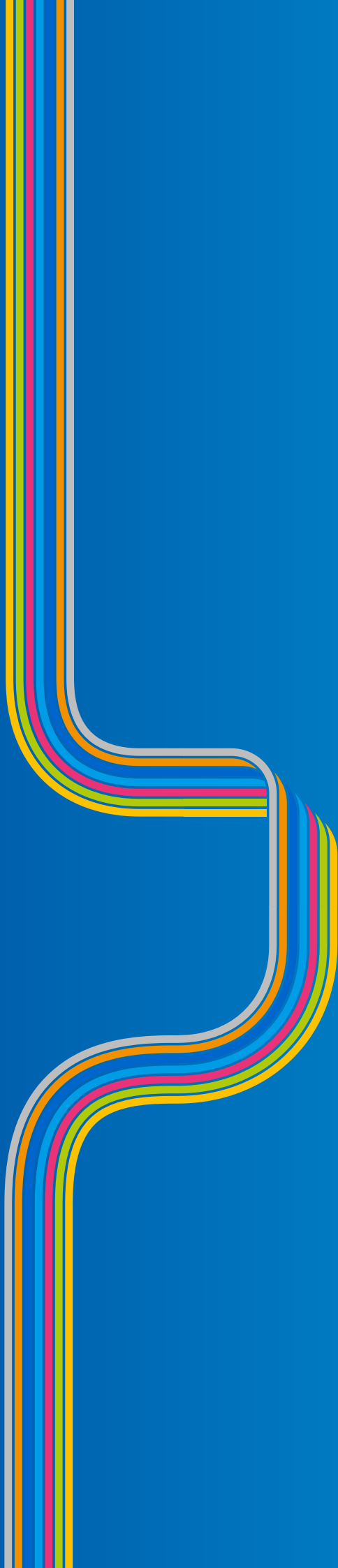


TOKIOMARINE  
HCC

HCC International  
Insurance Company plc

# Annual Report and Consolidated Financial Statements

Year ended 31 December 2024



# CONTENTS

|  |   |           |
|--|---|-----------|
| STRATEGIC REPORT   | <b>1. STRATEGIC MANAGEMENT .....2</b>   |           |
|  | <u>Business structure</u> ..... 2   | 2         |
|  | <u>Strategy</u> ..... 6   | 6         |
|  | <u>Business model</u> .....10   | 10        |
|  | <b>2. BUSINESS PERFORMANCE AND POSITION ..... 16</b>  |           |
|  | <u>Financial key performance indicators (KPIs)</u> .....16  | 16        |
|  | <u>Underwriting segments</u> .....18  | 18        |
|  | <u>Gross Written Premium</u> ..... 20   | 20        |
|  | <b>3. GOOD COMPANY APPROACH .....26</b>   |           |
|  | <u>The vision</u> ..... 26  | 26        |
| <u>Charity and community</u> ..... 28                            | 28  |           |
| <u>People</u> ..... 32   | 32  |           |
| <u>Business conduct and ethics</u> ..... 34                      | 34  |           |
| <u>Climate risk</u> ..... 35                                     | 35  |           |
| <b>4. NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs).....37</b> |   |           |
| <b>5. NON-FINANCIAL INFORMATION STATEMENT.....38</b>             |   |           |
| <b>6. PRINCIPAL RISKS AND UNCERTAINTIES .....40</b>              |   |           |
| <u>Areas of risk</u> ..... 40                                    | 40  |           |
| <u>Developing and emerging risks</u> ..... 42                    | 42  |           |
| <b>7. COMPLIANCE MANAGEMENT.....44</b>                           |   |           |
| <b>8. CORPORATE GOVERNANCE REPORT .....46</b>                    |   |           |
| <u>Board of Directors</u> ..... 46                               | 46  |           |
| <u>Board members and attendance</u> ..... 49                     | 49  |           |
| <u>Board’s activities in 2024</u> ..... 50                       | 50  |           |
| <u>Stakeholder engagement</u> .....51                            | 51  |           |
| <u>Principal decisions of the Board 2024</u> ..... 57            | 57  |           |
| <u>Governance structure</u> ..... 58                             | 58  |           |
| <u>Corporate governance statement</u> ..... 62                   | 62  |           |
| <b>DIRECTORS’ REPORT</b>   |   | <b>67</b> |
| <b>INDEPENDENT AUDITORS’ REPORT</b>                              |   | <b>70</b> |
| FINANCIAL STATEMENTS   | <u>Consolidated Profit and Loss Account and Consolidated Statement of Other Comprehensive Income</u> ..... 80 | 80        |
|  | <u>Consolidated Balance Sheet</u> ..... 82  | 82        |
|  | <u>Consolidated Statement of Changes in Shareholders’ Equity</u> ..... 84                                     | 84        |
|  | <u>Consolidated Statement of Cash Flows</u> ..... 85  | 85        |
|  | <u>Notes to the Consolidated Financial Statements</u> ..... 86  | 86        |
|  | <u>Company Balance Sheet</u> .....120   | 120       |
|  | <u>Company Statement of Changes in Shareholders’ Equity</u> .....122  | 122       |
|  | <u>Notes to the Company Financial Statements</u> .....123   | 123       |

# Business structure

HCC International Insurance Company plc (HCCII), a United Kingdom (UK) insurance company, and its subsidiaries (the Group) are part of Tokio Marine, whose ultimate holding company is Tokio Marine Holdings, Inc. Tokio Marine is a leading international insurance group headquartered in Tokyo, Japan that has a worldwide network throughout 44 countries/regions, which undertake non-life and life insurance and operate within the financial and general business sectors (including consulting and real estate).

As of 31 December 2024, Tokio Marine had total assets of ¥30.5 trillion (2023: ¥29.9 trillion) and shareholders' equity of ¥2.92 trillion (2023: ¥2.34 trillion). Standard & Poor's Financial Services LLC (S&P) has given Tokio Marine and a number of its major insurance companies a financial strength rating of A+ (Stable).

HCC Insurance Holdings, Inc. is a subsidiary of Tokio Marine based in the United States (US) and is a leading international specialty insurance group with more than 100 classes of specialty insurance. It underwrites risks located in approximately 180 countries. Given its financial strength and track record of excellent results, it benefits from an S&P rating of A-.

**TMHCC International, which had Gross Written Premium (GWP) of \$2.9billion in 2024 (2023: \$2.7billion)** and a net combined ratio of 78.4% (2023: 81.4%), is the operating segment outside of the US. Located in the UK and Europe, TMHCC International (illustrated by the structure chart below) underwrites business on four different insurance platforms: HCCII, its wholly owned subsidiary; Tokio Marine Europe S.A. (TME), a Luxembourg-based insurance company; HCC Syndicate 4141 (a wholly aligned Lloyd's syndicate); and Houston Casualty Company (UK Branch). The platform used is based on prescribed rules and client choice if licensing permits.

The Group is well capitalised and HCCII is the flagship entity of TMHCC International. HCCII and TME have standalone S&P ratings of A+.



At 31 December 2024, the Group's **principal subsidiaries** are:

### **TME**

A Luxembourg-based insurance company.

### **GCube Underwriting Limited (GCube)**

A UK underwriting agency which distributes renewable energy insurance.

### **Renewable Energy Loss Adjusters Limited (RELA)**

Provided during 2024, loss adjusting services to certain lines of business within the Group.

### **Qdos Broker and Underwriting Services Limited (QBuS)**

A UK underwriting agency which distributes professional indemnity (PI), employers' and public liability (EL & PL) and tax enquiry and liability insurance to the UK small contractor market via Qdos Shop, an online digital distribution platform.

### **HCCI Credit Services Limited (Credit Services)**

Provides data and information services and procurement of other services integral to the underwriting of several products within the International Specialty business.

During 2024, the Group conducted business and offered insurance products through its offices located in London and regionally across the UK, through HCCI's Swiss branch and in the European Union through TME and its European branch network.

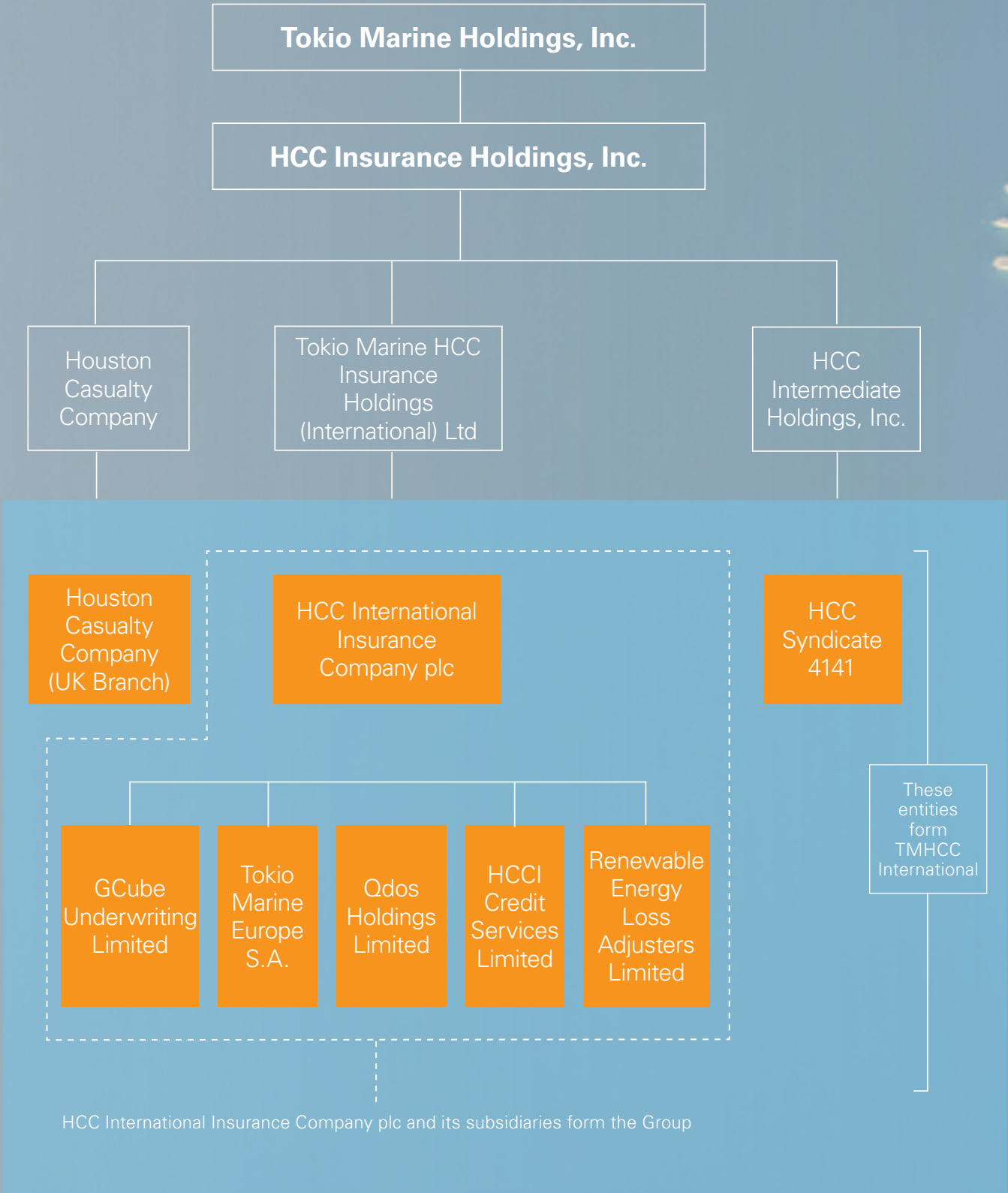
**HCCI**

**TME**

The results of the Group are included within these consolidated financial statements for the years ended 31 December 2024 and 2023.

# 01

## STRATEGIC MANAGEMENT



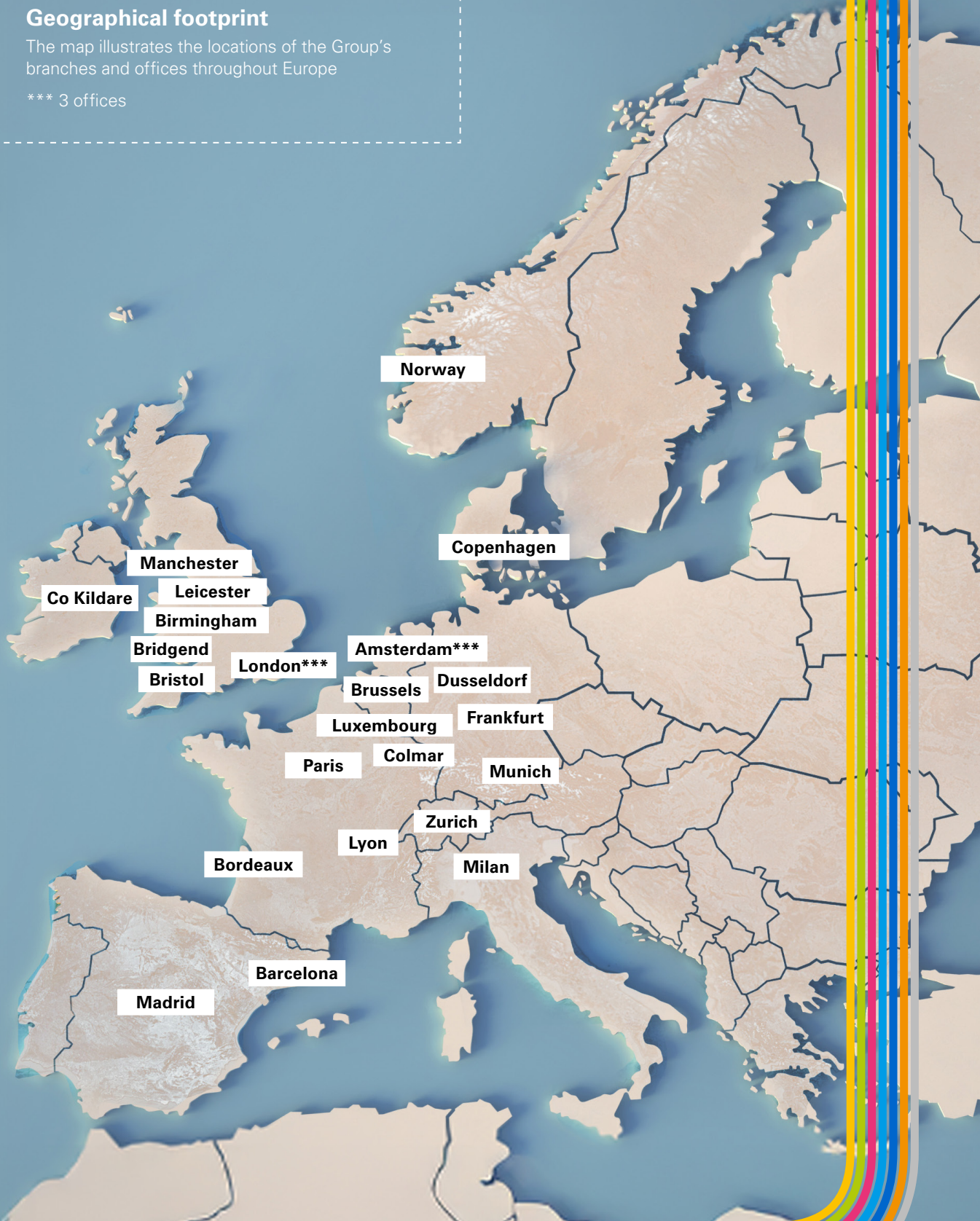
Information as at 31 December 2024.

This simplified structure chart shows ownership information for the principal operating entities within TMHCC International.

## Geographical footprint

The map illustrates the locations of the Group's branches and offices throughout Europe

\*\*\* 3 offices



# Strategy

The Group's fundamental strategic goal is to produce an underwriting profit and investment income resulting in consistent net earnings that will increase shareholder value. This has been consistently accomplished through diversified businesses led by a team of experienced underwriters, a comprehensive reinsurance programme, conservative investment and reserving policies, and fair and efficient claims handling. This strategic approach is supported by TMHCC International's culture, which is underpinned by its core values of professionalism, discipline, honesty, respect and trust.



## Strategic objectives

MAINTAIN A  
**DIVERSIFIED PORTFOLIO**  
OF NON-CORRELATING BUSINESSES.



MAINTAIN  
**MANAGEMENT,  
ORGANISATIONAL  
AND GOVERNANCE  
STRUCTURES**  
THAT ARE APPROPRIATE FOR,  
AND SUPPORT, THE GROUP'S  
GROWING BUSINESS.



ENSURE  
**SUSTAINABLE  
GROWTH**  
THROUGH



### EXPANSION



of the Group's brand throughout the UK regional market, the London market and the rest of Europe.

