Lancashire
Holdings Limited

Lancashire Holdings Limited
Unaudited condensed interim consolidated financial statements
30 June 2023

Strong forward *momentum*

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Financial highlights

	Six months ended 30 June 2023	Restated Six months ended 30 June 2022
Highlights		
Gross premiums written	**1,184.0**	938.1
Insurance revenue	**720.9**	579.8
Insurance service result	**188.8**	141.5
Net investment return	**63.2**	(85.8)
Profit after tax	**159.2**	31.0
Financial ratios		
Net insurance ratio	**62.8%**	64.3%
Combined ratio (discounted)	**71.4%**	72.6%
Combined ratio (undiscounted)	**79.2%**	77.1%
Net investment return	**2.2%**	(3.8%)
Per Share data		
Diluted book value per share	**$6.05**	$5.75
Change in diluted book value per share	**12.2%**	2.6%
Dividends per common share for the financial year	**$0.05**	$0.05
Diluted earnings per share	**$0.66**	$0.13

Adoption of new accounting standards

The Group adopted IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments: Classification and Measurement for the first time on 1 January 2023. The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2023 are being reported under these new accounting standards, which have resulted in a change to some of the Group's long standing alternative performance measures. Comparatives have been restated to reflect the consistent application of IFRS 9 and IFRS 17.

Alex Maloney, Group Chief Executive Officer, commented:

“We are very pleased with our performance in the first half of 2023. Our long-term strategy to develop a more diversified and capital-efficient product portfolio is delivering the expected benefits, with a half year change in diluted book value per share of 12.2%.

Our philosophy has always been to grow when market conditions are favourable, while maintaining our approach to underwriting discipline. During the first six months of 2023 we continued to take advantage of the strong underwriting environment with gross premiums written increasing 26.2% year-on-year. The undiscounted combined ratio was a healthy 79.2%, or 71.4% on a discounted basis.

The rating environment remains positive across our product lines and we do not see that changing during the remainder of the year.

Our investments have delivered a positive net return of 2.2% or $63.2 million as we benefit from higher yields due to the short duration of the portfolio.

Lancashire has long been recognised as a business that actively manages the underwriting cycle and, when it makes sense to do so, seeks new areas for disciplined growth.

With that in mind, subject to all necessary approvals, we intend to expand our international footprint and launch Lancashire Insurance U.S., which will operate under a delegated underwriting arrangement with Lancashire’s UK company platform.

Lancashire Insurance U.S. will be complementary to our existing capabilities and will give us the ability to write business that is within our appetite and that we currently do not have access to.

The new operation in the U.S. is expected to begin underwriting in early 2024.

This is another positive development for Lancashire and, with our reputation for underwriting excellence and service to our clients, we believe there are significant long-term prospects for us in the U.S.

We are excited by the opportunities ahead of us during the remainder of 2023 and into 2024. Our capital position remains strong, giving us the headroom to continue to take advantage of the positive market conditions.

Of course, striving to deliver out-performance requires a committed and focused team across the business. I would particularly like to mention our finance and actuarial colleagues who have been exceptionally busy producing our first set of results on an IFRS 17 basis. While this is a significant change in accounting and presentation, IFRS 17 does not affect the fundamentals of our business or our underlying profitability.

We always seek to attract, develop and retain good people and promote our talent when the appropriate opportunities arise and during the first half of the year we made a number of new senior appointments across our teams.

The Group also continues to focus on delivering on our environmental, social and governance objectives. The Lancashire Foundation, which has been operating since 2007, makes a tangible difference through its support for charities that have a positive impact on our communities and the environment. Additionally, we benefit from being part of the insurance industry's discussions around climate change through our membership of ClimateWise, which we joined last year.

Finally, I would like to take the opportunity to thank everyone at Lancashire for their commitment to our business and, as always, our clients, brokers and shareholders for their support."

Insurance service results

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Reinsurance $m	**Insurance $m**	**Total $m**	Reinsurance $m	Insurance $m	Total $m
Gross premiums written	**658.0**	**526.0**	**1,184.0**	548.8	389.3	938.1
RPI%	**123%**	**111%**	**117%**	107%	105%	106%
Insurance revenue	**336.6**	**384.3**	**720.9**	261.4	318.4	579.8
Insurance service expenses	**(88.1)**	**(200.4)**	**(288.5)**	(117.3)	(176.5)	(293.8)
Insurance service result before reinsurance contracts held	**248.5**	**183.9**	**432.4**	144.1	141.9	286.0
Allocation of reinsurance premium	**(89.3)**	**(123.4)**	**(212.7)**	(74.3)	(109.5)	(183.8)
Amounts recoverable from reinsurers	**(66.0)**	**35.1**	**(30.9)**	(6.7)	46.0	39.3
Net expense from reinsurance contracts held	**(155.3)**	**(88.3)**	**(243.6)**	(81.0)	(63.5)	(144.5)
Insurance service result	**93.2**	**95.6**	**188.8**	63.1	78.4	141.5

Gross premiums written

Gross premiums written increased by $245.9 million or 26.2% for the first six months of 2023 compared to the same period in 2022. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance gross premiums written

A significant portion of the increase in premiums in the reinsurance segment was due to the continued build out of our casualty reinsurance lines as well as new business written in our specialty reinsurance class. In property reinsurance we saw the benefit of significant rate increases contributing to growth. Overall the RPI was 123% for the segment.

Insurance gross premiums written

The growth in the insurance segment was primarily driven by property insurance with substantial rate increases in the property direct and facultative line of business, in addition to the build out of our Australia and construction teams. New business written across all of our energy and marine insurance lines also contributed to the strong premium growth. In specialty insurance, the Group wrote more political risk business on a multi-year basis than the prior year while really strong RPIs contributed to the growth in aviation insurance. Overall the RPI was 111% for the segment.

Insurance revenue

Insurance revenue is a new measure introduced by IFRS 17 and is comparable to IFRS 4 gross premiums earned less inwards reinstatement premium and is net of commission costs. Insurance revenue increased by $141.1 million or 24.3% in the first six months of 2023 compared to the same period in 2022. The market factors driving the increase in gross premiums written also drove the increase in insurance revenue. Gross premiums earned as a percentage of gross premiums written was 69.8% compared to 68.0% in the prior year as more earned premium came through in the current year from policies bound in the prior year.

Allocation of reinsurance premium

Allocation of reinsurance premiums on an IFRS 17 basis is comparable to IFRS 4 ceded earned premium less outward reinstatement premiums and is net of outward commission costs. Allocation of reinsurance premiums increased by $28.9 million or 15.7% in the first six months of 2023 compared to the same period in 2022. The increase in our outwards reinsurance spend was primarily driven by the renewal of the Group's outward reinsurance programme at higher rates than in 2022. There was also a higher level of political risk and casualty quota share reinsurance spend driven by the growth in inwards business and some new outwards reinsurance contracts entered into as a result of the continued growth and diversification in the inwards underwriting portfolio.

Net claims environment (Insurance service expenses less amounts recoverable from reinsurers)

During the first six months of 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe and large loss events totaling $49.5 million. None of these events was individually material for the Group.

During the first six months of 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from the conflict in Ukraine, the Australian floods and large loss events totaling $53.1 million.

Prior year favourable ultimate loss development for the first six months of 2023 was $46.3 million, compared to $64.6 million of favourable development in 2022. The favourable development in 2023 was primarily due to releases on the 2022 and 2021 accident year across most lines of business due to a lack of reported claims, as well as favourable development across some of the older accident years. On an IFRS 17 basis, the prior year favourable development is $72.1 million. This includes $11.3 million favourable expense provision releases as well as $13.6 million of reinstatement premium impact, largely due to a reduction in outwards reinstatement premiums on catastrophe losses.

In the prior year the Group benefited from general reserve releases on the 2021 accident year due to a lack of reported claims, as well as some favourable development on some large claims from the 2018 and 2017 accident years.

Net discounting benefits

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

	Six months ended 30 June 2023 $m	Six months ended 30 June 2022 $m
Insurance service expenses	**46.5**	26.3
Amounts recoverable from reinsurers	**(7.1)**	(8.3)
Net discount included in insurance service result	**39.4**	18.0
Finance (expense) income from insurance contracts issued	**(37.7)**	28.0
Finance income (expense) from reinsurance contracts held	**14.1**	(9.5)
Net discount included in insurance finance (expense) income	**(23.6)**	18.5
Total impact of discounting	**15.8**	36.5

The total impact of discounting was a benefit of $15.8 million for the first six months of 2023 compared to $36.5 million in the prior year. The discount included in the insurance service result is higher than the same period in 2022 primarily due to reserves established on the 2023 accident year applying higher discount rates than the same period in the prior year. This is partly offset by the unwind of previously booked discounting included in net finance income. The majority of the Group's loss reserves are denominated in U.S. dollar where yield curves, having decreased in the first quarter of 2023, have returned to levels more aligned with the year-end position. The net effect is that the impact of changes in yield curve assumptions has been relatively minor at $2.1 million.

