Programme

Earnings per share (EPS)
Calculated by dividing net profit for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares and shares held by the EBT

EBT
Lancashire Holdings Employee Benefit Trust

ECA
Economic Capital Assessment

ECL
Expected credit losses

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

E.U.
European Union

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

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

FAL
Funds at Lloyd's

FCA
Financial Conduct Authority

FCF
Fulfilment cash flows

FRC
Financial Reporting Council

FSMA
The Financial Services and Markets Act 2000 (as amended from time to time)

FTE
Full-Time Employee

FVTPL
Fair value through profit or loss

FVOCI
Fair value through other comprehensive income

G10
Belgium, Canada, Germany, France, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States

GDPR
General Data Protection Regulation

GHG
Greenhouse gas emissions, covers carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), nitrogen trifluoride (NF3) and sulphur hexafluoride (SF6)

The Group or the Lancashire Group
LHL and its subsidiaries

GAAP
Generally accepted accounting principles

GMM
General Measurement Model

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

IFRS
International Financial Reporting Standard(s)

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

IFRS 17
International Financial Reporting Standard on Insurance Contracts

ILS
Insurance Linked Securities

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

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

Internal Audit Charter
A formal written document that sets out the mission, scope, responsibilities, authority, professional standards and the relationship with the external auditors and regulatory bodies of the internal audit function with the Company and its subsidiaries

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

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

IRR
Internal rate of return

IRRC
Investment Risk and Return Committee

ISA
International Standards on Auditing (UK)

KHL
Kinesis Holdings I Limited

Kinesis
The Group's third-party capital management division encompassing LCM, LCMMSL and the management of KHL and KRL

KPMG LLP
KPMG LLP, a UK limited liability partnership

KPI
Key performance indicator

KRI
Key risk indicator

KRL (Kinesis Re)
Kinesis Reinsurance I Limited

Lancashire Foundation or Foundation
The Lancashire Foundation is a charity registered in England and Wales

Lancashire Insurance Companies
LICL and LUK

LAPL
Lancashire Australia Pty Ltd

LCM
Lancashire Capital Management Limited

LCMMSL
LCM Marketing Services Limited. Formerly KCM Marketing Services Limited

LHAPL
Lancashire Holdings Australia Pty Limited

LHL (The Company)
Lancashire Holdings Limited

LIC
Liability for incurred claims

LICL
Lancashire Insurance Company Limited

LICLIHL
LICL Investment Holdings Limited, previously known as Lancashire Blocker (Cayman) Limited

LIHL
Lancashire Insurance Holdings (UK) Limited

LIMSL
Lancashire Insurance Marketing Services Limited

LISL
Lancashire Insurance Services Limited

Listing Rules
The listing rules made by the FCA under part VI of FSMA (as amended from time to time)

Lloyd's
The Society of Lloyd's

LMSCL
Lancashire Management Services (Canada) Limited

LOC
Letter of credit

Losses
Demand by an insured for indemnity under an insurance contract

LSE
London Stock Exchange

LSL or Lancashire Syndicates
Lancashire Syndicates Limited. The managing agent of the syndicates

LRC
Liability for remaining coverage

LUAPL
Lancashire Underwriting Australia Pty Ltd

LUK or Lancashire UK
Lancashire Insurance Company (UK) Limited

LUS or Lancashire Insurance U.S.
Lancashire U.S.

LHUS
Lancashire Insurance Holdings (U.S.) LLC

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

MGA
Managing General Agent

MBRT
Multi-beneficiary reinsurance trust

Moody's Investors Service (Moody's)

Moody's Corporation is the parent company of Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics, which offers software, advisory services and research for credit and economic analysis and financial risk management

MSCI

A provider of tools and services for the global investment community

Nameco

Nameco (No. 801) Ltd

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

Net loss ratio

Ratio, in per cent, of net insurance losses to net premiums earned

Net premiums earned

Net premiums earned is equal to net premiums written less the change in unearned premiums and change in unearned premiums on premiums ceded

Net premiums written

Net premiums written is equal to gross premiums written less outwards reinsurance premiums written