### IDENTIFICATION AND DEVELOPMENT

of opportunities to promote growth through acquisition or establishing new lines of business.



### Diversified portfolio of specialty business

The Group achieves a balanced portfolio by underwriting non-correlating short and long tail accounts that cover different products, geographies and client sizes, which differentiates the Group from its competitors. This results in a diverse and balanced portfolio of risks across different lines of business, which limits volatility and enables the Group to consistently achieve an underwriting profit that enhances shareholder value.

### Skilled and entrepreneurial management

The Group has a flat management structure with an experienced and entrepreneurial management team. This enables flexible adaptation to the changing business environment, resulting in faster decision-making and responsiveness to opportunities.

The Group has consistently delivered its strategic plan as a result of the following **key strengths**

### Prudent risk management

The Group's conservative risk appetite and approach to risk management ensure that risks are identified, monitored and mitigated. Reinsurance is one of the most important risk mitigation tools used to limit exposure, reduce the volatility of various lines of business and preserve capital.

### Operational efficiency

TMHCC International manages its portfolio by line of business through a single integrated operating model. This provides operational efficiencies across TMHCC International, which benefits the Group.

### Financial security

The Group has very strong security (HCCII and TME both have S&P ratings of A+ and Fitch ratings of AA-). This provides the policyholder with the knowledge and comfort that the Group will be able to honour its obligations when called upon to do so. Financial strength is a key differentiator for the Credit, Surety and Financial Lines businesses and allows the Group to access the highest-quality risks, where an insurer's financial strength carries a premium.

### Culture and values

The Group operates globally, and its success and continued growth depend on its 'Good Company' culture (see page 26 for further details) and shared values of professionalism, discipline, honesty, respect and trust.

## Strategic initiatives

### **The Group's strategic growth initiatives have historically come from existing underwriting relationships and the acquisition of underwriting agencies or hiring of market-leading individuals who have the requisite track record.**

In recent years the Group has experienced continued growth, in particular from acquiring new underwriting teams and establishing new lines of business alongside organic growth. The Group has successfully embedded these businesses and underwriting teams within its operating model, positioning it to continue to leverage market opportunities more quickly and flexibly than its competitors.

The Group also continued to evolve its operating model to ensure this aligns with its long-term strategy and business model.

During 2024 TMHCC International continued to strengthen its underwriting and operational functions, including:

- continued expansion of the Marine, Energy and Renewables underwriting team to incorporate: a new Power Generation line of business; integration of Lavaretus (an MGA and Lloyd's coverholder focused on the shipping, power and energy sectors) into the Marine Hull line of business; and the expansion of the Marine Liability business
- appointment of a new Chief People Officer (CPO), Karen Gent, following the retirement of the previous CPO, Angela Baker, in Q3 2024 after more than 20 years with the Group
- appointment of a new Group Chief Financial Officer (CFO), Jean O'Neill, effective 1 January 2025, following the retirement of the previous Group CFO, Katherine Letsinger, on 31 December 2024 after 12 years on the Group's Board. Jean O'Neill was appointed to the Group's Board on 12 March 2025 following regulatory approval.

These changes provide further support to the Executive team, strengthen the Group's medium- to long-term succession planning and ensure continued delivery of the Group's strategic objectives and operating model.

# Business model

## Purpose

TMHCC International's purpose is to deliver risk solutions to its clients that allow them to take on opportunity with confidence, to provide continuity at times of business disruption and respond to unexpected events. Delivering highly specialised, quality underwriting with clearly articulated and transparent products will inspire the trust and confidence of its clients. TMHCC International applies Tokio Marine's 'Good Company' approach to business through skilful and sustainable reinsurance purchasing, careful investment of premium, conservative reserving, and fair and efficient claims handling.

## Generating value

To achieve its purpose and deliver its strategy, the Group, operating as part of TMHCC International and in line with its stated purpose, relies on the following key resources and relationships to support the generation and preservation of value throughout all aspects of its business model.



### Financial Capital

The Group has a strong balance sheet; its capital is well in excess of regulatory requirements, and HCCII and TME both have a financial strength rating of A+ from S&P. This rating is equivalent to the rating of the Group's ultimate parent company, Tokio Marine, as S&P views HCC Insurance Holdings, Inc. and its subsidiaries to be core to Tokio Marine. The Group's financial performance (detailed in the Business Performance section on pages 16–20 consistently generates value for its shareholders.



### Employees and Intellectual Capital

The Group recognises that throughout all areas of the business it needs to attract and retain highly skilled, disciplined and experienced individuals of exceptional quality and it does this by prioritising belonging and diversity in all its forms.

From this strong foundation, the Group's leadership empowers its teams to provide specialty insurance solutions that consider the impacts of climate change, technological disruption and other issues that may adversely affect clients. The actions the Group takes to manage, develop and retain its employees are detailed in the People section on page 32.



**Financial Capital**

**Employees and Intellectual Capital**

**Stakeholders**

**Data and Technology**



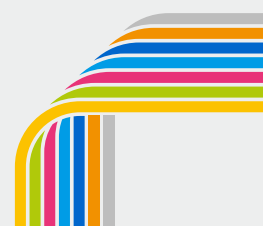
## Stakeholders

Strong stakeholder relationships are important, including clients, distribution networks, shareholders, regulators and suppliers. The Group's relationships with its stakeholders are vital to its ongoing success. The actions it takes in respect of those stakeholder relationships are detailed on pages 51–56.



## Data and Technology

Data is a key asset which supports the delivery of the Group's strategic objectives, and a data governance framework is in place to ensure data is appropriately managed throughout its lifecycle and supports the business and its operations. The Group's technology solutions support the business to generate value and include catastrophe modelling and aggregation tools; e-distribution portals for its products; capital modelling tools; policy and claims administration systems; and IT security software to increase its IT resilience.



# 01

## STRATEGIC MANAGEMENT

The Group's business model is built upon fundamental principles that provide policyholders with confidence about their risk decisions.

### Face risk with confidence

Protecting our customers  
from risk, and allowing them  
to take on opportunity  
with confidence

#### Distribution network

Providing clients with products through established distribution relationships

#### Reserves

Maintain at or above the actuarial midpoint

#### Underwriting and managing risk

Disciplined underwriting, careful risk selection and risk reinsurance

#### Claims management

Treating customers fairly, timely processing and settling of claims

#### Investment

Preserve and grow shareholders' equity through a conservative investment strategy

# Fundamental principles

## Face risk with confidence

The Group's core business is underwriting specialty lines of insurance. The Group has three core underwriting segments: International Specialty; London Market; and Japanese (J) Business. More details are provided on page 14.

The underwriting segments offer products in the UK from HCCII's London and regional offices and its Swiss branch; and in the European Union through TME. The Group accepts global inwards reinsurance risks where its licences permit. The majority of the businesses that the International Specialty, London Market and J Business underwrite are commercial lines, although personal lines business is also written within these segments.

## Providing clients with products through the distribution network

International Specialty, London Market and J Business products are distributed to clients through established relationships with brokers (wholesale, regional and specialty), underwriting agencies and coverholders. Additionally, certain International Specialty and London Market business is underwritten through online distribution portals.

## Underwriting and managing risk

Careful risk selection and reinsurance purchasing are central to the Group's culture and are the foundation for its growth by ensuring it meets or exceeds its target risk-adjusted return. The Group's experienced technical underwriters assess a range of factors when underwriting risks, including but not limited to financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions, and acquisition expenses – using rating and other models. The Group also delegates underwriting where distribution is held by coverholders or brokers. However, this is through a standard pricing framework and referral controls for risks that require non-standard pricing.

## Reserves

The Group's reserving policy safeguards reliable and consistent reserve estimates across all classes of business, maintaining overall reserves at, or above, the actuarial midpoint. The reserving process is embedded in the governance framework, which requires an internal and robust review of reserves to be carried out at least quarterly, together with annual actuarial assurance.

## Investment

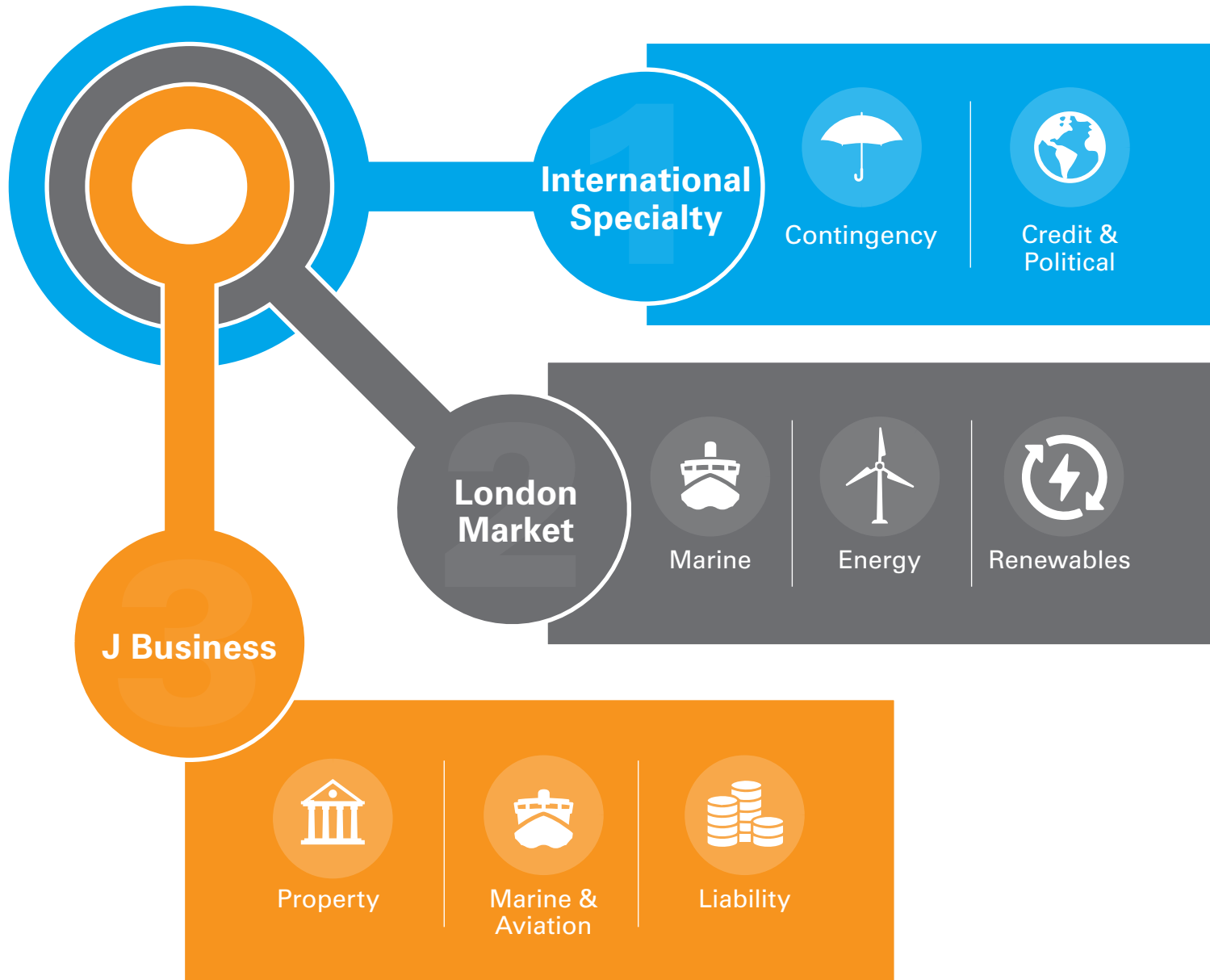
The Group has a conservative investment strategy that requires funds to be invested in accordance with the 'prudent person principle', which ensures that assets are: of appropriate security, quality and liquidity; adequately diversified; and broadly matched to the Group's liabilities.

## Claims management

The Group recognises the importance of the claims settlement process and believes that it can differentiate itself from its competitors through its approach. The claims teams are focused on delivering a quality, reliable and efficient claims service by adjusting and processing claims in a timely manner, ensuring that customers are treated fairly and in accordance with policy terms and conditions.

### Products

The Group has three core underwriting segments:





Credit



Liability



Cyber



Directors  
& Officers



Transactional  
Risk



Professional  
Indemnity



Surety



Property



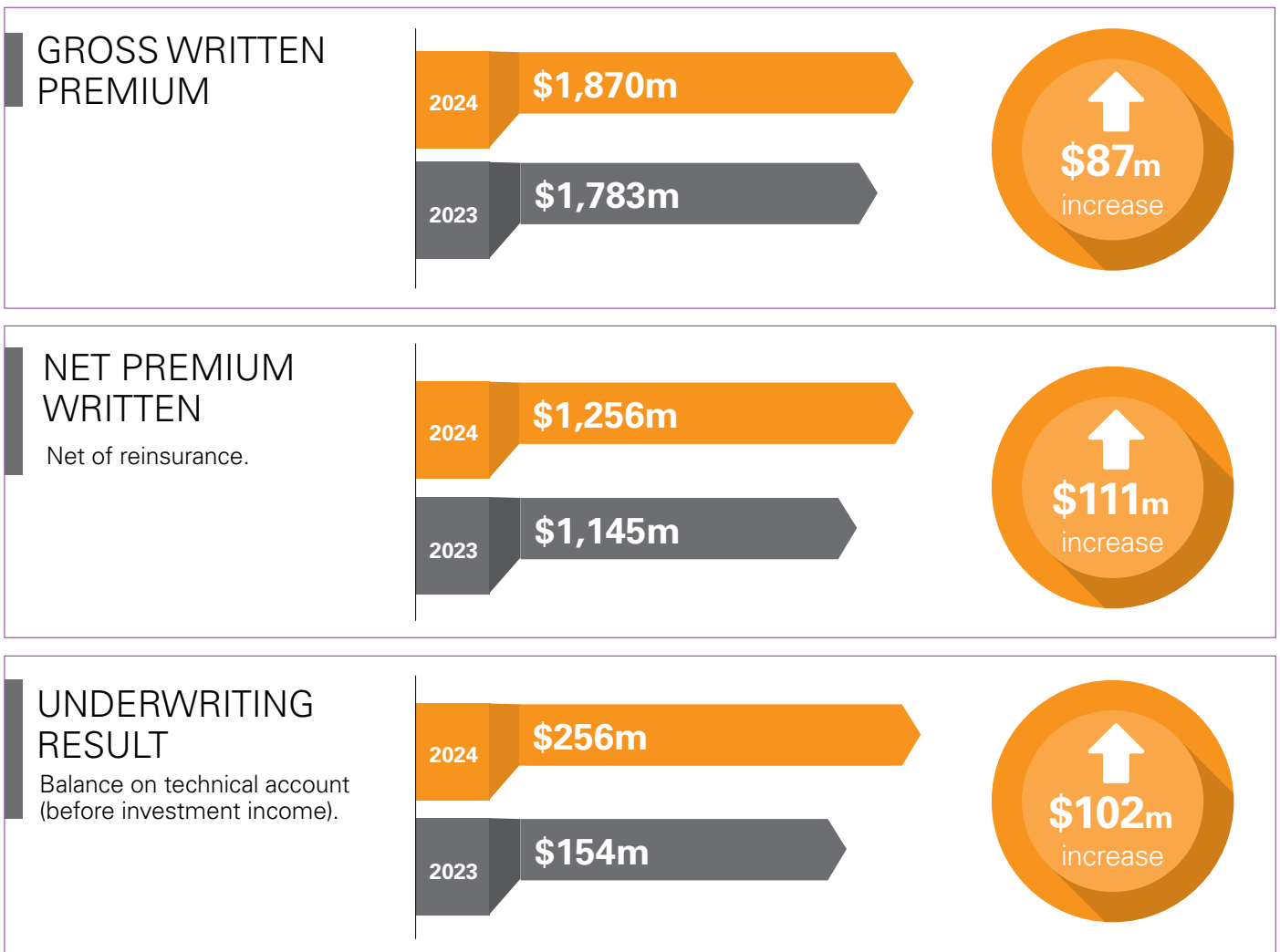
Accident &  
Health



Reinsurance

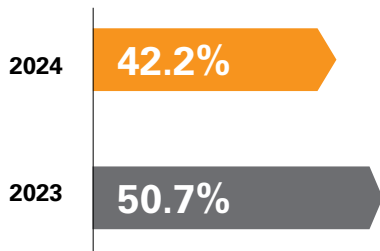


# Financial key performance indicators (KPIs)



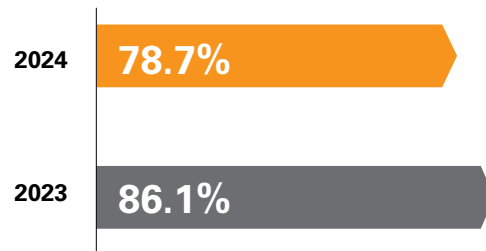
## NET LOSS RATIO

Ratio of net incurred claims to net earned premium.