In the prior year the discounting benefit was primarily driven by the impact of a change in yield curve assumptions. There were significant increases in yield curves throughout the year and across the majority of the Group's major currencies.

Investments

	Six months ended 30 June 2023 $m	Six months ended 30 June 2022 $m
Total net investment return	**63.2**	(85.8)

Total net investment return increased by $149 million in the first six months of 2023 compared to the same period in 2022.

The Group's investment portfolio, including unrealised gains and losses, returned 2.2% for the first six months of 2023. The positive returns were driven by $51.4 million of investment income as our portfolio benefitted from higher yields. The majority of the unrealised gains were generated in the first quarter on the fixed maturity portfolio due to a decline in treasury rates outside of the one-year rate. In the second quarter, investment income mitigated the negative returns from the upward shift in the yield curve. All asset classes performed positively, with most of the returns in the second quarter driven by the alternative asset classes.

The Group's investment portfolio, including unrealised gains and losses, returned negative 3.8% for the first six months of 2022. The majority of the losses were driven by the significant flattening of the yield curve and spread widening for the investment grade corporate debt and bank loans.

The managed portfolio was invested as follows:

As at	30 June 2023	31 December 2022
Fixed maturity securities	**2,157.3**	1,964.9
Managed cash and cash equivalents	**214.0**	260.8
Private investment funds	**112.7**	108.1
Hedge funds	**104.4**	103.9
Index Linked securities	**—**	28.2
Other investments	**(0.1)**	(0.2)
Total	**2,588.3**	2,465.7

Key investment portfolio statistics for our fixed maturities and managed cash were:

	30 June 2023	31 December 2022
Duration	**1.7 years**	1.6 years
Credit quality	**AA-**	AA-
Book yield	**3.7%**	2.9%
Market yield	**5.6%**	5.0%

Other operating expenses

	Six months ended 30 June 2023 $m	Six months ended 30 June 2022 $m
Total operating expenses	**83.1**	68.4
Directly attributable expenses allocated to insurance service expenses	**(39.3)**	(35.7)
Other operating expenses	**43.8**	32.7

Total operating expenses were $83.1 million in the first six months of 2023 compared to $68.4 million in the first six months of 2022. The higher level of total operating expenses was primarily driven by employee remuneration costs, which have grown as a result of the increase in headcount across the Group. Non-employee costs increased to a lesser degree driven by increased IT expenditure, consulting fees and costs associated with taking on additional London office space.

The weakening Sterling/U.S. Dollar exchange rate relative to the prior year partly offset this increase in the underlying cost base.

$39.3 million or 47% of operating expenses are considered directly attributable to the fulfillment of (re)insurance contracts and have been re-allocated to insurance service expenses and form part of the insurance service result.

Capital

As at 30 June 2023, total capital available to Lancashire was approximately $1.9 billion, comprising shareholders' equity of $1.5 billion and $0.4 billion of long-term debt. Tangible capital was $1.7 billion. Leverage was 23.3% on total capital and 25.7% on tangible capital. Total capital and total tangible capital as at 30 June 2022 was $1.8 billion and $1.6 billion respectively..

Dividends

On 9 August 2023, Lancashire's Board of Directors declared an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $11.9 million. The dividend will be paid in Pounds Sterling on 15 September 2023 (the "Dividend Payment Date") to shareholders of record on 18 August 2023 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Ratings

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a global provider of specialty insurance and reinsurance products. The Group companies carry the following ratings (unchanged from 2022):

	Financial Strength Rating (1)	Long Term Issuer Rating (2)	Financial Strength Outlook
A.M. Best	A (Excellent)	bbb+	Stable
S&P Global Ratings	A-	BBB	Stable
Moody's	A3	Baa2	Stable

(1) Financial Strength Rating applies to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Lancashire Syndicates 3010 and 2010 benefit from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very strong).

Condensed interim consolidated statement of comprehensive income

For the six months ended 30 June 2023

	Notes	Six months 2023 $m	Restated Six months 2022 $m
Insurance revenue	2, 7	**720.9**	579.8
Insurance service expenses	2, 7	**(288.5)**	(293.8)
Insurance service result before reinsurance contracts held		**432.4**	286.0
Allocation of reinsurance premium	2, 7	**(212.7)**	(183.8)
Amounts recoverable from reinsurers	2, 7	**(30.9)**	39.3
Net expense from reinsurance contracts held		**(243.6)**	(144.5)
Insurance service result		**188.8**	141.5
Net investment return	2, 4	**63.2**	(85.8)
Finance (expense) income from insurance contracts issued	2, 3	**(37.7)**	28.0
Finance income (expense) from reinsurance contracts held	2, 3	**14.1**	(9.5)
Net insurance and investment result		**228.4**	74.2
Share of profit of associate		**5.2**	2.5
Other income		**1.1**	2.3
Net foreign exchange (losses) gains		**(1.0)**	6.2
Other operating expenses	2	**(43.8)**	(32.7)
Equity based compensation		**(7.2)**	(3.7)
Financing costs		**(15.5)**	(14.7)
Profit before tax		**167.2**	34.1
Tax charge	5	**(8.0)**	(3.1)
Profit after tax		**159.2**	31.0
Earnings per share			
Basic	10	**$0.67**	$0.13
Diluted	10	**$0.66**	$0.13

Condensed interim consolidated statement of financial position

As at 30 June 2023

	Notes	**30 June 2023 $m**	Restated 31 December 2022 $m
Assets			
Cash and cash equivalents		**620.3**	548.8
Accrued interest receivable		**14.0**	11.3
Investments	6	**2,374.3**	2,204.9
Reinsurance contract assets	7	**427.5**	474.3
Other receivables		**27.2**	30.0
Corporation tax receivable		**—**	1.1
Investment in associate		**24.3**	59.7
Property, plant and equipment		**4.4**	1.1
Right-of-use assets		**18.6**	20.3
Intangible assets		**177.5**	172.4
Total assets		**3,688.1**	3,523.9
Liabilities			
Insurance contract liabilities	7	**1,678.0**	1,673.5
Other payables		**54.9**	44.6
Corporation tax payable		**3.3**	—
Deferred tax liability	8	**13.7**	10.3
Lease liabilities		**23.2**	23.3
Long-term debt		**446.3**	446.1
Total liabilities		**2,219.4**	2,197.8
Shareholders' equity			
Share capital		**122.0**	122.0
Own shares		**(30.8)**	(34.0)
Other reserves		**1,226.0**	1,221.9
Retained earnings		**151.5**	16.2
Total shareholders' equity		**1,468.7**	1,326.1
Total liabilities and shareholders' equity		**3,688.1**	3,523.9

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on 9 August 2023 and signed on its behalf by:

Peter Clarke
Director/Chair

Natalie Kershaw
Director/Group CFO

Condensed interim consolidated statement of changes in shareholders' equity

For the six months ended 30 June 2023

									Restated
	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	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	14	—	—	—	(2.9)	2.9	—	—	—
Initial application of IFRS 17 - Insurance contracts, net of tax	13	—	—	—	—	(18.9)	(18.9)	—	(18.9)
Restated balance as at 1 January 2022		122.0	(18.1)	1,221.6	—	67.9	1,393.4	0.5	1,393.9
Profit for the period (restated)		—	—	—	—	31.0	31.0	—	31.0
Share repurchases		—	(11.7)	—	—	—	(11.7)	—	(11.7)
Distributed by the trust		—	6.0	(6.4)	—	—	(0.4)	—	(0.4)
Shares donated to the trust		—	0.3	(0.3)	—	—	—	—	—
Dividends on common shares		—	—	—	—	(24.3)	(24.3)	—	(24.3)
Equity based compensation		—	—	3.9	—	—	3.9	—	3.9
Restated balance as at 30 June 2022		122.0	(23.5)	1,218.8	—	74.6	1,391.9	0.5	1,392.4
Balance as at 31 December 2022, as previously reported		122.0	(34.0)	1,221.9	(86.4)	44.4	1,267.9	—	1,267.9
Initial application of IFRS 9 - Financial instruments, net of tax	14	—	—	—	86.4	(86.4)	—	—	—
Initial application of IFRS 17 - Insurance contracts, net of tax	13	—	—	—	—	58.2	58.2	—	58.2
Restated balance as at 31 December 2022		122.0	(34.0)	1,221.9	—	16.2	1,326.1	—	1,326.1
Profit for the period		—	—	—	—	**159.2**	**159.2**	—	**159.2**
Distributed by the trust		—	**3.2**	**(3.2)**	—	—	—	—	—
Dividends on common shares		—	—	—	—	**(23.9)**	**(23.9)**	—	**(23.9)**
Equity based compensation		—	—	**7.3**	—	—	**7.3**	—	**7.3**
Balance as at 30 June 2023		**122.0**	**(30.8)**	**1,226.0**	—	**151.5**	**1,468.7**	—	**1,468.7**