OECD

Organisation for Economic Co-operation and Development

OCI

Other comprehensive income

Official List

The official list of the UK Listing Authority

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

ORSA

Own Risk and Solvency Assessment

Operating expense ratio

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

OTC

Over the counter

PAA

Premium Allocation Approach

PIPA

Personal Information Protection Act

PMI

Private Mortgage Insurance

PML

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

PRA

Prudential Regulation Authority

Pro-rata/proportional

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

RCCC

Risk Capital and Compliance Committee

RDS

Realistic Disaster Scenarios

Renewal Price Index (RPI)
The RPI is an internal methodology that management uses to track trends in premium rates of a portfolio of insurance and reinsurance contracts. The RPI written in the respective segments is calculated on a per-contract basis and reflects management's assessment of relative changes in price, terms, conditions and limits and is weighted by premium volume. The RPI does not include new business, to offer a consistent basis for analysis. The calculation involves a degree of judgement in relation to comparability of contracts and assessment noted above. To enhance the RPI methodology, management may revise the methodology assumptions underlying the RPI, so that the trends in premium rates reflected in the RPI may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of contracts. The future profitability of the portfolio of contracts within the RPI is dependent upon many factors besides the trends in premium rates. RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in the corresponding year

Retrocession
The insurance of a reinsurance account

ROE
Return on Equity

Risk Free Rate of Return (RFRoR)
Being the 13-week U.S. Treasury bill rate, unless otherwise stated

RMF
Risk Management Framework

RMS
Risk Management Solutions

RRC
Risk and Return Committee

RSC
Reinsurance Security Committee

RSS
Restricted share scheme

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

SCR
Solvency Capital Requirement

SECR
Streamlined Energy and Carbon Reporting

SGT
St Giles Trust

SPPI
Solely payments of principal and interest

Syndicate 2010
Lloyd's Syndicate 2010, managed by LSL

Syndicate 3010
Lloyd's Syndicate 3010, managed by LSL

TCFD
Task Force on Climate-related Financial Disclosures

TNFD
Task Force on Nature-related Financial Disclosures

The syndicates
Syndicates 2010 and 3010

TOBA
Terms of business agreement

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

Total Shareholder Return (TSR)
The increase/(decrease) in share price in the period, measured on a total return basis, which assumes the reinvestment of dividends

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

UK
United Kingdom

UMCC
Underwriting Marketing Conference Call

UNEP FI
The United Nations Environment Programme Finance Initiative

UNL
Ultimate net loss

UNPRI
UN-supported Principles for Responsible Investment

uSCR
Ultimate solvency capital requirement

U.S.
United States of America

U.S. GAAP
Accounting principles generally accepted in the United States

U.S.T
U.S. Treasury Bills

UTPR
Undertaxed Profits Rule

UURC
The Underwriting and Underwriting Risk Committee, a committee of the Board

Value at Risk (VaR)
A measure of the risk of loss of a specific portfolio of financial assets

Alternative Performance Measures (APMs)

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures in order to evaluate, monitor and manage the business, and to aid users' understanding of the Group. Management believes that the APMs included in the Financial Statements are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority and as suggested by the Financial Reporting Council, as applied by the Financial Conduct Authority, information on APMs which the Group uses is described below. This information has not been audited.

Effective from 1 January 2023, the Group adopted IFRS 9: Financial Instruments: Classification and Measurement and IFRS 17: Insurance Contracts. These new accounting standards resulted in a change to some of the Group's longstanding APMs. Comparatives have been restated to reflect the consistent application of IFRS 9 and IFRS 17, and to align with the current definition of the APMs.

All amounts, excluding share data, ratios, percentage or where otherwise stated, are in millions of U.S. dollars.

Net insurance ratio:

Ratio, in per cent, of net insurance expenses to net insurance revenue. Net insurance expenses represent the insurance service expenses less amounts recoverable from reinsurers. Net insurance revenue represents insurance revenue less allocation of reinsurance premium. This ratio gives an indication of the underlying profitability per $1.00 of net insurance revenue in the financial year.

For the year ended 31 December	2023	Restated 2022
Insurance service expense	**696.2**	994.6
Amounts recoverable from reinsurers	**16.8**	(281.5)
Net insurance expense	**713.0**	713.1
Insurance revenue	**1,519.9**	1,226.5
Allocation of reinsurance premium	**(424.8)**	(371.8)
Net insurance revenue	**1,095.1**	854.7
Net insurance ratio	**65.1%**	83.4%

Operating expense ratio:

Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net insurance revenue. This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net insurance revenue in the financial year.

For the year ended 31 December	2023	Restated 2022
Other operating expenses	**107.4**	58.3
Net insurance revenue	**1,095.1**	854.7
Operating expense ratio	**9.8%**	6.8%

Combined ratio (discounted):

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue.

For the year ended 31 December	2023	Restated 2022
Net insurance ratio	**65.1%**	83.4%
Net operating expense ratio	**9.8%**	6.8%
Combined ratio (discounted)	**74.9%**	90.2%

Combined ratio (undiscounted) (KPI):

Ratio, in per cent, of the sum of net insurance expense plus other operating expenses to net insurance revenue. This ratio excludes the impact of the discounting recognised within net insurance expenses. The Group aims to price its business, to ensure that the combined ratio (undiscounted) across the cycle is less than 100%.