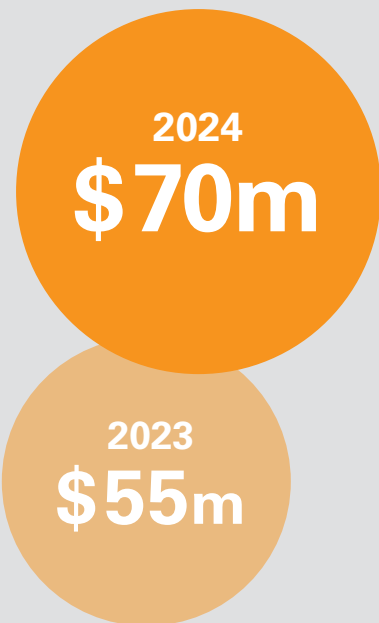
## NET COMBINED RATIO

Ratio of total technical charges (before investment income and equalisation provision) to net earned premium.



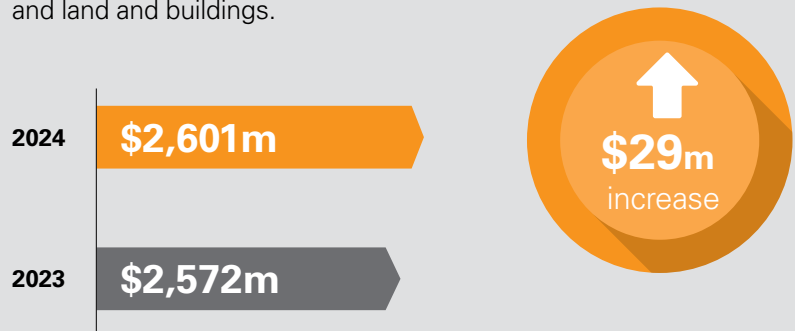
## INVESTMENT INCOME

Earned investment income transferred from the non-technical account.

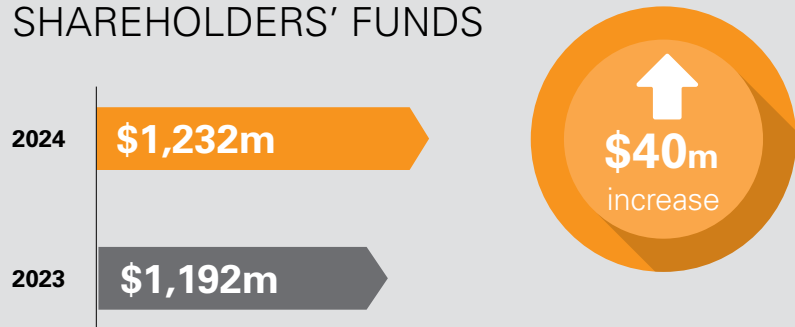


## CASH AND INVESTMENTS

Excluding investment in subsidiaries and land and buildings.



## CONSOLIDATED SHAREHOLDERS' FUNDS



# Underwriting segments

## 1 International Specialty

The International Specialty segment is comprised of:

- Financial Lines
- Professional Risks
- Credit & Political Risk
- Surety
- Contingency, Disability & Other

### Gross Written Premium mix



## 2 London Market

The London Market segment includes the following lines of business:

- Marine, Energy and Renewables
- Treaty Reinsurance
- Property

### Gross Written Premium mix

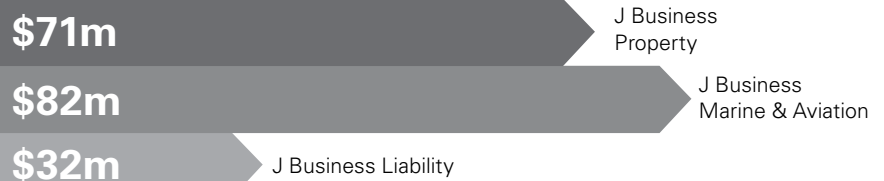


## 3 J Business

The J Business segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests:

- J Business Property
- J Business Marine & Aviation
- J Business Liability

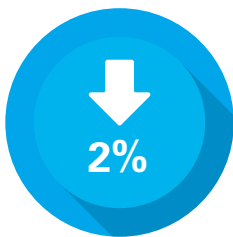
### Gross Written Premium mix



Gross Written Premium (GWP)

**\$937 million**

(2023: \$954 million)



Underwriting result<sup>1</sup>

**\$175 million**

(2023: \$92 million)



Net combined ratio

**75%**

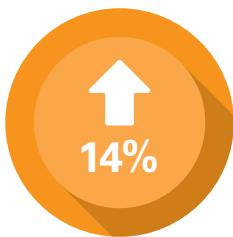
(2023: 86%)

<sup>1</sup> Underwriting result excludes exited lines and other

Gross Written Premium (GWP)

**\$748 million**

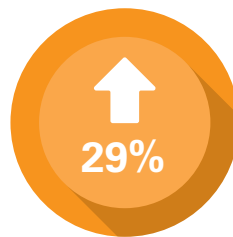
(2023: \$653 million)



Underwriting result<sup>1</sup>

**\$85 million**

(2023: \$66 million)



Net combined ratio

**83%**

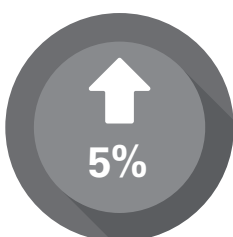
(2023: 86%)

<sup>1</sup> Underwriting result excludes exited lines and other

Gross Written Premium (GWP)

**\$185 million**

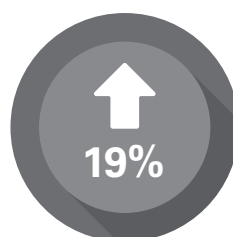
(2023: \$176 million)



Underwriting result<sup>1</sup>

**\$8 million**


(2023: \$7 million)



<sup>1</sup> Underwriting result excludes exited lines and other

# Gross Written Premium

GWP totalled \$1.9 billion, an increase of 5% (\$87million). This is driven by the London Market (up 14%) and J Business (up 5%) portfolios, with continued softening market conditions offset by new business opportunities in International Specialty (down 2%). Growth in London Market is a result of increased rates in Treaty Reinsurance in the early part of 2024, positive market conditions in Delegated Property and continued organic business growth in Marine, Energy and Renewables. International Specialty has had growth in Cyber from strong new business; Contingency and Disability continue to perform well post-COVID. These positive factors in International Specialty have been more than offset by the impact on GWP of challenging market conditions in the Core Financial Lines portfolio.



The underwriting result on the technical account excluding investment income was \$256 million (2023: \$154 million), resulting in a combined ratio of 78.7% (2023: 86.1%), with strong profits from both the International Specialty and London Market segments. The increase from 2023 was largely driven by favourable net reserve releases of \$59.0 million, in addition to benign loss experience, where the prior year saw several Surety losses.

In the London Market segment, the 2024 technical result was \$85 million (2023: \$66 million). Results were higher in 2024 following business growth, benign loss activity and favourable net reserve releases compared with strengthening in 2023.

In the International Specialty segment, the 2024 technical result was \$175 million (2023: \$92 million). The increase in the result reflects improved loss experience and favourable net reserve releases compared with net reserve strengthening in 2023.

In 2024, the J Business segment contributed \$8 million (2023: \$7 million) to the technical result. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded within Tokio Marine to Tokio Marine & Nichido Fire.

The contribution to the technical result represents the ceding commission, which is set to achieve moderate profit for the Group and covers the acquisition and operating costs of the business.

Investment income transferred to the technical account was \$70 million (2023: \$55 million). The increase in investment income is a result of the reinvestment of bonds at higher yields. The earned investment income (net of investment expense) reflects the Group's conservative investment policy.

For the financial year 2024, the Group made a net profit before tax of \$300 million (2023: \$254 million profit) driven by the technical account including investment income of \$326 million (2023: \$209 million), offset by unrealised losses on the Group's fixed income portfolio of \$13 million (2023: \$79 million unrealised gain). The non-technical account items also included an FX gain of \$7 million (2023: \$7 million loss), amortisation of goodwill and intangible assets totalling \$11 million (2023: \$11 million), and other operating expenses.

The investment return increased compared with prior year, due to higher earned investment income partly offset by unrealised losses compared with unrealised gains in 2023, consistent with performance of the bond markets.

The Group's investment approach is to hold investments to maturity, which will result in a reversal of unrealised losses and gains over time. The Group's solid operating cash flow and robust capital position support the approach to hold to maturity over one of managing total yield inclusive of unrealised gains and losses.

Overall, the Directors are satisfied with the Group's operations and its financial position as at 31 December 2024.

# 02

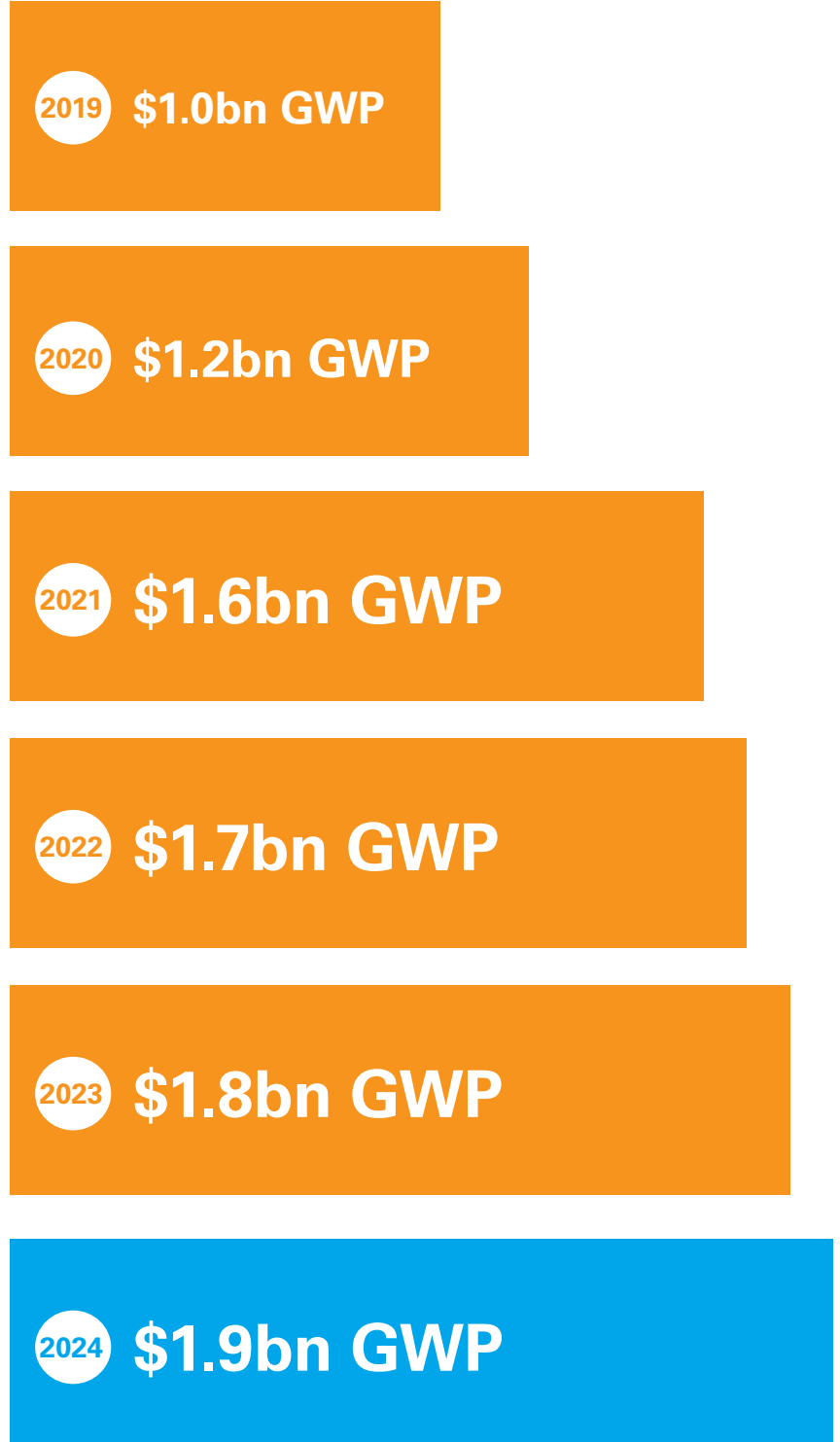
## BUSINESS PERFORMANCE AND POSITION



### Gross Written Premium

2024 GWP increased by 5% (\$87.0 million) to \$1,870.0 million (2023: \$1,783.0 million).

The consistent growth in the Group's GWP from 2019 to 2024 is illustrated below.



The foreign exchange effect of GWP is shown in the table below

**2024 Gross Written Premium (GWP) increased 5% (\$87 million)**

|                                 | 2024           | 2023           | Increase/(decrease) |              |
|---------------------------------|----------------|----------------|---------------------|--------------|
|                                 | \$'m           | \$'m           | \$'m                | % change     |
| Financial Lines                 | 317.5          | 323.9          | (6.4)               | -2.0%        |
| Professional Risks              | 247.8          | 253.1          | (5.3)               | -2.1%        |
| Credit & Political Risk         | 132.0          | 132.2          | (0.2)               | -0.1%        |
| Surety                          | 126.0          | 139.8          | (13.8)              | -9.8%        |
| Contingency, Disability & Other | 114.1          | 105.1          | 9.0                 | 8.5%         |
| <b>Total Specialty Segment</b>  | <b>937.4</b>   | <b>954.1</b>   | <b>(16.7)</b>       | <b>-1.7%</b> |
| Marine, Energy and Renewables   | 306.2          | 271.1          | 35.1                | 12.9%        |
| Treaty Reinsurance and A&H      | 272.1          | 225.4          | 46.8                | 20.8%        |
| Property                        | 169.5          | 156.6          | 12.8                | 8.2%         |
| <b>Total London Market</b>      | <b>747.8</b>   | <b>653.1</b>   | <b>94.7</b>         | <b>14.5%</b> |
| J Business                      | 184.8          | 176.1          | 8.7                 | 4.9%         |
| <b>Total</b>                    | <b>1,870.0</b> | <b>1,783.3</b> | <b>86.7</b>         | <b>4.9%</b>  |

# 02

## BUSINESS PERFORMANCE AND POSITION

### Specialty

#### Financial Lines

GWP decreased by 1.9%. Challenging market conditions persisted into 2024 in the Core Financial Lines market and our Transaction Risk Insurance business has been affected by the dampened Mergers & Acquisitions market. Cyber partly offset the reduction in GWP through increased new business opportunities.

#### Professional Risks

GWP decreased by 2.1%. The business includes two main product lines – Professional Indemnity and Liability – with the reduction being driven by the softening Liability market.

#### Credit & Political Risk

GWP remained broadly in line with the prior year. The Group offers a full range of Credit & Political Risk insurance solutions for both financial institutions and commercial companies. The Trade Credit team is one of the leading credit insurers in the UK, distinguishing the Group with high service standards in both underwriting and claims handling positions and with high client retention. The UK market continues to be affected by economic uncertainty. However, the rating environment has benefited from notable insurer losses on construction in 2023.

#### Surety

GWP decreased by 9.8% reflecting market-wide conservatism in the wake of significant market loss experienced in 2023.

#### Contingency, Disability and Other

GWP increased by 8.5% following some large renewals and new business.

### London Market

#### Marine, Energy and Renewables

GWP increased by 12.9% and comprises Marine Hull, Marine Liability, Marine Cargo, Energy, Power Generation and GCube. Growth has been driven by both organic growth and the launch of the new Power Generation line of business in the second half of 2024.

#### Treaty Reinsurance and A&H

GWP increased by 20.8%. This portfolio comprises principally non-US excess of loss reinsurance business. Top-line growth has been driven by increased rates in the early part of 2024.

#### Property

GWP increased by 8.1%, reflecting market-wide rate increases and improved renewal retention across the UK Delegated Property portfolio, partly offset by a reduction in rates on the Direct & Facultative business.

### J Business

GWP increased by 5.0%. The segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests. The increase in premium in the year reflects a combination of rate increases at renewal and new business growth.



## Investment performance

New England Asset Management is the investment manager for the US Dollar, Sterling, Euro and Swiss Franc funds, which consist primarily of a portfolio of highly rated corporate and municipal bonds that have an average rating of A+ and do not include any securities with less than a BB rating. The portfolio also includes bonds guaranteed by the US, UK and German governments. The average duration of the aggregate portfolios was 4.1 years (2023: 4.0 years). Delphi Financial Group, Inc. (Delphi), an investment manager within the Tokio Marine group of companies, manages an alternative investment class which comprises 4.1% of the Group's consolidated invested assets as at 31 December 2024 (2023: 4%).