Condensed interim statement of consolidated cash flows

For the six months ended 30 June 2023

	Notes	Six months 2023 $m	Restated Six months 2022 $m
Cash flows from operating activities			
Profit before tax		**167.2**	34.1
Adjustments for:			
Tax paid		**(0.1)**	(1.3)
Depreciation		**1.8**	1.5
Interest expense on long-term debt		**12.9**	12.9
Interest expense on lease liabilities		**0.8**	0.5
Interest income		**(41.4)**	(17.2)
Dividend income		**(5.1)**	(3.5)
Net realised losses	4	**3.7**	14.0
Net unrealised (gains) losses	4	**(18.3)**	93.8
Equity based compensation		**7.2**	3.7
Foreign exchange losses (gains)		**0.6**	(11.0)
Share of profit of associate		**(5.2)**	(2.5)
Changes in operational assets and liabilities			
– Insurance and reinsurance contracts		**44.2**	(49.3)
– Other assets and liabilities		**18.0**	(0.4)
Net cash flows from operating activities		**186.3**	75.3
Cash flows used in investing activities			
Interest income received		**38.7**	16.0
Dividend income received		**5.1**	3.5
Purchase of property, plant and equipment		**(3.4)**	—
Internally generated intangible asset		**(5.1)**	(4.4)
Investment in associate		**40.6**	33.5
Purchase of investments		**(551.0)**	(700.7)
Proceeds on sale of investments		**398.3**	507.7
Net cash flows used in investing activities		**(76.8)**	(144.4)
Cash flows used in financing activities			
Interest paid		**(12.9)**	(12.9)
Lease liabilities paid		**(2.0)**	(1.8)
Dividends paid		**(23.9)**	(24.3)
Share repurchases		—	(11.7)
Distributions by trust		—	(0.4)
Net cash flows used in financing activities		**(38.8)**	(51.1)
Net increase (decrease) in cash and cash equivalents		**70.7**	(120.2)
Cash and cash equivalents at beginning of period		**548.8**	517.7
Effect of exchange rate fluctuations and other on cash and cash equivalents		**0.8**	(6.9)
Cash and cash equivalents at end of period		**620.3**	390.6

Accounting policies

For the six months ended 30 June 2023

Summary of significant accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and material accounting policies adopted in the preparation of the Group's unaudited condensed interim consolidated financial statements are those that the Group expects to apply for the year ending 31 December 2023. Effective 1 January 2023, the Group adopted IFRS 9 , Financial Instruments: Classification and Measurement and IFRS 17, Insurance Contracts. The related changes from adopting these standards are set out in notes 13 and 14.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements.

The comparative figures as at 31 December 2022 are not extracted from the Company's statutory accounts for that financial year but are derived from those accounts. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

Basis of preparation

Going concern basis of accounting

The Group's unaudited condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with IFRS as adopted by the EU and in accordance with IAS 34, Interim Financial Reporting.

In assessing the Group's going concern position as at 30 June 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 going concern assessment that is submitted to the Board on a quarterly and annual basis.

Based on the going concern assessment performed as at 30 June 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. 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 unaudited condensed interim consolidated financial statements.

Other basis of preparation

All amounts, excluding share data or where otherwise stated, are in millions of U.S. dollars. The unaudited condensed interim consolidated statement of financial position of the Group is presented in order of decreasing liquidity.

Use of judgements and estimates

The preparation of the Group's unaudited condensed interim consolidated financial statements requires management to make judgements and estimates 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.

The key judgements, estimates, assumptions and other sources of estimation uncertainty at 30 June 2023, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities, are described below. Assumptions and estimates are based on parameters available when the unaudited condensed interim consolidated financial statements are prepared. Existing circumstances and assumptions about future developments, however, 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 recognised prospectively.

Judgements

Insurance and reinsurance contracts

The Group applies the PAA to simplify the measurement of insurance and reinsurance contracts. Insurance and reinsurance contracts with a coverage of more than one year require a PAA eligibility assessment.

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

When measuring the liabilities for incurred claims, significant judgement is made by management in relation to incurred but not reported reserves. In addition, the Group includes an explicit risk adjustment for non-financial risk. Judgement is applied in determining the methods for estimating the risk adjustment for non-financial risk. These are discussed within note 7. No significant judgements are applied by the Group when measuring the liabilities for remaining coverage.

A portion of insurance revenue is based on estimates of the ultimate premiums expected to be received. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received.

Financial assets

The classification of the Group's investment portfolio requires judgement in assessing the business model classification within which assets are held. These are discussed in note 14.

Other

Judgement was applied to determine whether sufficient, reasonable and supportable information was available to apply a fully retrospective approach when transitioning to the new to IFRS 9 and 17 accounting standards. This is discussed in notes 13 and 14.

Estimates and assumptions

Insurance and reinsurance contracts

The Group's most significant area of estimation uncertainty is in relation to the measurement of insurance contracts issued and reinsurance contracts held. Changes in the following key assumptions may change the fulfilment cash flows materially:

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

Information about these key assumptions and estimates are included in note 7.

Financial assets

Less significant estimates are made in determining the fair value of certain financial instruments. The estimation of fair value, specifically for 'Level (iii)' investments, is discussed in note 6.

Changes in accounting policies

The Group adopted IFRS 9, Financial Instruments: Classification and Measurement and IFRS 17, Insurance Contracts, including any consequential amendments to other standards, effective 1 January 2023. These standards have bought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. The impact of retrospectively adopting IFRS 9 and IFRS 17 is summarised in notes 13 and 14.

The Group's accounting policies that were impacted by the adoption of IFRS 9 and IFRS 17, are disclosed on pages 13 to 19.

The UK substantively enacted Pillar Two tax legislation to implement the global minimum top-up tax on 20th June 2023. The Group could potentially be subject to the top-up tax in relation to its operations.

There are no specific requirements in IAS 12 in relation to the top-up tax. The IASB has issued an amendment to IAS 12 'International Tax Reform – Pillar Two Model Rules' which includes an exemption from accounting for deferred taxes that have not yet been endorsed for use in the EU. Pending the endorsement, the Group has 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.

Future accounting changes

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2023. These are not currently relevant for the Group and do not impact the annual consolidated financial statements of the Group or the unaudited condensed interim consolidated financial statements of the Group.

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 risk if it transfers substantially all the insurance risk resulting from the (re)insured 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 issued are aggregated into groups for measurement purposes. Insurance contracts that are subject to similar risks and that are managed together are classified into a portfolio of insurance contracts. Each portfolio is then further disaggregated into annual cohorts and each annual cohort is classified into three groups based on the expected profitability of the contracts:

- 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 groups represent the level of aggregation at which insurance contracts issued are initially recognised and measured. The classification of such groups is not subsequently reconsidered once set 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; and
- 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; and
- the date of recognising an onerous group of underlying insurance contracts 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 are initially recognised.

Insurance contracts issued or 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 are initially added to the groups 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 portfolios and groups of contracts as 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.

Contract boundary

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

Cash flows outside of the insurance contract boundary relate to future insurance contracts and are recognised 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 ends 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 contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for 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.

The Group may estimate certain FCF at the portfolio level or higher and then allocate such estimates to groups of contracts.

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 in 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 cash flows. The Group has not identified any significant financing component in the LRC or the ARC and has elected not to 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 contracts are 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 insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer. Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 7.

Insurance acquisition costs

Insurance acquisition cash flows arise from the cost of selling, underwriting and initiating a group of insurance contracts (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; and
    - to groups that include insurance contracts that are expected to arise from the renewal of the insurance contracts in that group.
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the 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 Group does not generally pay or incur 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 therefore been recognised.

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 by 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 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:

a. any premiums received less amounts recognised as insurance revenue;

b. less insurance acquisition cash flows paid plus amortistion of any insurance acquisition cash flows recognised as insurance service expense in the period; and

c. less any non-distinct investment components paid or transferred to the LIC.

Groups that were not onerous at initial recognition can subsequently become onerous if facts and circumstances change during the coverage period. If a group of contracts becomes onerous or facts and circumstances indicate that the expected profitability of an onerous group during the remaining coverage has decreased, the Group increases the carrying amount of the LRC by the relevant amount, with the increase recognised within insurance service expenses. The Group amortises the amount of the loss component within the LRC by decreasing insurance service expenses. 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 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 at the amount of the FCF relating to the incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. 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 adaptions 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 covering onerous underlying contracts, the Group establishes a loss-recovery component of the ARC to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in FCF of the group of reinsurance contracts relating to future services that results from changes in FCF of the onerous underlying contracts.