For the year ended 31 December	2023	Restated 2022
Combined ratio	**74.9%**	90.2%
Discount included in net insurance expense	**84.7**	72.5
Net insurance revenue	**1,095.1**	854.7
Discounting impact on combined ratio	**7.7%**	8.5%
Combined ratio (undiscounted)	**82.6%**	98.7%

Diluted book value per share ('DBVS') attributable to the Group:

Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised. This shows the Group net asset value on a diluted per share basis for comparison to the market value per share.

As at	31 December 2023	Restated 31 December 2022
Shareholders' equity attributable to the Group	**1,507,869,627**	1,326,124,728
Common voting shares outstanding*	**239,037,977**	238,333,570
Shares relating to dilutive restricted stock	**5,355,909**	3,700,547
Fully converted book value denominator	**244,393,886**	242,034,117
Diluted book value per share	**$6.17**	$5.48

* Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in DBVS (KPI):

The internal rate of return of the change in DBVS in the period plus accrued dividends. Sometimes referred to as RoE. The Group's aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

As at	31 December 2023	Restated 31 December 2022
Opening DBVS	**$5.48**	$5.70
Q1 dividend per share	–	–
Q2 dividend per share	**$0.10**	$0.10
Q3 dividend per share	**$0.05**	$0.05
Q4 dividend per share	**$0.50**	–
Closing DBVS	**$6.17**	$5.48
Change in DBVS*	**24.7%**	(1.2%)

* Calculated using the internal rate of return

Total investment return (KPI):

Total investment return in percentage terms is calculated by dividing the total investment return by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualised through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework we aim for a degree of investment portfolio return.

For the year ended 31 December	2023	2022
Total investment return	**160.5**	(76.7)
Average invested assets*	**2,592.5**	2,387.0
Approximate total investment return	**6.2%**	(3.2%)
Reported total investment return	**5.7%**	(3.5%)

* Calculated as the average between the opening and closing investments and our externally managed cash.

Total shareholder return (KPI):

The increase/(decrease) in share price in the period, measured on a total return basis, which assumes the reinvestment of dividends. The Group's aim is to maximise the Change in DBVS over the longer term, and we would expect that to be reflected in our share price and multiple. This is a long-term goal, recognising that the cyclicality and volatility of both the insurance market and the financial markets in general will impact management's ability to maximise the Change in DBVS in the immediate term. The total return measurement basis used will generally approximate the simple method of calculating the increase/(decrease) in share price adjusted for dividends as recalculated below.

As at	31 December 2023	31 December 2022
Opening share price	**$7.86**	$7.17
Q1 dividend per share	–	–
Q2 dividend per share	**$0.10**	$0.10
Q3 dividend per share	**$0.05**	$0.05
Q4 dividend per share + closing share price	**$8.46**	$7.86
Total shareholder return	**9.5%**	11.7%

Gross premiums written:

The Group adopted IFRS 17 on 1 January 2023. Under IFRS 4, the previous insurance accounting standard, the Group reported gross premiums written on the consolidated income statement as amounts payable by the insured, excluding any taxes or duties levied on the premium, including brokerage and commission deducted by intermediaries and any inwards reinstatement premiums. The Group continues to report gross premiums written as a growth metric and non-GAAP APM.

The table below reconciles gross premiums written on an IFRS 4 basis to insurance revenue on an IFRS 17 basis.

For the year ended 31 December	2023	2022
Gross premiums written*	**1,931.7**	1,652.3
Change in unearned premiums*	**(207.7)**	(223.2)
Gross earned premium*	**1,724.0**	1,429.1
Less reinstatement premium and expected premium	**(7.1)**	(45.3)
Less commission and non-distinct investment components	**(197.0)**	(157.3)
Total insurance revenue	**1,519.9**	1,226.5

* Numbers presented in the table above for the comparative period are as previously reported in the annual report.

Gross premiums written under management (KPI):

The gross premiums written under management equals the total of the Group's consolidated gross premiums written, plus the external names portion of the gross premiums written in Syndicate 2010, plus the gross premiums written in Lancashire Capital Management Limited on behalf of Kinesis Reinsurance Limited. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist.

For the year ended 31 December	2023	2022
Gross premiums written by the Group	**1,931.7**	1,652.3
LSL Syndicate 2010 – external Names portion of gross premiums written (unconsolidated)	**140.5**	160.0
LCM gross premiums written (unconsolidated)	–	38.4
Total gross premiums written under management	**2,072.2**	1,850.7

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Lancashire Holdings Limited

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