Earned investment income for the financial year 2024 (excluding the unrealised gains and losses) totalled \$70.2 million (2023: \$55.0 million).

As of 31 December 2024, the fair market value of the investment portfolio generated unrealised losses of \$13.4 million (2023: unrealised gains of \$115.0 million), upon which there were foreign exchange losses on non-US\$ bonds of \$37.0 million (2023: unrealised gain of \$36.0 million). This resulted in total unrealised losses of \$50.4 million for the year (2023: unrealised gain of \$151.0 million), principally driven by heightened volatility across various financial markets, influenced by economic and political uncertainties, external policy changes and sector-specific developments.



## Balance sheet

The balance sheet of the Group shows total assets of \$4.97 billion (2023: \$5.00 billion) and shareholders' equity of \$1.23 billion (2023: \$1.19 billion). Of the total assets, \$2.60 billion, 52.5% (2023: \$2.57 billion, 51.4%) was represented by financial investments and cash at bank, with the partial reversal of unrealised losses from the prior year being a driver of the increase in financial assets. Net technical liabilities from insurance contracts were \$2.04 billion (2023: \$1.89 billion).

As at 31 December 2024, the solvency coverage ratio remains strong at 156% (2023: 144%). The business continued to generate capital through operations, offset by increased capital requirements to fund business growth.

# GOOD COMPANY APPROACH

# 03

## The vision

The Group shares Tokio Marine's aim To Be A **Good Company**.

### Good Company

#### Look beyond profit

We act with integrity for the benefit of our customers, business partners and society

#### Empower our people

We inspire engagement and passion in all of our employees

#### Deliver on commitments

We achieve high-quality results by enhancing stakeholder trust

The core principles of this vision are integral to the Group's culture and business and to the creation of **sustainable growth and value for all its stakeholders** (customers, employees, distribution networks, suppliers, shareholders, regulators and the community).

The Group is committed to fulfilling its obligations as a global insurer to support a sustainable future through the development / adoption of appropriate products and services. Being well-run, contributing to a resilient society, and promoting and supporting Diversity and Inclusion (D&I) are also essential to both the Group's success and the creation of sustainable value for all stakeholders.

To support the Good Company approach to being a sustainable and responsible business, the Group has a sustainability governance structure (illustrated below) that covers a wide range of Environmental, Social and Governance (ESG) issues relevant to its business and stakeholders.



---

## TMHCC International's approach to sustainability covers the following four pillars

---



---

### Charity and community

Investing in the wider community by developing partnerships with charities as well as organising relevant fundraising and volunteering initiatives and actively engaging employees in these projects to make a difference.



---

### Workplace

Developing the Group's diversity and inclusion practices, ensuring and promoting the health and wellbeing of employees and providing learning and development opportunities for all employees.



---

### Business conduct and ethics

Conducting business:

- ethically
- honestly
- responsibly.



---

### Climate risk

The identification, assessment and management of physical, transitional and liability risks and opportunities from climate change and the development of initiatives to minimise the Group's environmental impact from its business and operations.



### Charity and community

The Group is committed to being a Good Company and one of the core principles is making a **meaningful impact on society and the communities in which the Group operates**. The Group's Charity Strategy focuses on:

supporting initiatives that create tangible, positive change in local communities

fostering a charitable culture by engaging employees in fundraising, volunteering and other charitable activities

upholding the Group's commitment to social responsibility as a Good Company.

To deliver its Charity Strategy, the Group established Charity Committees in the UK and Europe that provide support by:

organising a programme of activities and initiatives that educate and empower employees to drive positive change

supporting employees' charitable efforts by offering two volunteer days per year and contributing to their fundraising activities

developing long-term charity partnerships that include annual financial contributions, with employees being encouraged to get involved through fundraising, volunteering, awareness campaigns and educational initiatives.

Aligned with the Group's approach to sustainability, the annual charity programme of events and initiatives is designed around four pillars:



## In 2024

The Group  
donated over

**\$836k**

(2023: \$631k)



Employee  
fund-raised

**\$230k**

(2023: \$73k)



Total  
charitable giving

**\$1,066k**

(2023: \$704k)

To support charitable groups and employee fundraising initiatives.



### \$1 million milestone

In 2024, the Group and its employees came together to donate and raise over \$1 million for charity (total charitable giving of \$1.06 million) (2023: \$704.2k). This milestone reflects the generosity, passion and commitment of our people. Achievement of the \$1 million milestone was largely driven by more employees taking advantage of the Group's match funding policy and Payroll Giving schemes.

In 2024, the Group received the Platinum Payroll Giving Award, which recognises the increase in employees donating to charity via payroll and the Group's commitment to promoting a charitable culture.



### Volunteering

In 2024, over 400 employees of the Group dedicated their time and energy to volunteering, up from 302 in 2023. From supporting young people to environmental clean-ups, the Group's employees have truly made a difference by giving 1,750 hours of their time during 2024. Volunteering benefits both the community and employees, with volunteers gaining personal fulfilment, skill development and stronger teams, while communities receive valuable support and resources.

## Charity partnerships

The Group formally supports 19 charity partners across the UK and Europe that are aligned with the Group's Charity Strategy, providing annual donations and supporting them to deliver impactful initiatives.

Below are some examples of how, by working together with its charity partners, the Group has made a difference in 2024.



### HEALTH AND WELLBEING

#### Body & Soul (UK)

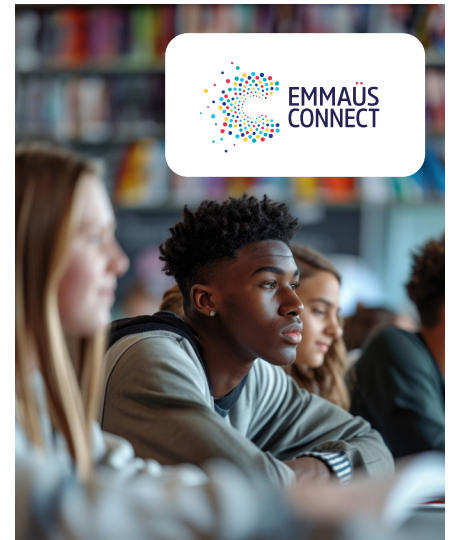
Body & Soul is an innovative charity that uses a comprehensive, community-based and trauma informed approach to address the life-threatening effects of childhood adversity in people of all ages. It was originally established to address the gap in HIV services, providing targeted support for children, young people and families. In 2024, the Group and its employees volunteered with Body & Soul to create Christmas decorations that can be sold online to generate vital income for the charity.



### COMMUNITY DEVELOPMENT

#### The Wickers (UK)

The Wickers is an East London-based charity that helps underprivileged young people from the local area. It offers a range of workshops and programmes that provide young people with free opportunities. The Wickers won the Group's Pick a Project initiative, which gives charity partners the opportunity to win a £10,000 grant voted for by our colleagues. Its Rhyme Safe project will provide a dedicated studio space for vulnerable young people so they can express themselves through music, video editing and podcast creation.



### DIVERSITY AND INCLUSION

#### Emmaus Connect (France)

Emmaus Connect fights against the digital exclusion of the most vulnerable groups in our society. It offers these groups equipment (computers and smartphones) and free coaching on essential digital skills to support them. The Group's annual charitable donation is funding seven new Digital Relay services which target digital exclusion in rural or sparsely populated areas.

Looking ahead, the Group aims to continue to deliver impactful initiatives during 2025, in line with its charity strategy by continuing to work with its charity partners.



#### ENVIRONMENTAL IMPACT

##### Hubbub (UK)

Hubbub is an environmental charity that's all about inspiring action that's good for the environment and for everyone. It brings businesses, organisations, local authorities and community groups together to create campaigns that make it easier and more possible to make choices that are good for the environment. The Group took part in Hubbub's Plastic Fishing volunteering opportunity, boarding the world's first 99% recycled boats to remove plastic waste from the waterways in Bristol and London.



#### HEALTH AND WELLBEING

##### Ronald McDonald Huis Maastricht (Netherlands)

The Ronald McDonald Huis Maastricht provides a home-from-home for parents of sick children. When a child is sick in hospital, parents can stay within walking distance in a warm and hospitable environment. The Group's annual contribution provides funding for parents to stay in the charity's house for almost 84 nights. Employees also volunteer with the charity at Christmas, providing gifts for the children and their families.



#### COMMUNITY DEVELOPMENT

##### Fundació Pere Tarrés (Spain)

Fundació Pere Tarrés develops and runs extra-curricular social and educational activities for vulnerable young people. It also provides training for professionals and volunteers that work closely with young people, ensuring that they have the tools to meet the needs of their vulnerable beneficiaries. Employees in Spain raised additional money for the charity through the Give An Hour scheme, allowing the charity to further support its beneficiaries.

# 03

## GOOD COMPANY APPROACH



### People

TMHCC International has 1,388 employees, with 1,021 in the UK and 367 based across nine European branches.

#### Values and vision

Tokio Marine's corporate vision is To Be A Good Company that encompasses the values it aims to represent, including Collaboration, Look Beyond Profit, Empower Our People and Deliver on Commitments. The Group incorporates this overarching vision into its culture and values.

People are our most valuable asset, and we are committed to supporting their growth and development. By investing in employees, the Group creates a foundation for long-term sustainable success.

The Workplace Group forms part of TMHCC International's Sustainability Strategy, which is fundamental to the aim To Be A Good Company. The Workplace Group identifies areas of development or improvement in relation to Developing and Engaging People, D&I and Health and Wellbeing. In 2024, members of the Workplace Group presented to the Group's Board the key initiatives and areas of focus for 2024, including social mobility, fertility awareness and how we create and maintain an inclusive place to work.

#### Developing and engaging people

The Group supports its employees' development through career growth opportunities, providing knowledge through experience and through availability of relevant training. The Group's US parent company has established corporate programmes such as Leadership Excellence and Development (LEaD), Elevating Women in Leadership and Accelerate, which is a development programme designed for those in early careers in underwriting and claims. In addition, our Foundations In Leadership programme enables talented people managers to prosper

and become future leaders of the business. In 2024 we also delivered training for managers on employment law, vital conversations and interviewing skills to help them build, nurture and maintain successful teams.

To further support our employees' development following the successful launch of a mentoring programme in Spain, a pilot was run in the UK. In addition, the new buddy joiner programme was also launched in Europe.

#### D&I

D&I is important to the Group as we aim to foster an inclusive culture and sense of community and belonging.

During 2024, the Group celebrated several global and national awareness campaigns, many now a staple in our calendar of events. This year's offerings included an International Women's Day panel discussion, and a speaker event for Black History Month on the theme of Reclaiming Narratives.

The Group supported Fertility Awareness Week and made significant progress in this area, becoming recognised as a Fertility Friendly Employer through efforts such as

**1,388**  
**EMPLOYEES**

**1,021**  
in the UK

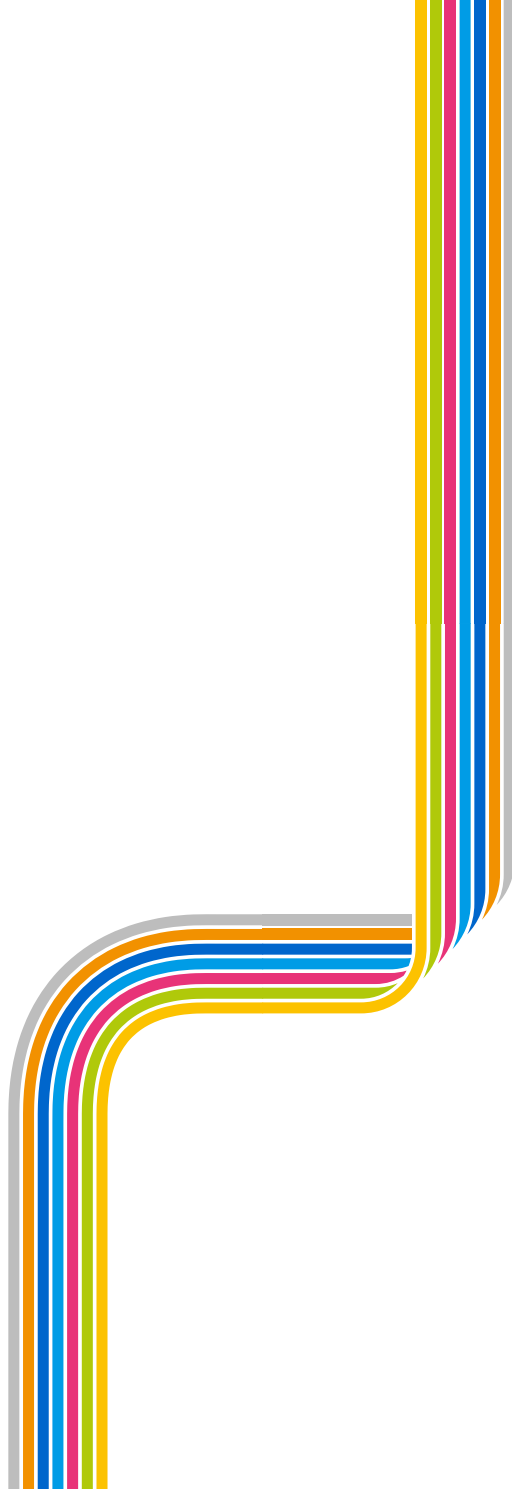
launching new policies to provide our employees with appropriate support when required.

As part of our social mobility programme, the Group hosted six work experience students in the summer and has commenced preparation for the next cohort, in addition to launching an apprenticeship programme in 2025.

### Health and Wellbeing

The Group continued to promote its comprehensive benefits package under the 'Thrive' branding through roadshows in our office locations and through employee communications. We also enhanced our UK benefits through the addition of dental cover and a holiday purchase scheme, and by enabling earlier eligibility for our maternity leave pay, all of which were positively received by our employees.

The Group's Mental Health First Aiders continued to meet during 2024 and ran a range of events, including during Mental Health Awareness Week, to support employees and raise awareness of the importance of positive mental health and wellbeing.



**367**  
based across



**9**  
European  
branches





## Business conduct and ethics

The Group is committed to carrying out its business activities fairly, honestly, transparently and in accordance with applicable legal and regulatory requirements, with a view to engendering stakeholder trust. This approach is embedded in the Group's business and governance framework and through operation of its three lines of defence, with application of appropriate policies, procedures and compliance monitoring.

The Code of Business Conduct and Ethics, together with the Group's Employee Handbook, sets out how the Group operates and includes reference to specific policies including: Whistleblowing; Anti-Bribery and Corruption; Conflicts of Interest; and the Treating Customers Fairly Statement. All new employees are provided with e-learning training modules that cover ethics, anti-bribery and corruption, fraud, data protection, modern slavery and whistleblowing. Employees are also required to undertake and complete e-learning training modules regularly throughout their employment with the Group.

### Conduct

At the core of the Group's approach to responsible business is ensuring that all policyholders receive good customer outcomes throughout the product life cycle and that no detriment is caused to the Group or its customers, clients or counterparties because of the inappropriate execution of its business activities. Through the

governance structure, the Board ensures this ethos is communicated to all employees, with a specific committee responsible for oversight of conduct, product governance and distribution throughout the business. In addition, a Non-Executive Director is appointed Consumer Duty Champion reporting at Board level on conduct matters and customer outcomes. Conduct Risk, Consumer Duty and Complaints training modules are also provided to employees working in the Underwriting, Claims, Compliance, Internal Audit, Marketing and Risk departments, as well as to Executive and Non-Executive Directors.

Throughout 2024, the Group undertook the following activities: an outcome review of all products; customer advocate reviews of client-facing materials; comprehensive due diligence on all third parties prior to engagement and audits undertaken thereafter; and assessment of product risk ratings and continual monitoring of the highest-rated products using detailed management information to ensure fair and reasonable customer outcomes. These 'business as usual' activities were supplemented by implementation of a Consumer Duty project in 2023 which continued throughout 2024 to ensure compliance with regulatory requirements. As a result of this project, the Group embedded a new automated approach to complete a full Fair Value Assessment of all products.

### Complaints

The Group is dedicated to ensuring policyholders and claimants receive a high-quality service. It aims to ensure that complaints are handled fairly, effectively and promptly and resolved at the earliest opportunity, minimising the number of unresolved complaints that may need to be escalated.

There are effective and transparent procedures in place concerning the handling of complaints, to ensure their proper investigation and appropriate resolution. The Group further facilitates

its complaint handling through the use of a purpose-built complaints management software application. The complaints procedure outlines the agreed process to ensure complaints are identified and resolved in accordance with regulatory expectations.