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 at the end of each reporting period. The ARC includes:

a. reinsurance premiums paid less amounts recognised as allocation of reinsurance premium; and

b. reinsurance recovery cash flows received less any amounts recoverable from reinsurers recognised in the period.

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 contracts 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. 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

The Group derecognises a contract 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 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 in scope of IFRS 17;
- results in different separable components;
- results in a different contract boundary; or
- belongs to a different group of contracts.

b. the modification means that the contract no longer meets the PAA eligibility criteria.

When an insurance contract is derecognised, adjustments are made to the FCF charged to profit or loss.

- if the 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;
- if the 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; 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 as the new contract at the date of contract modification, less any additional premium charged for the modification.

Presentation

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, comprising insurance revenue and insurance services expenses; and (b) insurance finance income and expenses.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance services result and insurance finance income or expenses.

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 services and the consideration the Group expects to be entitled to in exchange for those services.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised as they are incurred. They exclude the repayment of investment components and comprise the following items:

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

Expenses not meeting the above criteria are included in other operating expenses in the consolidated statement of profit and loss.

Allocation of reinsurance premium and amounts recoverable from reinsurers

The Group presents separately on the face of the statement of profit or loss 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 premium payments net of commission income receivable. Expected 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.

Amounts expected to be recovered from reinsurers are recognised as they are incurred. The Group uses consistent assumptions to measure the estimates of the future cash flows for a group of reinsurance contracts held 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 reinsurance contract 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 in profit and loss and does not disaggregate these between profit and loss and OCI.

Non-distinct investment components

The Group identifies the non-distinct investment component of a contract by determining the amount that it 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 assets and the contractual terms of the cash flows.

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

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

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at FVTPL. This category also includes fixed maturity securities held by the Group whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

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

Cash and cash equivalents

Cash and cash equivalents are carried in the 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 on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Investments

The Group's business model emphasises the preservation of capital and provision for sufficient liquidity for the prompt payment of claims, in conjunction with providing a reasonably stable income stream. 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 investments at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Investments are subsequently measured at fair value.

Fixed maturity securities, private investment funds, hedge funds and index linked securities included in the Group's investment portfolio are all classified as FVTPL - mandatory as they are all managed on a fair value business model basis.

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 income. Interest income is recognised on the effective interest rate method and recognised in profit or loss within net investment income. The carrying value of accrued interest income approximates fair value due to its short-term nature and high liquidity.

Investments are derecognised when the 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 income.

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, credit 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 income. 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.

Other receivables

Other receivables include trade receivables and contract assets. Trade receivables that do not have a significant financing component are measured on initial recognition at their transaction price and are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Impairment

The Group applies the simplified approach to measuring ECL which uses a lifetime ECL for other assets held at amortised cost and contract assets (under IFRS 15). The lifetime ECL is measured at 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.

To measure the lifetime ECL, receivables and contract assets have been grouped based on shared credit risk characteristics. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability to settle receivables. The other receivables held by the Group are short-term in nature.

Financial liabilities

Other payable

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 profit or loss.

Risk disclosures

The Group is exposed to risks from several sources, classified into six primary risk categories. These are insurance risk, market risk, liquidity risk, credit risk, operational risk and strategic risk. The primary risk to the Group is insurance risk. The six primary risk categories are discussed in detail on pages 144 to 163 of the 2022 Annual Report and Accounts. Effective 1 January 2023, the Group adopted IFRS 9, Financial Instruments: Classification and Measurement and IFRS 17, Insurance Contracts. IFRS 17 creates timing differences in how insurance contracts are recognised over their lifetime (for example through the use of discounting). This may impact the financial reporting period in which profits are recognised but will not amend the overall profitability of the insurance contract. There is no change in the Group's underwriting strategy, fundamentals or risk appetite as a result of adopting IFRS 17. The six primary risk categories remain the most relevant risks and uncertainties for the Group. Where applicable, management have enhanced the financial statement note disclosures in these unaudited condensed interim consolidated financial statements to report elements of the new risk disclosure requirements of IFRS 9 and IFRS 17.

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.

		30 June 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	**300.4**	**17.3**	301.2	18.8
California	Earthquake	**260.5**	**15.0**	248.0	15.5
Non-Gulf of Mexico – U.S.	Hurricane	**241.9**	**13.9**	217.2	13.6
Pan-European	Windstorm	**166.5**	**9.6**	181.2	11.3
Japan	Typhoon	**143.3**	**8.2**	144.5	9.0
Japan	Earthquake	**141.4**	**8.1**	121.6	7.6
Pacific North West	Earthquake	**32.0**	**1.8**	29.5	1.8

1 Estimated net loss balances presented in the table are unaudited.
2 Landing hurricane from Florida to Texas.

		30 June 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	**364.8**	**21.0**	348.0	21.8
California	Earthquake	**310.2**	**17.9**	291.9	18.2
Non-Gulf of Mexico – U.S.	Hurricane	**462.8**	**26.6**	362.5	22.7
Pan-European	Windstorm	**201.4**	**11.6**	218.4	13.6
Japan	Typhoon	**197.6**	**11.4**	180.3	11.3
Japan	Earthquake	**251.6**	**14.5**	172.1	10.8
Pacific North West	Earthquake	**121.4**	**7.0**	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.

Emerging risk

Climate change

The Group is exposed to both climate-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 exposure to acute and chronic climate change. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy. The Group's current assessment of risk in relation to climate change is discussed in more detail within the TCFD report of the 2022 Annual Report and Accounts on pages 61 to 69.

Ongoing conflict in Ukraine

We continue to monitor our loss exposure with regards to the ongoing conflict in Ukraine, which remains a complex and fluid situation.

Global minimum 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. Once changes to the laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to a top-up tax. The UK substantively enacted Pillar Two tax legislation to implement the global minimum top-up tax on 20th June 2023 with an effective date from 1 January 2024. The Group may potentially be subject to a top-up tax because LHL and some of its subsidiaries are domiciled in Bermuda and are currently exempt from corporate income taxes in Bermuda until 31 March 2035. Management are closely monitoring the progress of the legislative process in the jurisdictions in which it operates.

1. General information

The Group is a provider of global specialty insurance and reinsurance products with operations in Bermuda, London and Australia. LHL was incorporated under the laws of Bermuda on 12 October 2005. On 16 March 2009, LHL 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.

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. Further 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 a Head of Reinsurance and Head of Insurance based on the products that they manage. Operating segment performance is measured by the insurance service result and the combined ratio.

All amounts reported are transactions with external parties and associates. 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.

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:

				Restated		
	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Reinsurance $m	**Insurance $m**	**Total $m**	Reinsurance $m	Insurance $m	Total $m
U.S. and Canada	**157.2**	**121.1**	**278.3**	122.8	94.2	217.0
Worldwide - multi territory	**123.1**	**140.1**	**263.2**	87.2	118.8	206.0
Europe	**27.8**	**38.9**	**66.7**	22.6	35.6	58.2
Rest of world	**28.5**	**84.2**	**112.7**	28.8	69.8	98.6
Total insurance revenue	**336.6**	**384.3**	**720.9**	261.4	318.4	579.8

2. Segmental reporting continued

Revenue and expenses by operating segment

For the six months ended 30 June 2023	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	**336.6**	**384.3**	**720.9**
Insurance service expenses[1]	**(88.1)**	**(200.4)**	**(288.5)**
Insurance service result before reinsurance contracts held	**248.5**	**183.9**	**432.4**
Allocation of reinsurance premium	**(89.3)**	**(123.4)**	**(212.7)**
Amounts recoverable from reinsurers	**(66.0)**	**35.1**	**(30.9)**
Net expense from reinsurance contracts held	**(155.3)**	**(88.3)**	**(243.6)**
Insurance service result	**93.2**	**95.6**	**188.8**
Finance (expense) from insurance contracts issued	**(21.3)**	**(16.4)**	**(37.7)**
Finance income from reinsurance contracts held	**8.0**	**6.1**	**14.1**
Net insurance financing result	**(13.3)**	**(10.3)**	**(23.6)**
Net investment return			**63.2**
Other operating expenses[1]			**(43.8)**
Net other unallocated income and expenses			**(17.4)**
Profit before tax			**167.2**
Net insurance ratio	**62.3%**	**63.4%**	**62.8%**
Net operating expense ratio			**8.6%**
Combined ratio (discounted)			**71.4%**
Discounting impact on combined ratio			**7.8%**
Combined ratio (undiscounted)			**79.2%**

1. Other operating expenses were $83.1 million. $39.3 million of the other operating expenses are considered to be fixed and variable overhead costs directly attributable to fulfilling insurance contracts and have been allocated to insurance service expenses within the unaudited condensed interim consolidated statement of comprehensive income.

For the six months ended 30 June 2022 - Restated	Reinsurance $m	Insurance $m	Total $m
Insurance revenue	261.4	318.4	579.8
Insurance service expenses[1]	(117.3)	(176.5)	(293.8)
Insurance service result before reinsurance contracts held	144.1	141.9	286.0
Allocation of reinsurance premium	(74.3)	(109.5)	(183.8)
Amounts recoverable from reinsurers	(6.7)	46.0	39.3
Net expense from reinsurance contracts held	(81.0)	(63.5)	(144.5)
Insurance service result	63.1	78.4	141.5
Finance income from insurance contracts issued	18.5	9.5	28.0
Finance expense from reinsurance contracts held	(6.6)	(2.9)	(9.5)
Net insurance financing result	11.9	6.6	18.5
Net investment return			(85.8)
Other operating expenses[1]			(32.7)
Net other unallocated income and expenses			(7.4)
Profit before tax			34.1
Net insurance ratio	66.3%	62.5%	64.3%
Net operating expense ratio			8.3%
Combined ratio (discounted)			72.6%
Discounting impact on combined ratio			4.5%
Combined ratio (undiscounted)			77.1%

1. Other operating expenses were $68.4 million. $35.7 million of other operating expenses are considered to be fixed and variable overhead costs directly attributable to fulfilling insurance contracts and have been allocated to insurance service expenses within the unaudited condensed interim consolidated statement of comprehensive income.

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 where the total impact of discounting is recognised in the unaudited condensed interim consolidated statement of comprehensive income for the six months ended 30 June 2023 and 2022.

	Six months 2023 $m	Six months 2022 $m
Insurance service expenses	**46.5**	26.3
Amounts recoverable from reinsurers	**(7.1)**	(8.3)
Net discount included in insurance service result (A)	**39.4**	18.0
Unwind of discount on insurance contracts issued	**(40.1)**	(12.3)
Impact of change in assumptions on insurance contracts issued	**2.4**	40.3
Finance (expense) income from insurance contracts issued	**(37.7)**	28.0
Unwind of discount on reinsurance contracts held	**14.3**	4.0
Impact of change in assumptions on reinsurance contracts held	**(0.2)**	(13.5)
Finance income (expense) from reinsurance contracts held	**14.1**	(9.5)
Net discount included in insurance finance (expense) income (B)	**(23.6)**	18.5
Total net impact of discounting (A + B)	**15.8**	36.5

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 disclosed on page 31.

4. Net investment return

The total investment return for the Group is as follows:

		Restated
	Six months 2023 $m	Six months 2022 $m
Interest and dividend income on financial investments	**42.5**	24.5
Interest income on cash and cash equivalents	**8.9**	(0.5)
Net realised losses at FVTPL	**(3.7)**	(14.0)
Net unrealised gains (losses) at FVTPL	**18.3**	(93.8)
Investment income (loss)	**66.0**	(83.8)
Investment management fees	**(2.8)**	(2.0)
Total net investment return	**63.2**	(85.8)

The Group adopted IFRS 9 on 1 January 2023 (see note 14).

5. Tax

BERMUDA

LHL, LICL and LCM have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda. Refer to page 21 on global minimum tax.

UNITED KINGDOM

The UK subsidiaries of LHL are subject to normal UK corporation tax on all their taxable profits.

		Restated
	Six months 2023 $m	Six months 2022 $m
Corporation tax charge for the period	**4.6**	1.6
Deferred tax charge for the period	**—**	0.7
Adjustment in respect of prior period deferred tax	**3.4**	0.8
Total tax charge	**8.0**	3.1

Tax reconciliation[1]	Six months 2023 $m	Restated Six months 2022 $m
Profit before tax	**167.2**	34.1
Tax calculated at the standard corporation tax rate applicable in Bermuda 0%	**—**	—
Effect of income taxed at a higher rate	**5.8**	2.9
Adjustments in respect of prior period	**3.4**	0.8
Differences related to equity based compensation	**(0.5)**	0.9
Other expense permanent differences	**(0.7)**	(1.5)
Total tax charge	**8.0**	3.1

(1) All tax reconciling balances have been classified as recurring items.

The current tax charge as a percentage of the Group's profit before tax is 4.8% (30 June 2022 – 9.1%). The Group has non-taxable income in relation to profits of companies within the Group that are non-tax resident in the UK and the share of profit of associate.

6. Investments

As at 30 June 2023	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities	**2,237.8**	**8.4**	**(88.9)**	**2,157.3**
Private investment funds	**119.3**	**2.4**	**(9.0)**	**112.7**
Hedge funds	**94.8**	**14.0**	**(4.4)**	**104.4**
Other investments	**—**	**—**	**(0.1)**	**(0.1)**
Total investments	**2,451.9**	**24.8**	**(102.4)**	**2,374.3**

As at 31 December 2022 - Restated	Cost $m	Unrealised gains $m	Unrealised losses $m	Fair value $m
Fixed maturity securities	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

The Group determines the fair value of each individual security utilising the highest-level inputs available. Prices for the Group's investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used, including pricing vendors and broker-dealers. 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' pricing.

The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the six months ended 30 June 2023 and the year ended 31 December 2022.

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

Level (I)

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

Level (II)

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

Level (III)

Level (iii) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. The Group determines securities classified as Level (iii) to include hedge funds, private investment funds and loans 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, we would not anticipate any material variance between statements and the final 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 (ii) securities amounted to $77.2 million and transfers from Level (ii) to (i) securities amounted to $212.3 million during the six months ended 30 June 2023.

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

	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
- Short-term investments	**30.5**	**1.9**	**—**	**32.4**
- Fixed maturity funds	**—**	**28.1**	**—**	**28.1**
- U.S. treasuries	**655.4**	**—**	**—**	**655.4**
- Other government bonds	**8.5**	**40.2**	**—**	**48.7**
- U.S. municipal bonds	**—**	**19.2**	**—**	**19.2**
- U.S. government agency debt	**35.6**	**20.4**	**—**	**56.0**
- Asset backed securities	**—**	**203.0**	**—**	**203.0**
- U.S. government agency mortgage backed securities	**—**	**50.8**	**—**	**50.8**
- Non-agency mortgage backed securities	**—**	**12.7**	**—**	**12.7**
- Non-agency commercial mortgage backed securities	**—**	**22.4**	**—**	**22.4**
- Bank loans	**0.2**	**135.6**	**—**	**135.8**
- Corporate bonds	**533.9**	**338.0**	**—**	**871.9**
- Other fixed maturities	**0.1**	**17.9**	**2.9**	**20.9**
Total fixed maturity securities	**1,264.2**	**890.2**	**2.9**	**2,157.3**
Private investment funds	**—**	**—**	**112.7**	**112.7**
Hedge funds	**—**	**—**	**104.4**	**104.4**
Other investments	**—**	**(0.1)**	**—**	**(0.1)**
Total investments	**1,264.2**	**890.1**	**220.0**	**2,374.3**

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 2022	108.1	103.9	3.1	215.1
Purchases	**7.6**	—	—	**7.6**
Sales	**(4.3)**	**(0.2)**	—	**(4.5)**
Net unrealised gains (losses) at FVTPL	**1.3**	**0.7**	**(0.2)**	**1.8**
As at 30 June 2023	**112.7**	**104.4**	**2.9**	**220.0**

1 Included within other fixed maturities are central fund loans classified at Level (iii) within the fair value hierarchy.

7. Insurance and reinsurance contracts

The table below shows how the net carrying amounts of insurance contracts issued changed during the six months ended 30 June 2023.

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net insurance contracts liabilities (assets) as at 1 January 2023	**28.0**	**1.0**	**1,307.2**	**337.3**	**1,673.5**
Insurance revenue	(742.3)	—	21.4	—	(720.9)
Insurance service expenses					
- Incurred claims and other insurance service expenses	—	—	299.8	53.8	353.6
- Changes in liability for incurred claims relating to past service	—	—	(104.5)	(54.4)	(158.9)
- Amortisation of insurance acquisition cash flows	93.3	—	—	—	93.3
- Losses and reversals of losses on onerous contracts	—	0.5	—	—	0.5
Insurance service result before reinsurance contracts held	**(649.0)**	**0.5**	**216.7**	**(0.6)**	**(432.4)**
Finance expense from insurance contracts issued	—	—	29.8	7.9	37.7
Effects of movements in exchange rates	0.6	—	8.3	0.2	9.1
Total changes in consolidated statement of comprehensive income	**(648.4)**	**0.5**	**254.8**	**7.5**	**(385.6)**
Investment components	(1.5)	—	1.5	—	—
Other[1]	—	—	5.4	—	5.4
Other changes	**(1.5)**	**—**	**6.9**	**—**	**5.4**
Premiums received and insurance acquisition cash flows	629.3	—	—	—	629.3
Claims and other expenses paid	—	—	(244.6)	—	(244.6)
Total cash flows	**629.3**	**—**	**(244.6)**	**—**	**384.7**
Net insurance contracts liabilities (assets) as at 30 June 2023	**7.4**	**1.5**	**1,324.3**	**344.8**	**1,678.0**

1.Other movements includes the effect of prior underwriting year of accounts losses and loss adjustment expenses and reinsurance recoveries being reinsured to close into the 2021 year of account, to the extent where the Group's syndicate participation has changed between those years of account.