The Group monitors complaints received across all lines of business using detailed management information to ensure fair customer outcomes. Among several indicators, the management information monitors the volume of complaints, complaint outcomes and any findings arising from referrals to the Financial Ombudsman Service (FOS) in the UK and equivalent external dispute resolution schemes available to policyholders located in territories outside of the UK in the event that a complainant disagrees with a decision taken by the Group in respect of a complaint. These metrics are reported as part of the non-financial KPIs – see page 37.

### Procurement, outsourcing and working with third parties

The Group's responsible approach to business extends to procurement, outsourcing and third parties. It is committed to preventing slavery and human trafficking in its corporate activities and ensuring that its supply chains and third-party relationships are free from them. The Group's Modern Slavery and Human Trafficking Statement can be found on its website.

The Procurement and Outsourcing Policy and Procedures set out what due diligence is required, for example, routine checks on Politically Exposed Persons and sanctions, and the monitoring processes that will be undertaken with regard to third parties including regular onsite visits. Third-party service providers are also required to have their own policies and training in relation to conduct and behaviour in accordance with UK employment legislation.



## Climate risk

### Governance

The Group has a governance structure and processes for identifying, measuring, monitoring, managing and reporting climate-related risks and opportunities across the Group as part of its sustainability governance structure, detailed on pages 27 and 58–61. The Group's Climate Risk Committee supports the Board and Sustainability Committee to carry out their responsibilities in respect of climate risk. While the Group's sustainability governance structure covers broader sustainability areas, climate-related matters are a key area of focus, and the Climate Risk Committee is responsible for overseeing the identification, measurement and monitoring of physical, transitional and liability risks and opportunities in relation to climate change.

Climate-related risks form part of the roles and responsibilities of Executive and senior management across several key functions, including Enterprise Risk, Finance and Underwriting. Simon Button, Chief Underwriting Officer – London Market, is the appointed senior management function holder in respect of financial risk from climate change. He chairs the Sustainability Committee and is responsible for ensuring Board and Executive oversight of sustainability issues, which include financial risk from climate change. The Group has established a regular cycle of reporting on climate risk to the Sustainability Committee and Board. Beyond the sustainability governance structure, climate-related issues are considered by the Investment Committee and the Risk, Capital and Compliance Committee, through the Enterprise Risk Management (ERM) framework and at a line of business level.

### Strategy

The Group is cognisant of the importance of climate-related risks to its business, clients and other stakeholders. As a result, the Group considers climate-related risks and opportunities in its business decisions including underwriting and exposure management, particularly in relation to: physical risks and reinsurance decisions; investment performance, ERM risk framework, policies and processes; and strategic acquisitions.

The Group has a Sustainability Strategy which aims to deliver on the Group's commitment to fulfilling its obligations as a global insurer to support a sustainable future, responding to climate-related risks and opportunities as well as the wider sustainability ESG areas covered by the Group's governance structure (set out on pages 58–61).

The Group recognises that climate risk continues to evolve rapidly and continues to identify and monitor climate-related risks and opportunities, including new products, and to consider the potential impacts of these on its underwriting and investment activities. The Group supports low carbon transition strategies for both it and its clients, to reduce the impact on the environment and improve sustainability.

In 2023, the Group concluded its project to identify and map potential climate-related risks and opportunities in its underwriting portfolio and their potential impact on its business. The outputs of the project will be used to further develop the Group's climate risk and business strategies, as well as the development of the Group's risk management and scenario analysis approach related to sustainability risk (including climate risk), and the establishment of climate risk metrics. During 2024, the Group continued to develop its underwriting strategy to integrate sustainability objectives within its business model and decision-making.

### Risk management

The Group has a robust ERM framework (detailed on page 65), which is embedded throughout the organisation, ensuring the right processes and procedures are in place to identify, monitor and mitigate the risks associated with the business and its operations. Climate-related risk was initially identified as part of the Group's emerging risk discussions. However, as the profile of this risk has continued to increase significantly, the Group decided to make sustainability risk (the strategic and operational risks of addressing sustainability concerns, including climate change) a standalone risk while it continues to develop rather than placing it within one of the six principal risk categories. The ERM team has developed a formal sustainability risk category (encompassing ESG) and an associated control framework. As part of this, climate change was identified as one of five risk drivers of the Environmental sub-risk, for which the climate change register had been mapped as key control. In 2024, a full review and refresh of the control register was performed.

The Group recognises the interaction between the Group's existing risk categories and climate-related risk, as well as the potential impact on its existing risks, such as the change in frequency and severity of extreme weather events including windstorm, flood and earthquake. The lines of business that are exposed to these natural catastrophe events are principally those within the London Market underwriting segment (detailed on page 18), and the underwriters continue to develop their understanding of physical risks from climate change.

Physical risk is well managed through the Group's strategy of writing a diverse and balanced portfolio of risks to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes. Annual policies

# 03

## GOOD COMPANY APPROACH

enable the Group to respond to changing weather patterns, and the Group's comprehensive reinsurance programme provides protection against losses from severe weather events. The Group has formally articulated how it assesses climate risk within its risk framework through the development of a climate risk sub-risk register which measures and monitors physical, transitional and liability risks related to climate change and their potential impacts across a range of time horizons. The Group also considers emerging trends relating to climate change as part of its quarterly emerging risk review and annual emerging risk workshops. In 2024, the Group started to develop climate change scenarios for physical, litigation and transition risks across short-, medium-, and long-term horizons which the Group expects to evolve over time. In conducting scenario analysis, the Group can focus on any downside risks and recognise the opportunities climate change and related initiatives can bring.

The Group's governance structure and ERM framework support delivery of its strategic plan, which includes its Sustainability Strategy. In addition

to its governance structure and ERM framework, the Group supports the pricing, underwriting and assessment of risks through the use of technology, providing geocoded location data and catastrophe modelling to evaluate catastrophe risk.

### Reporting and disclosures

The Group continues to report against the ClimateWise principles, which through annual public review highlights the progress being made by the ClimateWise community and demonstrates the role of members in shaping the transition to a low-carbon economy. In 2024, the principles were updated to support its membership to navigate rapidly developing frameworks and regulations across different geographies. The principles have been updated in line with the Task Force on Climate-related Financial Disclosures framework, SS3/19, International Financial Reporting Standards, Taskforce on Nature-related Financial Disclosures and the European Sustainability Reporting Standards.

### Streamlined energy and carbon reporting

As part of its sustainability approach, the Group has taken steps to explore the growing impact of climate change and mitigate its effect on the environment. The Group's environmental footprint stems mainly from its office operations and business travel. The Group continues to work to minimise its footprint, transferring to renewable energy sources at several of its UK offices and actively working on a Carbon Management Plan as part of its Sustainability Strategy. In addition, the Group continues to raise awareness of environmental initiatives through its sustainability governance structure, which is aligned with the Group's Good Company approach.

In line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) framework, the table below shows the Group's UK operational energy and carbon footprint for the financial year ended 31 December 2024 and the comparative data for the financial year ended 31 December 2023.

### Streamlined energy and carbon reporting

|  | 2024          | 2023          |
|--|---------------|---------------|
| <b>Energy consumption used to calculate emissions</b>  | kWh 2,078,393 | kWh 1,298,089 |
| <b>Emissions from consumption of gas tonnes of carbon dioxide equivalent (tCO2e) (Scope 1)</b> | 168           | 47            |
| <b>Emissions from consumption of transport fuel (tCO2e) (Scope 1)</b>                          | 61            | 61            |
| <b>Emissions from consumption of purchased electricity tCO2e (Scope 2 location-based)</b>      | 236           | 162           |
| <b>Total gross CO2e</b>  | 465           | 270           |
| <b>Intensity ratio: tCO2e/\$m</b>  | 0.25          | 0.15          |

The above data has been calculated for UK locations in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines, including SECR guidance.

In 2024, the Group generated a total gross CO2e of 318MtCO2e, compared to 270MtCO2e in 2023. This increase, is due to an increase in Scope 1 emissions, which for 2024 include mobile combustion emissions from aviation fuel for flights. Previous year Scope 1 emissions did not include emissions from aviation fuel.

# 04

## NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)



| Non-financial KPIs                             | Description   | KPIs for Financial Year Ended 31 December 2024   |
|--|---|--|
| <b>Sanctions</b>                               | Sanctions matches (UK, European and Office of Foreign Assets Control (Office of Foreign Assets Controls)-administered US sanctions).  | Zero instances where sanctions matches were identified due to exposure to specific named sanctions targets (2023: 12).   |
| <b>Licensing</b>                               | Policies not written in line with licensing restrictions / permissions.   | 26 risks were identified as exceptions, with risks re-stamped as necessary by endorsement (2023:11).   |
| <b>High-risk monitoring</b>                    | Executive and Compliance approval not sought, as required prior to inception for risks in high-risk jurisdictions (based on money laundering, bribery, corruption and sanctions risk).  | Approval was sought post inception on 43 occasions in 2024 either due to country score exceeding 7.5 on the Basel AML Index, score being below 2.0 on the Corruption Perceptions Index, certain territories being listed by the Financial Action Task Force (FATF) or country subject to comprehensive regimes (2023: 52). |
| <b>Volume of complaints</b>                    | Total number of complaints received.  | 385 (2023: 361).<br><br>There was an incremental increase in complaints experienced in 2024, as a number of business lines continued to grow. Additionally, the Group was affected by an increase in weather events in 2024, which typically drive increased numbers of claims and complaints.                             |
| <b>Complaint outcomes</b>                      | The number of complaints received that have been upheld, that is where the policyholder's complaint is found to be justified. The number excludes complaints where the Group does not accept any wrongdoing but has made an ex-gratia payment to the insured.           | 129 (2023: 108).<br><br>The increase in upheld complaints was partly due to delays experienced with the third-party administrators (TPAs) who manage some of the Group's claims. The Group has transitioned from these TPAs to managing these claims in-house, resulting in fewer complaints during H2 2024.               |
| <b>FOS outcomes</b>                            | Percentage of complaints that have been upheld by the FOS following referral of complaint by an eligible policyholder who disagrees with the Group's final decision.  | Of 37 referrals (2023: 36), 22 decisions have to date been received with 8 (5: 2023) instances where the complaint was upheld by the FOS – 36.4% (2023: 13.9%).  |
| <b>Voluntary employee turnover<sup>1</sup></b> | The number of permanent non-fixed-term contract employees of the HCC Service Company, Inc. (UK branch) and TME who have voluntarily left over the last 12 months, divided by the average number of permanent non-fixed-term contract employees over the last 12 months. | 8.96% (2023: 9.8%).<br><br>Turnover marginally decreased in 2024; however, the Group continues to monitor turnover and the reasons driving this and will take steps to address any identifiable trends.  |

<sup>1</sup> Employees are employed by HCC Service Company, Inc. (UK branch) and TME but undertake activities on behalf of the Group, therefore all disclosures provided in respect of employees should be read accordingly.



## NON-FINANCIAL INFORMATION STATEMENT

# 05

The Group presents its non-financial and sustainability information statement in compliance with section 414CA and 414CB of the Companies Act 2006.

As set out below, the directors consider that the climate-related risks and opportunities of the Group are integrated into the Group's overall risk management process, ensuring the right procedures are in place to identify, monitor and mitigate the climate risks associated with the business and its operations and recognise the interaction of climate-related impacts on the Group's existing risk categories (such as change in frequency and severity of weather events including windstorm, flood, and earthquake and lines of business most impacted). Accordingly, the directors recognise that as climate risk continues to evolve the Group continues to identify and monitor climate-related risks and opportunities such as new products and considers the potential impacts of these on its business activities and stakeholders.

The directors do not consider that it is necessary for an understanding of the Group's business to include here a description of the actual or potential impacts on the business model and strategy or their resilience under different climate-related scenarios, targets or KPIs used.

The non-financial and sustainability information statement also provides information regarding the Group's response to its material social impacts, employee issues, respect for human rights, anti-corruption and anti-bribery.

## Reporting requirement

## Risk management and additional information

| Reporting requirement  | Risk management and additional information  |
|--|---|
| <b>A description of the Group's business model</b>   | Business Model (pages 10–15)  |
| <b>Principal risks relating to the non-financial matters set out in section 414CB (1), the likely impacts from any such principal risks, and how they are managed</b>  | Charity and Community, People and Business Ethics (pages 28–34)<br>Climate Risk (pages 35–36)<br>Principal Risks and Uncertainties (pages 40–43)<br>Compliance Management (pages 44–45)<br>Stakeholder Engagement (pages 51–56) |
| <b>Non-financial performance indicators</b>  | Page 37   |
| <b>The governance arrangements in relation to assessing and managing climate-related risks</b>   | Climate Risk (pages 35–36)<br>Corporate Governance Statement (pages 62–66)  |
| <b>How the Group identifies, assesses and manages climate-related risks and opportunities</b>  | Climate Risk (pages 35–36)  |
| <b>How processes for identifying, assessing and managing climate related risks are integrated into the Group's overall risk management process</b>   | Climate Risk (pages 35–36)<br>Corporate Governance Statement (pages 62–66)  |
| <b>A description of the principal climate-related risks and opportunities arising in connection with the Group's operations; and the time periods by reference to which those risks and opportunities are assessed</b> | Climate Risk (pages 35–36)<br>Corporate Governance Statement (pages 41–45)  |
| <b>An analysis of the resilience of the Group's business model and strategy, taking into consideration different climate-related scenarios</b>   | Climate Risk (pages 35–36)<br>Principal Risks and Uncertainties (pages 40–43)   |
| <b>Environmental matters</b>   | Principal Risks and Uncertainties (pages 40–43)<br>Stakeholder Engagement (pages 51–56)   |
| <b>Human rights</b>  | Business Conduct and Ethics (page 34)<br>Stakeholder Engagement (pages 51–56)   |
| <b>Social and community</b>  | Charity and Community (pages 28–31)<br>Stakeholder Engagement (pages 51–56)   |
| <b>Anti-corruption and anti-bribery</b>  | Business Conduct and Ethics (page 34)<br>Compliance Management (pages 44–45)  |
| <b>Policy embedding, due diligence and outcomes</b>  | Principal Risks and Uncertainties (pages 40–43)   |

<sup>2</sup> Internal policies are not published externally and form part of the governance framework.

## Areas of risk

The Group has identified the principal risks arising from its activities and the Board has established appetites covering the amount and types of risk the Group is prepared to seek, accept or tolerate. These appetites are embedded in the policies, procedures and mitigation frameworks that are in place to manage these risks. The Group maintains a risk register and categorises its risks into seven areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit; Liquidity; and Sustainability. These risk areas are discussed below, along with the actions taken by the Group to manage and mitigate them. Further detail regarding these risks is provided in Note 5.

### INSURANCE

#### Description

The four key components of insurance risk are: premium or future underwriting risk (including delegated authorities); reinsurance purchasing; claims management; and reserving.

The Group's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount, and timing of insurance liabilities.

#### Mitigating actions / factors

- An underwriting strategy that seeks a diverse and balanced portfolio of risks.
- A reserving policy to produce accurate and reliable estimates that are consistent over time and across classes of business.
- Setting and regularly monitoring risk appetites.
- Individual authority limits for all employees authorised to underwrite, and business plans for each line of business.
- Claims teams focused on delivering quality, reliability and timely service to both internal and external clients.
- Using reinsurance to protect the Group's balance sheet.
- Monitoring exposures using modelling tools.

### STRATEGIC, REGULATORY AND GROUP

#### Description

These are risks that arise from:

- the Group's strategy being inappropriate or the Group being unable to implement its strategy
- the Group not complying with regulatory and legal requirements
- the Group failing to consider the impact of its activities on other parts of the TMHCC Group and vice versa.

#### Mitigating actions / factors

- Setting and regularly monitoring risk appetites.
- A management structure that encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled.
- Operating across the TMHCC Group with clear and open lines of communication to ensure all TMHCC Group entities are well informed and working towards common goals.

### MARKET

#### Description

Market risk arises where the value of assets and liabilities or future cash flows change because of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.

#### Mitigating actions / factors

- An Investment Committee that ensures funds are invested in accordance with the 'prudent person principle', whereby assets: i) are of appropriate security, quality and liquidity; ii) are localised and adequately diversified; and iii) broadly match the liabilities.
- Adhering to an investment risk appetite that forms part of the Group's overall risk appetites.
- Setting and regularly monitoring risk appetites.
- Independent investment experts assisting with the implementation of the investment strategy and monitoring of the economic environment and investment performance.