7. Insurance and reinsurance contracts continued

The table below shows how the net carrying amounts of reinsurance contracts held changed during the six months ended 30 June 2023.

	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
Net reinsurance contracts (assets) liabilities as at 1 January 2023	**42.0**	**(0.1)**	**(373.5)**	**(142.7)**	**(474.3)**
Allocation of reinsurance premium	**212.7**	**—**	**—**	**—**	**212.7**
Amounts recoverable from reinsurers					
- Recoveries of incurred claims and other insurance service expenses	**—**	**—**	**(30.0)**	**(2.7)**	**(32.7)**
- Change in asset for incurred claims in relation to past service	**—**	**—**	**56.9**	**20.8**	**77.7**
- Reinsurance expenses	**(12.1)**	**—**	**—**	**—**	**(12.1)**
- Recoveries and reversals of recoveries of losses on onerous underlying contracts	**—**	**(0.3)**	**—**	**—**	**(0.3)**
Effect of changes in non-performance risk of reinsurers	**—**	**—**	**(1.7)**	**—**	**(1.7)**
Net expenses from reinsurance contracts held	**200.6**	**(0.3)**	**25.2**	**18.1**	**243.6**
Finance income from reinsurance contracts held	**—**	**—**	**(10.7)**	**(3.4)**	**(14.1)**
Effects of movements in exchange rates	**(3.5)**	**—**	**(1.6)**	**0.3**	**(4.8)**
Total changes in consolidated statement of comprehensive income	**197.1**	**(0.3)**	**12.9**	**15.0**	**224.7**
Other[1]	**—**	**—**	**(2.6)**	**—**	**(2.6)**
Other changes	**—**	**—**	**(2.6)**	**—**	**(2.6)**
Reinsurance premiums paid net of ceding commissions and other directly attributable expenses	**(213.0)**	**—**	**—**	**—**	**(213.0)**
Recoveries from reinsurance	**—**	**—**	**37.7**	**—**	**37.7**
Total cash flows	**(213.0)**	**—**	**37.7**	**—**	**(175.3)**
Net reinsurance contracts (assets) liabilities as at 30 June 2023	**26.1**	**(0.4)**	**(325.5)**	**(127.7)**	**(427.5)**

1.Other movements includes the effect of prior underwriting year of accounts losses and loss adjustment expenses and reinsurance recoveries being reinsured to close into the 2021 year of account, to the extent where the Group's syndicate participation has changed between those years of account.

7. Insurance and reinsurance contracts continued

Insurance risk

The primary risk to the Group is insurance risk and is discussed in detail on pages 144 to 150 in the 2022 Annual Report and Accounts. The Group's insurance risk profile has not changed as a result of adopting IFRS 17. In particular there has been no material change in any of the following areas since the year ended 31 December 2022:

- the Group's underwriting strategy, fundamentals or risk appetite;
- the classes of business underwritten;
- the types of business underwritten (insurance versus reinsurance, short tail versus long-tail or excess of loses versus proportional);
- the controls deployed to manage the insurance exposure assumed;
- the approach to assessing and managing climate risk; and
- the use of outwards reinsurance arrangements to mitigate insurance risk.

The preparation of the Group's unaudited condensed interim consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying financial statement disclosures. The Group's accounting policies have been revised as a result of adopting IFRS 17. These can be found on pages 13 to 17 and they also include details of accounting policy choices and judgements that have been made in applying the new IFRS insurance accounting standard. In the course of preparing the unaudited condensed interim consolidated financial statements and in the process of applying the Group's accounting policies, the valuation of insurance contract liabilities continues to be the largest area of estimation uncertainty. Following the adoption of IFRS 17 this now also includes additional elements such as the consideration of the cash flows within the contract boundary, discounting and the risk adjustment for non-financial risk calculation.

Estimates of future cash flows to fulfil insurance contracts

The Group measures the carrying amount of the LIC and the AIC at the end of each reporting period. The Group recognises the LIC and the AIC for a group of insurance contracts as the amount of the FCF. The FCF comprises:

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

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 a 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, insurance acquisition cash flows and other costs incurred in fulfilling contracts.

Insurance acquisition cash flows and 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 (e.g. acquisition costs) these costs are taken directly and aggregated, as required, to groups of contracts. Where expenses are not contract specific (e.g. overheads), these are allocated to groups of contracts in a systematic way.

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

The 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 claims is estimated separately for each class of business, except for large claims, which are assessed separately from other claims.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from historical claims development data on which projections are based, although judgement is applied to assess the extent to which past trends might 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.

Discounting approach

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 cashflows 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. The Group has elected to recognise changes in the effect of discounting as part of insurance finance income or expense in the consolidated income statement. The Group writes predominantly short tail business and has not identified any significant financing component in the LRC or ARC and has therefore applied judgement to determine that there is no requirement to discount these balances.

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:

	30 June 2023			30 June 2022			31 December 2022		
	1 year	3 years	5 years	1 year	3 year	5 year	1 year	3 year	5 year
USD	**5.44%**	**5.09%**	**4.96%**	3.70%	4.01%	4.26%	5.26%	5.12%	5.11%
GBP	**6.14%**	**6.37%**	**6.08%**	2.87%	3.46%	3.68%	4.54%	5.07%	5.12%
EUR	**4.16%**	**4.33%**	**4.30%**	1.22%	2.40%	2.96%	3.36%	4.06%	4.29%
CAD	**5.77%**	**5.44%**	**5.20%**	3.98%	4.36%	4.70%	5.05%	4.88%	4.84%
JPY	**0.07%**	**0.85%**	**1.30%**	0.40%	0.93%	1.37%	0.17%	1.11%	1.64%
ZAR	**8.88%**	**9.34%**	**9.99%**	6.85%	8.62%	9.55%	7.83%	8.72%	9.49%
AUD	**4.76%**	**5.18%**	**5.45%**	3.56%	4.56%	5.17%	4.00%	4.85%	5.38%

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. It is closely linked to the Group’s reserve risk appetite and depends on the prevailing uncertainty in the fulfilment cash flows of the LIC and AIC at each reporting date.

The Group estimates that fulfilment cash flows within the net of reinsurance LIC (including the risk adjustment for non-financial risks) corresponds to a confidence level of 87% (31 December 2022 - 84%). The risk adjustment for non-financial risk under IFRS 17 does not differ materially from the reserve margin under IFRS 4 as the fundamentals of our reserving remain unchanged. The risk adjustment for non-financial risk is subject to discounting and the confidence level is inferred. Given this inference, the Group generally expects the confidence level to fall within the range of 80th-90th percentile. Movements within this range, between periods, are to be expected due to, for example, specific events or class of business reserve mix. 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 during the six months ended 30 June 2023 and for the year ended 31 December 2022.

Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the Group impact profit before tax and the valuation of net liability on insurance contracts. Under the PAA, only the LIC component of the net liability on insurance contracts issued and the AIC component of the net asset on reinsurance contracts held is sensitive to possible changes in insurance risk and interest rate risk variables.

	30 June 2023		31 December 2022	
	LIC/AIC as at 30 June	Impact on profit (loss) before tax	LIC/AIC as at 31 December	Impact on profit (loss) before tax
Net liability on insurance contracts issued	1,669.1	—	1,644.5	—
Net asset on reinsurance contracts held	(453.2)	—	(516.2)	—
Net insurance contract liabilities	1,215.9	—	1,128.3	—
Yield curves - 1% increase				
Net liability on insurance contracts issued	1,640.1	29.0	1,616.6	27.9
Net asset on reinsurance contracts held	(445.0)	(8.2)	(506.8)	(9.4)
Net insurance contract liabilities	1,195.1	20.8	1,109.8	18.5
Unpaid claims and expense - 20% increase				
Net liability on insurance contracts issued	2,002.9	(333.8)	1,973.4	(328.9)
Net asset on reinsurance contracts held	(543.8)	90.6	(619.4)	103.2
Net insurance contract liabilities	1,459.1	(243.2)	1,354.0	(225.7)

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.

8. Provision for deferred tax

		Restated
As at	30 June 2023 $m	31 December 2022 $m
Equity based compensation	(6.4)	(5.0)
Syndicate underwriting profits	(0.1)	(0.3)
Syndicate participation rights	18.8	18.8
Other temporary differences	1.7	(2.9)
Tax losses carried forward	(0.3)	(0.3)
Net deferred tax liability	13.7	10.3

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. It is anticipated that sufficient taxable profits will be available within the Group in 2023 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse.

For the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, the Group had no uncertain tax positions.

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

		Restated
As at	30 June 2023 $m	31 December 2022 $m
Opening liability	10.3	12.2
Deferred tax credit for the period	—	(2.9)
Adjustment in respect of prior period deferred tax	3.4	1.1
Deferred tax in equity	—	(0.1)
Closing liability	13.7	10.3

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

9. Commitments and contingencies

Credit facility funds

As at 30 June 2023, the Group has a commitment of $50.0 million (31 December 2022 – $50.0 million) relating to one credit facility fund.

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 30 June 2023.

Date of commitment to invest in private investment fund	total commitment $m	undrawn commitment $m
18 October 2022	**10.0**	**7.6**
28 July 2021	**34.0**	**20.4**
9 December 2020	**25.0**	**0.5**
5 November 2019	**25.0**	**1.0**
Total	**94.0**	**29.5**

Legal proceedings and regulations

The Group operates in the insurance industry and is 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 its results and financial position.

10. Earnings per share

The table below shows the profit and share data used in the basic and diluted earnings per share computations:

		Restated
	Six months 2023 $m	Six months 2022 $m
Profit after tax	**159.2**	31.0

	Six months	Six months
	2023 Number of shares	2022 Number of shares
Basic weighted average number of shares	**238,674,932**	241,972,964
Dilutive effect of RSS	**4,027,685**	2,156,091
Diluted weighted average number of shares	**242,702,617**	244,129,055

		Restated
Earnings per share	**Six months 2023 $m**	Six months 2022 $m
Basic	**$0.67**	$0.13
Diluted[1]	**$0.66**	$0.13

(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 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.

11. Related party disclosures

Key management compensation

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

	Six months 2023 $m	Six months 2022 $m
Short-term compensation	**1.7**	1.5
Equity based compensation	**1.0**	0.4
Directors' fees and expenses	**1.2**	1.1
Total	**3.9**	3.0

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

12. Subsequent events

Dividend

On 9 August 2023 the Board of Directors declared the payment of an interim ordinary dividend of $0.05 per common share (approximately £0.04 pence per common share) to shareholders of record on 18 August 2023, with a settlement date of 15 September 2023. The total dividend payable, will be approximately $11.9 million. An amount equivalent to the dividend accrues on all RSS options and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

13. Impact of adoption - IFRS 17 Insurance contracts

Recognition, measurement and presentation

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held.

The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts 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 calculation (see note 7). 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 have 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 determined that it is eligible to apply the PAA to its portfolios and groups of contracts as the measurement of the LRC is not expected to differ materially from that calculated under the GMM. The PAA simplifies the measurement of the LRC, replacing the fulfilment cash flow 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 applies 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.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, at 1 January 2022 the Group identified, recognised and measured each group of insurance contract and reinsurance contract 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 difference 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 following item has not been applied retrospectively. The consequential amendments of IFRS 3 *Business Combination* introduced by IFRS 17, require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

The initial application of IFRS 17 resulted in an $18.9 million net of tax reduction in the consolidated statement of shareholders' equity.

The two largest valuation adjustments, representing $15.7 million of the net reduction in shareholders' equity on the initial application of IFRS 17 included:

- $38.4 million net reduction in shareholders' equity from establishing a directly attributable expense reserve and releasing the existing ULAE provision. This is due to the IFRS 17 requirement that all future cash flows related to the fulfilment of insurance contracts be captured within portfolios and applied to groups of insurance contracts. This replaced, at an increased amount, the existing ULAE provision; and
- $22.7 million net increase in shareholders' equity from discounting the LIC and AIC. As 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 the LIC and AIC. As current discount rates are applied, this is subject to a degree of volatility (see note 3 and note 7).

Other, smaller valuation adjustments representing $3.2 million of the net of tax reduction in the consolidated statement of shareholders' equity on initial application of IFRS 17 arose from:

- the requirement to revalue all component parts of insurance contract assets and liabilities at current foreign exchange rates. Under IFRS 4 unearned premium and deferred acquisition costs were considered non-monetary assets and were not retranslated at the balance sheet date;
- including expected premiums in the estimates of future cash flows. Under IFRS 4, for the majority of the Group’s excess of loss contracts, premiums written were recorded based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium were recognised in the period in which they were determined;
- the requirement to recognise immediately an onerous loss component and, if applicable reinsurance coverage was in place, a loss recovery component, on the initial recognition of an onerous group of contracts (see note 7); and
- the requirement to include an element of non-performance risk in the cash flow assumptions when measuring reinsurance contracts held balances 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 shareholders' equity alongside the $18.9 million decrease in shareholders' equity recorded at the date of initial application results in a $58.2 million cumulative impact of adopting IFRS 17.

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group requires for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk under IFRS 17 does not differ materially from the reserve margin under IFRS 4 as the fundamentals of our reserving remain unchanged (see note 7).

IFRS 17 has resulted in a number of presentation differences compared to the IFRS 4 consolidated financial statements:

- The insurance service result comprises insurance revenue, insurance service expense 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 (see APM on page 46). Reinstatement premiums are recognised against insurance service expense while commissions paid to cedants are recognised as a deduction from 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 expenses;
- A portion of operating expenses are included in insurance service expense (see note 2); and
- On the face of the statement of financial position all re(insurance) related balances will be presented in either insurance liabilities or reinsurance assets.

The accounting policies for insurance contracts issued and reinsurance contracts held under IFRS 17 are set out on pages 13 to 17.

14. Impacts of adoption - IFRS 9 Financial instruments

The Group adopted IFRS 9 on 1 January 2023, 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 is assessed based on the Group's business model for managing those assets;
- The three principal 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 receivable;
- An expected credit loss 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 reflecting the level of losses anticipated after 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 associated credit risk;
- New hedge accounting requirements (The Group does not apply hedge accounting and have therefore not considered the changes 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 adopted IFRS 9 retrospectively on the date of initial application 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, including derecognised assets in the comparative period. A change of classification as at 1 January 2022, has been applied using the projected business model classification on 1 January 2023.

The Group has established that all investment classes are managed, and their performance evaluated, on fair value basis and therefore they are classified at FVTPL. For cash and cash equivalents and other receivables the objective is to collect the contractual cash flows only, and are therefore classified at 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 17 to 19. 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	Carrying amount under IFRS 9
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 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 condensed interim consolidated statement of changes in shareholders' equity). This reclassification adjustment does not impact opening shareholders' equity. The tables below outline the reclassification of financial statement line items as well as the earnings per share impacts of adopting IFRS 9.

Unaudited condensed interim consolidated statement of financial position	As at 31 December 2021 - IAS 39	Reclassification of investments	Reclassification of tax	Restated as at 1 January 2022
Investments				
- Fixed maturity securities - AFS	1,780.2	(1,780.2)	—	—
- Fixed maturity securities - FVTPL	28.9	1,780.2	—	1,809.1
Total assets	2,584.6	—	—	2,584.6
Total liabilities	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	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.

Unaudited condensed interim consolidated statement of financial position	As at 31 December 2022 - IAS 39	Reclassification of investments	Reclassification of tax	Restated as at 31 December 2022
Investments				
- Fixed maturity securities - AFS	1,942.9	(1,942.9)	—	—
- Fixed maturity securities - FVTPL	22.0	1,942.9	—	1,964.9
Total assets	2,783.8	—	—	2,783.8
Total liabilities	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	(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 unaudited condensed interim consolidated statement of comprehensive income for the six months ended 30 June 2022 for each individual line item impacted by the adoption of IFRS 9.

Unaudited condensed interim consolidated statement of comprehensive income	For the six months ended 30 June 2022 - IAS 39	IFRS 9 impact	Restated for the six months ended 30 June 2022 - IFRS 9
Net investment income	17.3	(103.1)	(85.8)
Net other investment income	(9.4)	9.4	—
Net realised (losses) gains and impairment	(10.7)	10.7	—
Results of operating activities	92.7	(83.0)	9.7
Profit (loss) before tax	78.0	(83.0)	(5.0)
Tax (charge) credit	(3.6)	1.5	(2.1)
Profit (loss) after tax attributable to equity shareholders of LHL	74.4	(81.5)	(7.1)
Net change in unrealised gains (losses) on investments	(83.0)	83.0	—
Tax credit on net change in unrealised gains (losses) on investments	1.5	(1.5)	—
Other comprehensive loss	(81.5)	81.5	—
Total other comprehensive loss	(7.1)	—	(7.1)
Earnings (loss) per share			
Basic	$0.31	($0.34)	($0.03)
Diluted	$0.30	($0.33)	($0.03)

(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.

15. 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 13 to 19.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge, that the unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU and the interim management report herein includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being:

- an indication of important events during the first six months of 2023 and their impact on the unaudited condensed interim consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- related party transactions that have taken place in the first six months of 2023 and that have materially affected the consolidated financial position or performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report and Accounts that could have such a material effect.