## OPERATIONAL

### Description

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

### Mitigating actions / factors

- Performing business activities in a fair, honest and transparent manner that complies fully with applicable UK and international legal and regulatory requirements, and internal policies and procedures. This includes complying with the specific requirements of Consumer Duty and Fair Value.
- Setting and regularly monitoring risk appetites.
- Scenario testing and modelling operational risk exposure.
- Management review of operational activities, including IT, IT security and data protection.
- Documented policies and procedures.
- Ensuring key processes include preventative, directive and detective controls.
- Business continuity and contingency planning.
- Establishing and embedding systems controls.
- Establishment of an office to ensure that the Group meets its operational resilience obligations in line with regulatory timelines.

## CREDIT

### Description

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Group are from reinsurers; brokers and coverholders; investments; and financial institutions holding cash.

### Mitigating actions / factors

- Setting and regularly monitoring risk appetites.
- Limiting exposure to a single counterparty or group of counterparties.
- Establishing guidelines and approval procedures for counterparties.

## LIQUIDITY

### Description

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In most cases, these claims are settled from premium received.

### Mitigating actions / factors

- Maintaining sufficient liquid assets, or assets that can be readily converted into liquid assets at short notice, so that the Group can reasonably survive a significant individual or market loss event.
- Using cash flow forecasting to help estimate liquidity requirements and to ensure that surplus funds are invested to achieve a higher rate of return.

## SUSTAINABILITY

### Description

These relate to the risks that arise from:

- Environmental – climate change, nature and biodiversity loss
- Social – jeopardising the achievement of safety and security of communities
- Governance – jeopardising the commitment to carry out business activities fairly, honestly and transparently.

### Mitigating actions / factors

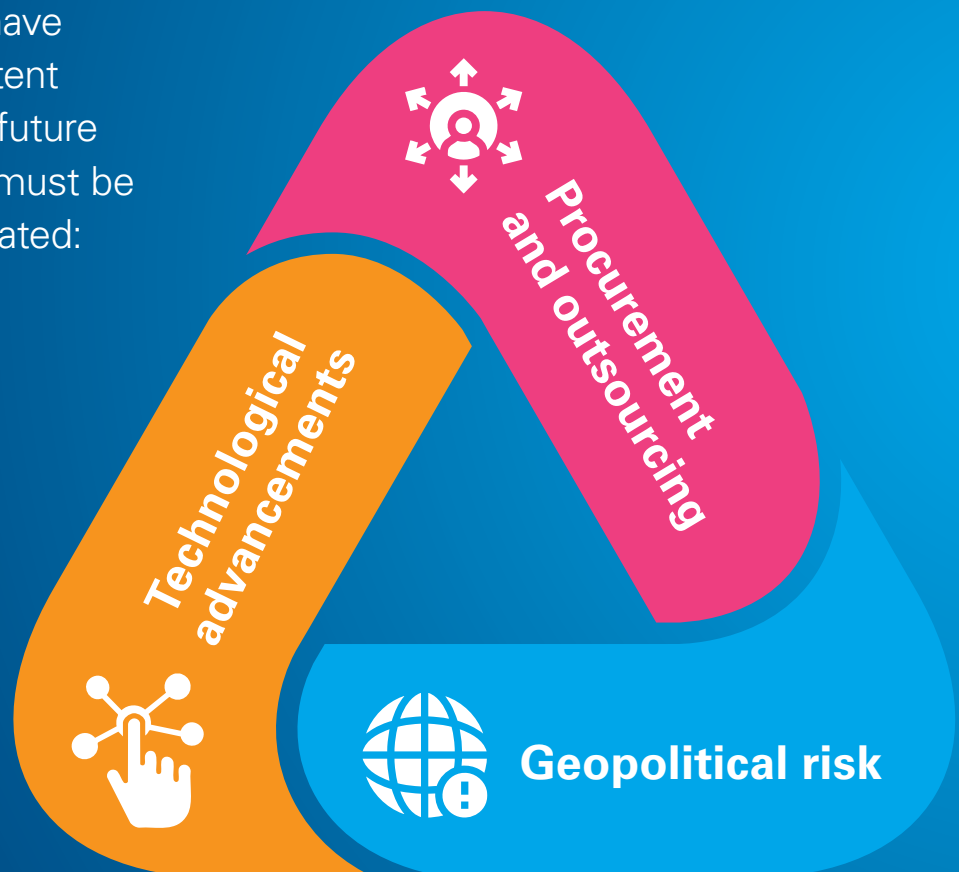
- Establishment of Sustainability Risk and Control Framework.
- Scoping and monitoring risk appetites and risk metrics.
- Embedding sustainability approach into policies.

Given the nature of the Group's business, the largest risks fall under the category of insurance risk, specifically reserving risk, reflecting the significant long-tail reserves held by the Group and unexpected losses, either catastrophic or systemic, that fall outside business plan parameters. These risks are closely monitored and robustly managed.

# Developing and emerging risks

In addition to monitoring the Group's existing and established principal risks, the risk management framework is designed to support the identification of developing and emerging risks. Those risks have the potential to affect, or require a review of, the existing strategic objectives. The Group also monitors risks that are likely to crystallise more imminently.

The following risks have developed to the extent that their impact on future strategic objectives must be addressed and mitigated:





### Procurement and outsourcing

Procurement and outsourcing is a key focus for the Group, in light of greater reliance on cloud service providers and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It is also a sub-component of supply chain risk, which is an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount. Over the course of 2024, a new Contract Lifecycle Management System has been implemented which will enhance the controls with regard to the contracting, due diligence and management of suppliers. Resilience standards are also in the process of being developed to ensure that any disruption experienced by the Group's material outsourcers does not affect the service they provide to the Group.



### Geopolitical risk

The geopolitical landscape remains volatile, not least because of various elections around the world. The key areas of concern remain Russia/Ukraine, China/Taiwan and the Middle East. The impacts for TMHCC International could come from both direct and indirect exposures. Management have continued to monitor and review potential direct exposures across the affected regions with underwriters and appropriate exclusions (for example, war exclusion) and notices of cancellation are issued where appropriate. There are several types of indirect impact, including secondary impacts, legal risks and security risks.



### Technological advancements

The Group recognises that the rapid pace of technological progress can bring both risks and opportunities for the business, some of which are more imminent than others. For instance, artificial intelligence could bring potential advantages in the automation of manual tasks in data collection and analysis, but it could also be used by malicious actors to facilitate cyber-attacks and deepfakes.

## Licensing

The Group's policy is to seek licensing or registration as an approved (re)insurer where it may not legitimately accept risks on a non-admitted (unlicensed) basis, provided there is a justifiable business case. The International Compliance Department maintains a comprehensive jurisdictional matrix identifying licensing and regulatory permissions, as well as conditions, with routine monitoring conducted to ensure adherence to licensing and regulatory requirements.

The results of this monitoring activity are provided as part of the non-financial KPIs – see page 37.

## Financial crime

The Group maintains a zero-tolerance stance towards financial crime, including the deliberate breach of sanctions restrictions, and is committed to compliance with all financial crime laws and regulations. This encompasses adherence to the UK, EU and US sanctions regimes for all business activities. The Group has established comprehensive financial crime policies and procedures addressing sanctions, money laundering, bribery and corruption, tax evasion and fraud to ensure adequate controls are in place to identify, assess and report financial crime suspicions. These policies and procedures form the foundation of an overarching financial crime framework, which is governed by a dedicated Financial Crime Controls Committee.

To mitigate the risk of engaging in business with sanctioned entities or exposing the Group to financial crime, the International Compliance Department ensures that all relevant employees within the business are well-versed in financial crime awareness. This is achieved through various methods including the provision of e-learning training, regular updates, comprehensive responses to queries and face-to-face training. Enhanced due diligence is also performed on all risks and voyages where the Group is writing high financial crime risk business, as determined by money laundering, sanctions, and bribery and corruption territorial risks.

The Group runs real-time and batch screening to identify potential matches between prospective insureds or claimants and listed sanctions targets. Significant work was performed during 2024, which will continue beyond this as part of a financial crime controls project commenced to address the ever-changing and complex financial crime regulatory landscape and align with the enterprise-wide aim of delivering solutions that are sustainable, efficient and effective. The project aims to consolidate a range of screening tools into a new single strategic solution that will widen the screening activities beyond sanctions and fit within a robust architectural design that can accommodate future business growth.

As part of the Group's financial crime control framework, the International Compliance Department performs a regular internal financial crime risk assessment covering all financial crime pillars as well as whistleblowing and conducts regular financial crime monitoring in line with a Board-approved compliance monitoring plan.

From a governance perspective, it should be noted that the Money Laundering Reporting Officer reports to the Risk, Capital and Compliance Committee, and formal updates on financial crime are given to multiple Board committees, including the Executive Underwriting Monitoring Committees and the Risk, Capital and Compliance Committee.

The results of the Group's financial crime monitoring activities are set out as part of the non-financial KPIs – see page 37.

## Whistleblowing

The Group's Whistleblowing Policy follows accepted best practice and regulatory requirements and is centrally accessible to employees via the Intranet. It outlines the procedures and processes for when and how to speak up about wrongdoing within the organisation. An individual can raise a concern internally or externally (for example, in the UK via the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA) or by using the Lloyd's confidential hotline). The Non-Executive Chair of the Group's Audit Committee

is the Whistleblowing Champion, who reports regularly to the Audit Committee on whistleblowing arrangements and other key whistleblowing updates.

The compliance category within TMHCC International's 2024 Culture and Values Survey continued to score highly, reflecting a workforce that are fully engaged, understand the Group's approach to whistleblowing and feel confident in their ability to speak up.

## Data protection

During 2024, the Group continued to refine the data protection framework. The existing framework documentation was reviewed and amended as required to ensure it could be applied across the Group, and additional documents were created as necessary. The Group also further embedded the data protection impact assessment (DPIA) process – all new projects continue to be subject to scrutiny and require DPIAs to be completed.

There is a dedicated Data Protection Department providing support to the Group. The team continues to work to improve its General Data Protection Regulation (GDPR) processes, particularly in respect of TME, working closely with the TME Data Protection Officer and assisting the embedding of GDPR compliance in Europe. This team continues to move from a GDPR-centric approach to one with a worldwide focus, identifying and

assessing the impact of impending privacy changes on the Group and the locations in which it underwrites business.

An effective, operational Data Protection Committee governance structure is in place. The importance that the Group gives to privacy and data protection is evident in its investment in software solutions to manage the challenges arising from the increasingly diverse and impactful privacy legislation more efficiently.

# Board of Directors

At 31 December 2024, the Group Board comprised: the Independent Chair; Chief Executive Officer (CEO); Group Chief Financial Officer (CFO); Chief Underwriting Officers (International Specialty, London Market and J Business); Chief Operating Officer; Chief Risk Officer; three Independent Non-Executive Directors; and a Non-Executive Director. The Group Board's primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable value. The Board seeks to achieve this by delivering its strategic objectives while ensuring that its values and culture align with that purpose.

## **Nick Marsh** Chair

**Nick has been Chair since 2013, joining the Board of HCCII after a 40-year career with Atrium Underwriting Group. In addition to his role as Chair of the Board, Nick is Chair of the Remuneration and Nomination Committees and a member of the Audit and Investment Committees. He is also an Independent Non-Executive Director and Chair of HCC Underwriting Agency (HCCUA).**

Nick held various roles during his career with Atrium Underwriting Group, including Chair of Atrium Underwriters Limited; Chief Executive of Atrium Underwriting plc; and Director of Corporate Underwriting at Atrium Group Limited. He was also formerly a Director of the Lloyd's Market Association, a member of the Council of Lloyd's and a trustee of the Lloyd's Benevolent Fund.

## **Barry Cook** Chief Executive Officer

**Barry was appointed to the role of CEO and to the Board in 2005. He has 40 years of experience working in the London, Lloyd's and International insurance markets. Prior to his appointment, Barry was Chief Executive of the Lloyd's broker Rattner Mackenzie for 14 years, which was acquired by HCC Insurance Holdings, Inc. in 1999.**

Barry is Chair of three Executive Underwriting and Monitoring Committees (EUMCs) – London Market; Credit & Surety; and Professional Risks, Financial Lines, Contingency & Disability – and a member of the Risk, Capital and Compliance; Investment; Nomination; and Remuneration Committees.

Barry is an Executive Vice President and Director of HCC Insurance Holdings, Inc.; Global Reinsurance Advisor to Tokio Marine Holdings, Inc; a Director of Tokio Marine GRV Re, Inc., Tokio Marine HCC Insurance Holdings (International) Limited, HCCUA, GCube, RELA and Nameco (No.808) Limited; a Non-Executive Director of TME and Tokio Marine Kiln Group Limited; and an Independent Non-Executive Director of Intrepid Insurance Brokers Limited.

## **Simon Button** Chief Underwriting Officer – London Market

**Simon joined the Group in 2000 as an Energy Underwriter and was appointed to the Board as Chief Underwriting Officer – London Market in 2013. He has over 30 years' experience in the Lloyd's, London and International insurance markets.**

Simon is Chair of the Sustainability Committee and a member of the Risk, Capital and Compliance, and Investment Committees as well as the EUMC for London Market. Simon is the Active Underwriter of HCC Syndicate 4141 and a Director of HCCUA, GCube, RELA and Tokio Marine Canada.

**Thibaud Hervy**  
Chief Underwriting Officer –  
Specialty Lines

**Thibaud joined the Group in 1999 as a Financial Lines underwriter and was appointed to the HCCII Board in 2011. He was made Chief Underwriting Officer – Specialty Lines in 2014.**

Thibaud is a member of the Sustainability, Risk, Capital and Compliance, and Investment Committees as well as the EUMCs for Credit & Surety, and Professional Risks, Financial Lines, Contingency & Disability. In 2024, Thibaud was also a Director of TME, and a Director of HCCUA, QBuS and HCC Diversificación y Soluciones S.L.

**Katherine Letsinger**  
Group Chief Financial Officer

**Katherine joined the Group and the HCCII Board as Group CFO in 2012. She is a Certified Public Accountant, qualifying with PricewaterhouseCoopers LLP (PwC) in the US. Katherine has over 35 years of experience in the insurance industry, gained through various roles including Insurance Services Partner at PwC, and CFO roles at Wellington Underwriting plc (a FTSE 250 company) and Gen Re, Ltd. She has previously held several non-executive directorships, including chairing an audit committee.**

During 2024 Katherine was a member of the Investment Committee; the Risk, Capital and Compliance Committee and three EUMCs (London Market; Credit & Surety; and Professional Risks, Financial Lines, Contingency & Disability). In 2024, Katherine was a Director of HCCUA, QBuS and HCC Diversificación y Soluciones S.L., Credit Services, GCube, RELA and Nameco (No.808) Limited. Katherine Letsinger retired as Group CFO and member of the Group's Board on 31 December 2024, after 12 years.

**Des Burke**  
Group Chief Operating Officer

**Des joined the Group in 2021 as Chief Information Officer and was appointed as Group Chief Operating Officer in 2023 and to the HCCII Board in 2024. Des has over 25 years' experience in technology, change and operations roles including roles within the insurance industry for Lloyd's of London and Prudential.**

Des is a member of the Sustainability, Risk, Capital and Compliance Committees as well as the EUMCs for London Market, J Business, Credit & Surety; and Professional Risks, Financial Lines, Contingency & Disability. In 2024, Des was also a Director of TME, and HCCUA.

**Graham White**  
Chief Risk Officer

**Graham joined the Group in 2016 as Chief Actuary and was appointed to the Board in 2017 as Chief Actuary and Chief Risk Officer. Following the appointment of a Chief Actuary in 2020, Graham was appointed as Chief Risk Officer for HCCII and TME. He is a Fellow of the Institute and Faculty of Actuaries and has over 30 years' experience in the Lloyd's London and International insurance markets. Prior to joining the Group, Graham was Chief Actuary and Director of a Lloyd's Syndicate for 10 years.**

Graham is a member of the Risk, Capital and Compliance, Investment, Group Data Protection and Sustainability Committees. He is also a Director of HCCUA and TME.

**Kazuya Takahiro**  
Chief Underwriting Officer – J Business

**Kazuya was appointed to the Board in 2024. He joined Tokio Marine in 1993 and his career with Tokio Marine has spanned more than 30 years and included roles within underwriting, business development, marketing and senior management teams in Japan and internationally. Kazuya previously undertook a Board role as Chair of Tokio Marine Management (Australasia). Kazuya chairs the J Business EUMC and is a Director of HCCUA and TME.**

**Peter Engelberg**  
Independent Non-Executive Director

**Peter was appointed as an Independent Non-Executive Director of HCCII in January 2023 and is Chair of the Investment Committee and a member of the Audit, Risk, Capital and Compliance, and Nomination Committees. Peter is also a Director of HCCUA and TME.**

**Nadia Dattilo**  
Independent Non-Executive Director

**Nadia was appointed as an Independent Non-Executive Director of HCCII in 2024. Nadia is a Chartered Professional Accountant of Canada, with over 25 years of experience in the (re)insurance industry gained through various roles including Audit and Advisory with KPMG in Bermuda, and CFO and Chief Accounting Officer roles with Nautilus Holdings and Arden Holdings in Bermuda.**

Nadia is a member of the Audit Committee and the Risk, Capital and Compliance Committee. Nadia is also a Director of HCCUA.