The Directors also confirm that they consider it appropriate to adopt the going concern basis of accounting in preparing these unaudited condensed interim consolidated financial statements. The Directors of the Company are listed on pages 72-74 of the Group's 2022 Annual Report and Accounts, except that Simon Fraser stepped down the Board and Bryan Joseph was appointed as a Non-Executive Director at the conclusion of the Company's AGM on 26th April 2023. The individuals responsible for authorising the responsibility statement on behalf of the Board on 9 August 2023 are:

Peter Clarke	Natalie Kershaw
Director/Chair	Director/Group CFO

INDEPENDENT REVIEW REPORT TO LANCASHIRE HOLDINGS LIMITED

Conclusion

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of financial position, the condensed interim consolidated statement of changes in shareholders' equity, the condensed interim statement of consolidated cash flows, the risk and other disclosures and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in the basis of preparation on page 11 the latest annual consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

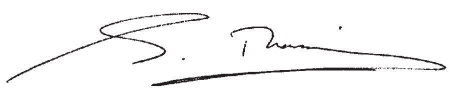
In preparing the condensed set of consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report 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 for our review work, for this report, or for the conclusions we have reached.



Salim Tharani
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
E14 5GL
9 August 2023

Glossary

AFS
Available for sale

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

AGM
Annual General Meeting

AIM
A sub-market of the LSE

AIC
Asset for incurred claims

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

APMs
Alternative performance measures

ARC
Asset for remaining coverage

Board of Directors; Board
Unless otherwise stated refers to the LHL Board of Directors

BSX
Bermuda Stock Exchange

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

CEO
Chief Executive Officer

CFO
Chief Financial Officer

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

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, consolidated statement of financial position, consolidated statement of changes in shareholders' equity and the statement of consolidated cash flows

DAE
Directly attributable expenses

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

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

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

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

ECL
Expected credit losses

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

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

EU
European Union

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

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

FAL
Funds at Lloyd's

FCA
Financial Conduct Authority

Glossary

FCF
Fulfilment cash flows

FRC
Financial Reporting Council

FVTPL
Fair value through profit or loss

FVOCI
Fair value through other comprehensive income

The Group or the Lancashire Group
LHL and its subsidiaries

GAAP
Generally accepted accounting principles

GMM
General Measurement Model

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

IFRS
International Financial Reporting Standard(s)

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

IFRS 17
International Financial Reporting Standard on Insurance Contracts

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

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

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

IRR
Internal rate of return

ISA
International Standards on Auditing (UK)

KPMG LLP
KPMG LLP, a UK limited liability partnership

KPI
Key performance indicator

KRL (Kinesis Re)
Kinesis Reinsurance I Limited

LCM
Lancashire Capital Management Limited

LHL (The Company)
Lancashire Holdings Limited

LIC
Liability for incurred claims

LICL
Lancashire Insurance Company Limited

Lloyd's
The Society of Lloyd's

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

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

MGA
Managing General Agent

Moody's Investors Service (Moody's)
Moody's Corporation is the parent company of Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics, which offers software, advisory services and research for credit and economic analysis and financial risk management

NAV
Net asset value

NDIC
Non-distinct investment component

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

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

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

OECD
Organisation for Economic Co-operation and Development

OCI
Other comprehensive income

Official List
The official list of the UK Listing Authority

ORSA
Own Risk and Solvency Assessment

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

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

PAA
Premium Allocation Approach

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

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

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

RSS
Restricted share scheme

SPPI
Solely payments of principal and interest

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

Syndicate 2010
Lloyd's Syndicate 2010, managed by LSL

Syndicate 3010
Lloyd's Syndicate 3010, managed by LSL

TCFD
Task Force on Climate-related Financial Disclosures

The syndicates
Syndicates 2010 and 3010

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

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

UK
United Kingdom

ULAE
Unallocated loss adjustment expense

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

U.S.
United States of America

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 unaudited condensed interim 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 long standing 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 claims related 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.

		Restated
For the six months ended	**30 June 2023**	30 June 2022
Insurance service expense	**288.5**	293.8
Amounts recoverable from reinsurers	**30.9**	(39.3)
Net insurance expense	**319.4**	254.5
Insurance revenue	**720.9**	579.8
Allocation of reinsurance premium	**(212.7)**	(183.8)
Net insurance revenue	**508.2**	396.0
Net insurance ratio	**62.8%**	64.3%

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.

		Restated
For the six months ended	**30 June 2023**	30 June 2022
Other operating expenses	**43.8**	32.7
Net insurance revenue	**508.2**	396.0
Operating expense ratio	**8.6%**	8.3%

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

		Restated
For the six months ended	**30 June 2023**	30 June 2022
Net insurance ratio	**62.8%**	64.3%
Net operating expense ratio	**8.6%**	8.3%
Combined ratio (discounted)	**71.4%**	72.6%

Combined ratio (undiscounted): 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%.

		Restated
For the six months ended	**30 June 2023**	30 June 2022
Combined ratio	**71.4%**	72.6%
Discount included in net insurance expense	**39.4**	18.0
Net insurance revenue	**508.2**	396.0
Discounting impact on combined ratio	**7.8%**	4.5%
Combined ratio (undiscounted)	**79.2%**	77.1%

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. Shows the Group net asset value on a diluted per share basis for comparison to the market value per share.

	30 June 2023	Restated 31 December 2022
Shareholders' equity attributable to the Group	**1,468,687,750**	1,326,124,728
Common voting shares outstanding*	**238,863,740**	238,333,570
Shares relating to dilutive restricted stock	**4,025,541**	3,700,547
Fully converted book value denominator	**242,889,281**	242,034,117
Diluted book value per share	**$6.05**	$5.48

*Common voting shares outstanding comprise issued share capital less amounts held in trust.

Adjusted profit over average shareholders' equity: During 2022, a review of financial metrics for annual bonus purposes was undertaken. Shareholders were consulted on a proposal to move from Change in DBVS to a simplified measure of RoE. For the 2023 annual bonus, financial performance will be measured on the basis of simple ROE adjusted for unrealised gains and losses and discounting with targets set by reference to the RFR based on the average 13 week U.S. Treasury rates.

	30 June 2023	Restated 31 December 2022
Profit (loss) for the period	**159.2**	(15.5)
Net unrealised (gains) losses on investments	**(18.3)**	103.0
Total net impact of discounting	**(15.8)**	(85.9)
Adjusted profit (loss) for the period	**125.1**	1.6
Opening shareholders' equity	**1,326.1**	1,393.4
Q1 shareholders' equity	**1,380.7**	1,386.6
Q2 shareholders' equity	**1,468.7**	1,391.9
Q3 shareholders' equity	—	1,425.0
Q4 shareholders' equity	—	1,326.1
Average shareholders' equity	**1,391.8**	1,384.6
Adjusted profit over average shareholders' equity	**9.0%**	0.1%

Change in DBVS: 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.

	30 June 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
Q4 dividend per share	—	—
Closing DBVS	**$6.05**	$5.48
Change in DBVS*	**12.2%**	(1.2%)

*Calculated using the internal rate of return

Total investment return: 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 annualized 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 six months ended	30 June 2023	30 June 2022
Total investment return	**63.2**	(85.8)
Average invested assets*	**2,527.0**	2,271.7
Approximate total investment return	**2.5%**	(3.8%)
Reported total investment return	**2.2%**	(3.8%)

*Calculated as the average between the opening and closing investments and our externally managed cash.

Gross premiums written

The Group adopted IFRS 17 on I 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 six months ended	30 June 2023	30 June 2022
Gross premiums written[1]	**1,184.0**	938.1
Change in unearned premiums[1]	**(357.6)**	(300.5)
Gross earned premium[1]	**826.4**	637.6
Less reinstatement premium and expected premium	**(4.2)**	(7.2)
Less commission and non-distinct investment components	**(101.3)**	(50.6)
Total insurance revenue	**720.9**	579.8

1 Numbers presented in the table above for the comparative period are as previously reported for the six month period 30 June 2022.

Gross premiums written under management: 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 six months ended	30 June 2023	30 June 2022
Gross premiums written by the group	**1,184.0**	938.1
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	**92.8**	100.0
LCM gross premiums written (unconsolidated)	**—**	38.4
Total gross premiums written under management	**1,276.8**	1,076.5

Note regarding forward-looking statements:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER 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. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND THE GROUP'S UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING 30 JUNE 2023. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2022 ANNUAL REPORT AND ACCOUNTS AND THE GROUP'S UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING 30 JUNE 2023, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: 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 CHANGES, ARISING THEREFROM; 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; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; AND CYCLICAL DOWNTURNS OF THE INDUSTRY. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) 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 NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE AND THE REPORT AND ACCOUNTS AND THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.