**Craig Scarr**  
Independent Non-Executive Director

**Craig was appointed to the Board in 2015 as an Independent Non-Executive Director. He is the Senior Independent Director, Chair of the Audit, and Risk, Capital and Compliance Committees and a member of the Nomination and Sustainability Committees. Craig also holds the roles of Consumer Duty Champion and Whistleblowing Champion.**

He is a Chartered Accountant, and prior to his appointment he spent over 20 years at Mazars LLP in various roles, including International Head of Governance, Risk and Internal Controls, and Head of UK Insurance. He was also Chair of UK Insurance at Grant Thornton LLP.

During his career, Craig has been appointed a Skilled Person for regulated entities for the FCA and PRA, undertaking reviews covering corporate governance, risk and control frameworks, conduct and suitability of advice, and financial crime.

Outside the Group, Craig held several Independent Non-Executive Directorships during 2024: HCCUA, HSB Engineering Insurance Ltd, USAA Ltd, Pinnacle Insurance Plc and Pinnacle Insurance Management Services Plc.

**Dai Inoue**  
Non-Executive Director

**Dai was appointed a Non-Executive Director of HCCII in 2024. Dai is a qualified actuary who has spent over 20 years with Tokio Marine, undertaking various roles including: finance and accounting, investments, corporate planning and operations, and corporate liaison.**

Dai is currently General Manager – North America, Europe, South Africa & Oceania Group, International Business Development Department of Tokio Marine and is a Director of HCCUA.

# Board members and attendance

There were five scheduled Board meetings held during 2024. The following table shows each Director's attendance at meetings of the Board during the financial year. The Chair meets privately with the Non-Executive Directors before each scheduled Board meeting.

| Member                                    | Eligible to attend in 2024 | Attended |
|---|----------------------------|----------|
| <b>Chair</b>                              |                            |          |
| <b>Nick Marsh</b>                         | 5                          | 5        |
| <b>Executive Director</b>                 |                            |          |
| <b>Angela Baker**</b>                     | 4                          | 4        |
| <b>Des Burke*</b>                         | 2                          | 2        |
| <b>Simon Button</b>                       | 5                          | 5        |
| <b>Barry Cook</b>                         | 5                          | 5        |
| <b>Thibaud Hervy</b>                      | 5                          | 5        |
| <b>Katherine Letsinger**</b>              | 5                          | 5        |
| <b>Hideki Mishima**</b>                   | 2                          | 2        |
| <b>Kazuya Takahiro*</b>                   | 2                          | 2        |
| <b>Graham White</b>                       | 5                          | 5        |
| <b>Non-Executive Director</b>             |                            |          |
| <b>Dai Inoue*</b>                         | 2                          | 2        |
| <b>Ko Shimizu**</b>                       | 2                          | 2        |
| <b>Independent Non-Executive Director</b> |                            |          |
| <b>Nadia Dattilo*</b>                     | 2                          | 2        |
| <b>Peter Engelberg</b>                    | 5                          | 5        |
| <b>Craig Scarr</b>                        | 5                          | 5        |

\* Director appointed during 2024

\*\*Director resigned during 2024

# Board's activities in 2024

The Board operates a forward agenda of standing items appropriate to the Group's business and reporting cycles. Those items requiring Board approval are clearly identified. Other items are for monitoring or reviewing the Group's progress against its strategic plan, budget, risk and capital management and the adequacy of internal controls.

## Strategy and business performance

- Received updates on the Group's 2024 outwards reinsurance programmes.
- Received updates on the insurance market environment and rates, including the impact of market losses, new and existing markets and regulatory changes, and the resulting impact on the industry as a whole.
- Received updates on material communications with regulators and considered the impact of changes in regulation and developing regulation.
- Received updates on progress against strategic initiatives.
- Received updates on TME's operations and performance.
- Approved London Market new business initiatives.

## Governance

- Reviewed and approved the Modern Slavery Statement.
- Received updates on legal, regulatory and corporate governance matters.
- Considered and reviewed the composition of the Board and its committees and the appropriateness and effectiveness of the governance framework and systems of governance.
- Received updates on communications from and engagement with its regulators.

## Board training

At several of its meetings, the Board received presentations from selected areas of the business, allowing the Board to review and discuss them in greater depth. These included:

- Treaty Reinsurance
- Workplace Group
- Marine, Energy and Renewables
- Trade Credit
- Professional Risks

## Risk

- Received quarterly updates on the Group's strategic risk metrics and conducted an annual review of the risk appetites and metrics.
- Regularly reviewed key risks, together with the adequacy of mitigation controls.
- Approved the operational resilience self-assessment.
- Formally reviewed and approved Own Risk and Solvency Assessment and Validation Reports.
- Approved the Internal Controls Policy.

## Financial performance

- Monitored capital and solvency.
- Approved the Group's Solvency and Financial Condition Report.
- Reviewed financial performance and forecasts.
- Considered and approved the 2025–2027 budget.

## Leadership and stakeholders

- Received presentation from Workplace Group members on the D&I and wellbeing initiatives being undertaken by the Workplace Group.
- Monitored and assessed the Group's culture through the Culture Dashboard.
- Received updates on the Group's Sustainability activities, including updates on the European Union Corporate Sustainability Reporting Directive.
- Received updates from the Consumer Duty Champion and Approved the Consumer Duty Board Assessment.



# Stakeholder engagement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, they must have regard to the range of factors set out in section 172 (1) (a)–(f) of the Companies Act 2006.

The Directors of HCCII, in discharging their section 172 duty, have regard to the factors set out in section 172 (1) (a)–(f) and take them into consideration when decisions are made. It is acknowledged that every decision made by the Board will not necessarily result in a positive outcome for all stakeholders. However, by considering the strategic objectives and priorities, vision, purpose and values (as set out on pages 10–13 of this report) and having a process in place for decision-making, the HCCII Board aims to ensure a consistent approach.

The Board delegates authority for day-to-day management of HCCII and other subsidiaries in the Group to the Executive team and then engages management in setting, approving and

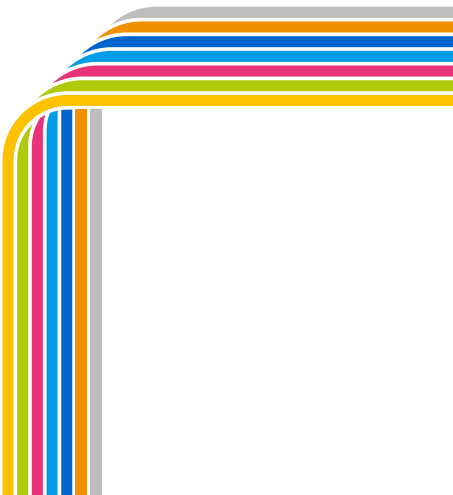
overseeing execution of the business strategy and related policies. The Board is responsible for embedding a culture throughout the business that will help deliver long-term success to HCCII and the Group. It is also responsible for setting policies as well as the corporate governance structure of the Group.

The Board meets quarterly and regularly reviews people engagement and performance, financial and operational matters, business performance, growth and opportunities, sustainability and climate risk issues, and legal and regulatory compliance. Over the course of the year, it also reviews the business strategy and budget, key risks and opportunities, stakeholder-related matters, D&I and corporate governance.

The Group's key stakeholders are its employees, shareholders, clients, brokers, regulators, suppliers, communities and the environment. The impact of the Group's activities on its key stakeholders is an important consideration for the Directors when making relevant decisions. The Group's stakeholder engagement takes place primarily at an operational level. Details

of some of the engagement that takes place with the Group's stakeholders are set out in the stakeholder table on pages 46–49.

During 2024, the Board received information to enable it to understand the interests and views of the key stakeholders. This information was received in a variety of different formats, including in reports and presentations on the Group's financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of employee surveys). As a result of this, the Board Directors have had an overview of engagement with stakeholders and other relevant factors, they understand the nature of the stakeholders' concerns and can comply with their section 172 duty to promote the success of the Company. Below are some examples of how the Board has had regard to the matters set out in section 172(1)(a)–(f) when discharging its section 172 duty and the effect of that on the decisions it takes.



## How the Group engages with its stakeholders

### People

#### Why the Group engages

The Group employs experienced, diverse and dedicated employees who are a key asset and fundamental to its long-term success.

A key element of Tokio Marine's Good Company ethos is to Empower Our People. Therefore, it is important that the Group continues to engage with and provide development opportunities for employees.

#### How the Group engages

The Group has several established engagement mechanisms in place for employees:

- Communications from the CEO.
- Communications from the Executive team and business leaders.
- Town Hall meetings, departmental and company-wide.
- Regular one-to-one meetings with managers, providing two-way engagement.
- Performance management system.
- Workplace Group and Charity and Social Committee, which include employee members and promote employee involvement.
- Mental Health First Aiders.
- Annual Culture and Values Survey, enabling confidential feedback.
- Employee network groups.
- Workplace strategies including:
  - Wellbeing Strategy (including the Wellbeing Survey)
  - D&I
  - Learning and Development Strategy
- The Group's intranet, The Port.

The Board receives regular people and culture updates from the CPO.

#### Examples of actions taken in 2024

- TMHCC 50th Anniversary Town Halls
- Mental Health Awareness Week
- Wellbeing webinars
- Leadership video series
- Executive breakfast and Lunch and Learn sessions
- Fertility Policy launched
- Fertility and Infertility Awareness
- Black History Month event – Reclaiming Narratives with David Olusoga
- International Men's Day and International Women's Day events
- Thrive benefits webinars

#### Find out more

Business Structure: pages 2–5

Business Model: pages 10–15

People: pages 32–33

Non-Financial KPIs: page 37

## Clients and broker partners



### Why the Group engages

The Group has a primarily intermediate business model. The International Specialty, London Market and J Business products are distributed to clients through established relationships with wholesale, regional and specialty brokers who are key stakeholders, enabling the Group to engage with its ultimate clients.

Understanding clients' needs and providing them with the right solutions at the right price is fundamental to the Group's performance.

### How the Group engages

Building long-term relationships with its clients and taking the time to understand clients' individual requirements is of the utmost importance to the Group. During the year, the Group engaged with its clients and brokers through:

- Executive and Senior Management, Underwriting, Business Development, Claims and Compliance teams
- Direct conversations
- Webinars
- Market Insight Reports
- Marketing activities including social media
- Virtual broker roadshows/events
- Broker Expo
- Conferences

The CEO and Chief Underwriting Officers (CUOs) are actively engaged with broker partners and key clients and the Board receives updates and insights on these key stakeholders as part of its discussions.

### Examples of actions taken in 2023

- Professional Risks – webinars (Intro to Design and Construct)
- Trade Credit – risk surgeries with brokers
- BIBA Conference 2024
- Women in UK Credit Networking
- Professional Risks 20th Anniversary Events
- Product recall launched

### Find out more

Business Structure: pages 2–5

Business Model: pages 10–15

Business Performance: pages 16–25

## Shareholders



### Why the Group engages

The Board continues to align the Group's strategic objectives to its purpose and to shareholders' long-term objectives to produce consistent and sustainable results that increase shareholder value. Increasingly, this includes ESG updates alongside risk and financial performance data.

### How the Group engages

The Group has an ongoing dialogue and regular engagement with its immediate shareholder, TMHCC Group, and its ultimate parent company, Tokio Marine Holdings, Inc., through:

- 1:1 meetings
- Annual Report and financial statements
- Quarterly results presentations
- Tokio Marine's Corporate Liaison Officer (who works within the Group)
- Tokio Marine's representative, who is appointed to the Group's Board and provides an additional method of communication between the Board and its ultimate shareholders.

### Examples of actions taken in 2023

The CEO and Executive team held regular dialogue with the Group's shareholders – both immediate and ultimate.

### Find out more

Business Structure: pages 2–5

Business Model: pages 10–15

## External partners



### Why the Group engages

The Group's relationships with its reinsurers continues to be central to its business model and management of risk.

The Group works with a number of key suppliers and outsourced partners.

The Group has a number of regulators including the PRA and FCA in the UK, and the Commissariat aux Assurances in Luxembourg in respect of TME.

### How the Group engages

The Group has an ongoing dialogue with its reinsurers, key suppliers and outsourced providers. Prior to any new engagement of suppliers and outsourced providers, the Group undertakes thorough due diligence. In addition, the Group engages with its material suppliers and outsourced providers at annual review meetings.

The Board receives updates on the Group's reinsurance arrangements from the CEO and CUOs and on suppliers and outsourced providers from the COO.

The Group maintains an open and transparent dialogue with its regulators that is facilitated through the Compliance Department. The Executive and Non-Executive Directors have ongoing engagement with the Group's regulators, including requests to discuss specific matters.

The Group provides responses to regulatory consultations where it believes it has something to contribute.

Regulatory communications and discussions are reported to and discussed by the Board.

The Group carries out annual monitoring of material suppliers.

### Examples of actions taken in 2023

The CEO and CUOs have regular meetings with the Group's outwards reinsurance brokers and outwards reinsurers.

Meetings are also organised between the regulator and the CEO, Chair and other Directors.

The Group's Procurement and Supplier Management Department undertakes performance and service reviews for material (important and critical) suppliers.

### Find out more

Business Model: pages 10–15

Business Conduct and Ethics: pages 34–35

Principal Risks and Uncertainties:  
pages 40–43

## Charity and community

### Why the Group engages

A core component of Tokio Marine's Good Company ethos is Look Beyond Profit, acting with integrity for the benefit of society.

The Group is committed to engaging with and supporting the communities in which it operates.

### How the Group engages

The Group engages with its local communities through:

- charity partnerships
- employee volunteering
- charity ambassadors
- fundraising events.

The Group's charitable and community activities are overseen by its Charity Committees, and updates are communicated to the Board via the Sustainability Committee.

The Group matches charitable funds raised by employees.

### Examples of actions taken in 2023

The Group encourages employees to use their two volunteer days each year in support of the Group's charity partners or for their own volunteering and charitable initiatives.

- Pick a Project Event – The Wickers Rhyme Safe
- Give an Hour initiative
- Facing History Lunch and Learn
- Black History Month
- Social mobility programme
- Earth Day volunteering
- Payroll Giving Platinum Award

The Group's charitable contributions in 2024 totalled \$1.06million.

### Find out more

Business Model: pages 10–15

Charity and Community: pages 28–31

# Principal decisions of the Board 2024

Highlighted below are examples of the principal decisions made by the Board during 2024 that considered the impact of strategic and operational decisions on the Group’s stakeholders.

## Consumer Duty Board Assessment

---

The Consumer Duty regulations came into force in July 2023. The Group’s Board is responsible for ensuring that its insurance products meet each of the four outcomes identified in the regulations (Products & Services; Price & Value; Customer Understanding; and Customer Support).

The Board appointed a Consumer Duty Champion (Craig Scarr) from among its Independent Non-Executive Directors and receives quarterly updates from the Consumer Duty Champion.

The Group completed its first Consumer Duty Assessment during 2024, and this included an assessment of each of the Group’s products against the four outcomes.

The assessment concluded that the Group was meeting the overarching principles of the Consumer Duty, providing good customer outcomes across all its products. Additionally, the Group met the three cross-cutting rules of acting in good faith, avoiding foreseeable harm and enabling customers to pursue their financial objectives.

## 2025–2027 Business Plan and Budget

---

The Board formally considers, approves and adopts its strategic and operating plans and budgets on an annual basis, ensuring the Group has the appropriate resources and operational and governance frameworks to support the business to deliver against its performance objectives.

During the year the Group’s budget for 2025–2027 was reviewed and discussed with management prior to its formal approval by the Board. To support the Board in its approval of the budget, the Enterprise Risk Team provided a risk opinion which illustrated the stress and sensitivity analysis undertaken on areas that may prevent the Group from achieving its budget. The Board is regularly updated on, actively monitors and proactively responds to the progress against the Group’s budget.



# Governance structure

The Board as a whole is collectively responsible for the success of the Group. Its duties are to:

- set the Group's strategic direction, purpose and values and align these with its culture
- oversee competent and prudent management of internal control, corporate governance and risk management
- determine the sufficiency of capital considering the Group's risk profile and business plans
- approve the business plans and budgets.

While the Board retains oversight and accountability for decision-making within the Group, responsibility for day-to-day management and decision-making is delegated to the CEO and the Executive team. The Board delegates specific responsibilities to its formal committees, which consist of individuals with the most appropriate knowledge, expertise, industry experience and independence in their given areas. The duties of the Board are executed partially through its principal committees: Nomination; Audit; Risk, Capital and Compliance; Investment; Remuneration; Executive Underwriting and Monitoring; Group Data Protection; and Sustainability. These committees operate within defined terms of reference, which are reviewed regularly by the Board. The role of Company Secretary to the Board is performed by the Company Secretary and Corporate Counsel.

## Board

The Board's primary responsibilities are to: set strategic objectives in order to deliver long-term value to shareholders and other stakeholders; monitor management's execution of the strategy; set the risk appetites and risk strategy; and ensure there is an effective risk management and internal control system in place.

## The Board delegates responsibility for certain areas to eight principal committees



## Supporting committee/groups

The Board committees are supported by a number of sub-committees/groups that have responsibility for key business activities and risks and include: IBNR Committee, Product Governance & Distribution Committee, Operational Risk Group, Cyber Group, Exposure Management Group and Capital Model Oversight Group.



1

## Nomination Committee

The Board operates a Nomination Committee to ensure that the structure, composition and skills of the Board are aligned to the Group's strategic objectives and its continued effectiveness, and that the Group has succession plans in place.

The Committee's primary objective, when necessary, is to identify and evaluate candidates for future appointments. In doing so, it will follow its appointments procedure, which includes taking advice from independent external recruitment consultants. In 2024, the Committee was chaired by Nick Marsh and comprised two other Independent Non-Executive Directors (Peter Engelberg and Craig Scarr) and CEO Barry Cook.

2

## Audit Committee

The Audit Committee's primary concerns are the integrity of the financial statements; the effectiveness of internal financial controls; the performance of internal audit; the performance and independence of the external auditors; and compliance with legal and regulatory requirements.

The Committee has clearly defined terms of reference, which are reviewed annually. These outline the Committee's objectives and responsibilities relating to financial reporting, internal financial controls and the application of appropriate accounting standards and procedures. Specific responsibilities include reviewing and recommending for approval the annual financial statements and overseeing the following areas: the Group's accounting policies; the effectiveness of internal financial controls; internal audit processes; the quarterly reserve recommendations from the Incurred But Not Reported (IBNR) Committee and the quarterly actuarial analysis; the effectiveness of the whistleblowing procedures; and the scope and results of the external audit.

Craig Scarr, a Chartered Accountant, was appointed Chair of the Committee in 2016. In 2024, the Audit Committee comprised three other Independent Non-Executive Directors (Nick Marsh, Peter Engelberg and Nadia Dattilo) and a Non-Executive Director (Dai Inoue). The Board is satisfied with the recent and relevant financial experience of the Committee Chair.

3

## Risk, Capital and Compliance Committee

The Group has a Risk, Capital and Compliance Committee that oversees the Group's risk management framework, approach to capital, and regulatory compliance. The main responsibilities of the Committee are: to make recommendations to the Board in respect of its risk strategy, risk appetites and tolerances; to ensure there is an effective and integrated risk management framework in place that allows inherent and emerging risks to be identified, monitored and mitigated in a timely manner (see Principal risks and uncertainties on pages 40–43 and Note 5); and to recommend to the Board the regulatory capital requirements.

The Committee is chaired by Craig Scarr (Independent Non-Executive Director). In 2024, the Committee comprised Barry Cook (CEO), Katherine Letsinger (Group CFO), Graham White (Chief Risk Officer), Simon Button (Chief Underwriting Officer – London Market), Thibaud Hervy (Chief Underwriting Officer – Specialty Lines), Des Burke (Group Chief Operating Officer), Nadia Dattilo (Independent Non-Executive Director), Peter Engelberg (Independent Non-Executive Director) and the functional leaders, including the Chief Analytics and Innovation Officer, Chief Actuary and Head of International Compliance. The Board remains satisfied that the composition of the Committee strengthens the Group's risk management framework, and that the Committee remains focused on the key risks affecting the Group's financial and operating performance.

4

### Investment Committee

The primary purpose of the Investment Committee is to assist the Board by overseeing the management, understanding and quantification of investment risk. The Committee is responsible for: ensuring that the funds of the Group are invested in accordance with its strategy and policy and the prudent person principle; monitoring the performance of investments, including the performance of external investment managers; and taking appropriate action where investments cease to comply with the investment guidelines.

Peter Engelberg (Independent Non-Executive Director) chairs this Committee, and in 2024 its membership comprised Nick Marsh (Independent Non-Executive Director), Barry Cook (CEO), Katherine Letsinger (Group CFO), Simon Button (Chief Underwriting Officer – London Market), Graham White (Chief Risk Officer), Thibaud Hervy (Chief Underwriting Officer – Specialty Lines), Group Head of Financial Planning and Analysis & Legal Entity Reporting, the TME CEO and TME CFO, HCC Insurance Holdings, Inc.'s CFO and HCC Insurance Holdings, Inc.'s Head of Investments.

5

### Remuneration Committee

The Remuneration Committee's primary objective is to oversee the remuneration arrangements for all employees within the Group. This ensures that the framework for remuneration enhances the Group's resources by attracting, retaining and motivating employees within a framework that is aligned with the Group's risk management structure and long-term strategy. The Group believes that the right remuneration arrangements encourage effective risk management, discourage excessive risk-taking and short-termism, and support the appropriate conduct culture. This framework also ensures that employees receive a competitive and market-aligned remuneration package that encourages them to create sustainable results.

In 2024, the Remuneration Committee was chaired by Nick Marsh (Independent Non-Executive Director). Other members included Barry Cook (Group CEO), Katherine Letsinger (Group CFO) and Angela Baker (CPO).

6

### Executive Underwriting & Monitoring Committees

*(EUMCs) (London Market; Credit, Surety & Political Risk; Professional Risks, Financial Lines, Contingency & Disability; and J Business)*

The main purpose of the EUMCs is to ensure that the lines of business operate in accordance with the Group's strategic objectives. The key responsibilities of the EUMCs are to: review the line of business performance against budget; consider the rating, market and loss environments and any impacts on the Group's business; monitor the KPIs and risk metrics for each line of business; and review claims and IBNR for each line.



7

### Group Data Protection Committee

Except for EUMC – J Business, all EUMCs are chaired by Barry Cook (CEO). The other Executive Directors in attendance at these meetings include Katherine Letsinger (Group CFO) and the CUO for the relevant segment (Simon Button – London Market or Thibaud Hervy – Specialty Lines) and Des Burke (Group COO). Other members include the Head Underwriter / Managing Director for the relevant lines of business and the Head of Underwriting Performance for the relevant segment (London Market or Specialty).

During 2024, the EUMC – J Business was chaired by Kazuya Takahiro (Chief Underwriting Officer – J Business) and included the CUO – Specialty Lines as well as representatives from the J Business segment, claims and finance.

The Group Data Protection Committee's purpose is to oversee the data protection framework across the US, UK and Europe, monitoring its effectiveness to minimise the risk of regulatory or legal exposure and fostering trust with its data subjects.

During 2024, the Committee was chaired by the Head of International Compliance and Data Protection Officer. Graham White (Chief Risk Officer) and Angela Baker (CPO) were members of the Committee along with functional heads from the UK and US. The main responsibilities of the Committee are the annual production of a data protection plan, to monitor any data breaches and data subject access requests.

8

### Sustainability Committee

The Sustainability Committee was established to explore the ESG risks, trends and opportunities that might affect the Group's business, and to develop the Group's Sustainability Strategy. The Committee was chaired in 2024 by Simon Button (CUO – London Market). The composition of the Committee includes Graham White (Chief Risk Officer), Thibaud Hervy (CUO – Specialty Lines), Des Burke (Group COO), Angela Baker (CPO), Craig Scarr (Independent Non-Executive Director), the CEO of TME and functional heads including the Global Marketing Leader, Group Head of FP&A & Legal Entity Reporting and the Company Secretary.

# Corporate governance statement

For the year ended 31 December 2024, the Group has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

## PRINCIPLE 1

### Purpose and Leadership

The Board is collectively responsible for the long-term strategy, direction, performance and success of the Group. The Group operates in the specialty insurance sector, providing risk solutions to companies that are complex or in industries that require bespoke solutions, often in fast-changing environments. The Group's purpose is to deliver risk solutions that provide continuity to its clients in times of business disruption. This highly specialised, quality underwriting delivers clearly articulated and transparent products that will inspire the trust and confidence of clients.

The Board recognises that maintaining a healthy culture throughout the organisation is critical to creating and protecting long-term value. The Good Company framework on page 26 illustrates the Group's vision, purpose, priorities, culture and values as key elements that will enable it to deliver its strategic objectives. The Group also ensures that Tokio Marine's overarching Good Company vision, which incorporates the fundamental values Look Beyond Profit, Empower Our People and Deliver on Commitments, is consistent with its purpose and values and incorporated into its strategic framework. The Board monitors culture through various mechanisms, including the annual Culture and Values Survey and routine Board reporting, which includes a Culture Dashboard.

The Group operates globally, and its success and continued growth depend on its ability to attract, nurture and retain highly skilled, disciplined and experienced individuals of exceptional quality who thrive in a constantly changing environment. The Group

does this by prioritising belonging and diversity in all its forms, Empowering Our People, who are at the forefront of providing the Group's specialty

insurance solutions that consider the fast-changing impacts of climate change, technological disruption and other issues that may adversely affect clients.

## PRINCIPLE 2

### Board Composition

Biographies for each Director can be found on pages 46–48.

At 31 December 2024, the Board comprised the Independent Non-Executive Chair, seven Executive Directors, three Independent Non-Executive Directors and a Non-Executive Director and was supported by the Company Secretary and Corporate Counsel. The Board is considered to be an appropriate size for the business, with the right balance of Executive and Non-Executive Directors. The Group has a strong Board with diverse experience, background and skills, with a good balance between established and new Directors. During 2024 the Board welcomed four new members: Des Burke (Group COO), Nadia Dattilo (Independent Non-Executive Director), Kazuya Takahiro (CUO – J Business) and Dai Inoue (Non-Executive Director). Des, Nadia, Kaz and Dai bring experience to the Board in the areas of technology, transformation and operations, accounting and auditing, international (re)-insurance, actuarial and Tokio Marine's business.

During 2024, the following members retired and/or resigned from the Board:

- Angela Baker retired as CPO effective 30 September 2024 after 20 years with the Group and three years on the Board.
- Katherine Letsinger retired as CFO effective 31 December 2024 after 12 years on the Board.


- Hideki Mishima (CUO – J Business) and Ko Shimizu (Non-Executive Director) stepped down from the Board in April 2024, taking on new assignments within Tokio Marine.

The Board acknowledge that the Chair has served on the Board for more than nine years, but the Board considers that Nick Marsh remains independent as he continues to demonstrate integrity, independent judgment and a willingness to challenge and probe.

The Group has a clear division of responsibilities between the Chair and CEO to ensure it maintains appropriate separation of responsibilities, accountabilities and decision-making.

The Non-Executive Directors, including Independent Non-Executive Directors, bring experience in insurance, reinsurance, finance, audit, risk, governance, operations and Tokio Marine's wider operations. In addition, the Independent Non-Executive Directors bring outside experience and provide constructive challenge and influence, giving the Board a diversity of perspectives. The Non-Executive Directors held regular meetings with the Chair during 2024, and these meetings provided them with the opportunity to exchange views without the presence of the Executive Directors.

The Group recognises the benefits of diversity for the Board and is committed to ensuring that the Board's membership reflects diversity in its broadest sense. A combination of demographics,



skills, experience, age, ethnicity, gender, educational and professional background, and other relevant personal attributes on the Board will provide the range of perspectives and challenge needed to support good decision-making. The Group is also committed to improving the diversity of its business in terms of gender, ethnicity, disability and age. This will create a more inclusive environment fostering a more diverse workforce, which should in turn increase diversity at the most senior levels.

The Directors have equal voting rights when making decisions. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Group's expense.

The duties of the Board are partly executed through its committees. The Independent Non-Executive Directors

attend and act as Chairs to relevant committees so that they can contribute to, challenge and influence a range of areas across the business.

The Executive team, comprising the CEO, Group CFO, two CUOs and the Group COO, ensure that the values, strategy and culture align, are implemented and are communicated to employees.

The Directors receive regular updates on new legislation, regulatory requirements and other changes to ensure that they are fully equipped to make decisions about the business. In addition, the Directors update their skills and knowledge of – and familiarity with – the business by meeting with senior management; receiving regular presentations at Board meetings from specific departments or lines of business within the Group; and receiving

externally facilitated training. The Group has a comprehensive induction programme for all new Directors which is tailored according to the specific experience and knowledge of each new Director. This programme provides new Directors with access to all areas of the business and its key individuals. As part of their induction, Directors are briefed on their duties under section 172 of the Companies Act 2006 and can access advice on these areas throughout their tenure from either the Company Secretary or an independent external advisor.

The Board considers the regular reviews undertaken by its function, committees and Directors to be an essential element of good corporate governance and a mechanism for identifying key areas of focus and future improvement and strengthening its overall performance.

## PRINCIPLE 3

### Director Responsibilities

#### Accountability

The Group's governance framework supports the business to make effective decisions. While the Board has overall responsibility and oversight, the Group's governance framework is designed to ensure that key decisions are made by the individuals and committees with the most appropriate knowledge and experience. During 2024, the Board held five meetings, and there is a process by which any significant matters are communicated to the Board outside of its scheduled meetings. The Board receives regular reports on the business, financial performance, operations, and culture and people. The Board's key areas of focus in 2024 are included on page 50. Each Director has a clear understanding of their accountability and responsibilities, which are set out in their Statement of Responsibilities.

Directors, Heads of Departments and underwriting and claims employees are required to complete annual conflicts of interest declarations. These are collated by the Compliance Department, and where there are potential conflicts,

appropriate safeguards and processes are put in place. The Company Secretary receives confirmation of any conflicts of interest from all members ahead of each Audit, Risk and Board meeting. In addition, there is a process in place for the Non-Executive Directors to disclose any potential conflicts to the Chair, CEO and Company Secretary.


#### Committees

The Board has delegated a number of responsibilities to its committees (Audit; Group Data Protection, Risk, Capital and Compliance; Remuneration; Nomination; Investment; Executive Underwriting and Monitoring; and Sustainability). Each committee has defined areas of responsibility which are set out in their terms of reference. The remit and responsibilities of the Board's committees are set out on pages 58–61. A review of the governance structure was undertaken during 2024, and changes to the governance structure and composition of the Board committees and sub-committees were recommended to and approved by the Board.

### Integrity of information

On a quarterly basis, the Board receives information on all key aspects of the business, including financial and underwriting performance; pricing and market conditions; strategic initiatives; compliance; claims; operational matters; and risk, capital and governance. These reports are supported by key performance and key risk indicators.

Key financial information is collated from the Group's various accounting systems. The Group's Finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Statutory financial information is externally audited by PwC on an annual basis, and financial controls are reviewed by the Group's Internal Audit function. Other key information is prepared by each relevant internal function, and Internal Audit reviews processes for collecting data from the various systems, including underwriting and claims, as well as the reporting of that data, on a cyclical basis.



The Group has an internal controls system which is designed to provide assurance that the information reported is accurate, reliable and compliant with applicable laws and regulations, and that its operations are effectively controlled. The Group's internal controls system is reviewed annually as part of the programme of internal controls testing, which is undertaken by the International Internal Audit Department.

The Board has delegated its responsibility for maintaining and monitoring the effectiveness of the system of internal financial controls and internal controls to the Audit Committee, which receives regular reports from the International Internal Audit Department.

The Chair and Company Secretary are responsible for ensuring that Directors receive accurate, timely and clear information. To ensure that adequate time is available for Board discussion and to enable informed decision-making, briefing papers are prepared and circulated to Directors a week prior to scheduled Board meetings.

## PRINCIPLE 4

### Opportunity and Risk

#### Opportunity

The Board pursues opportunities while mitigating risk. Strategic opportunities (both near-term and long-term) are identified and highlighted in the Group's Strategic Business Plan, which is presented to the Board annually. The Group considers opportunities drawn from the business as well as those that align with the Group's strategy.

#### Risk and responsibilities

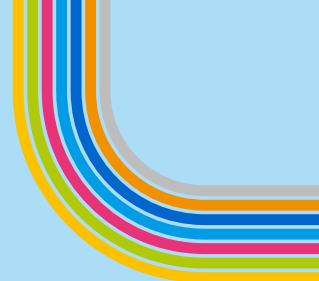
The Group believes that a strong, effective and embedded ERM framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. A strong risk culture helps to achieve this, together with rigorous and consistent risk management that is embedded across the Group. This is embodied by management at all levels through its governance structure and risk management practices.

The Board has ultimate responsibility for ensuring the Group has a robust ERM and internal control framework in place, and regularly reviews its principal risks, mitigations and overall risk appetites. Certain risk management activities are delegated to the level that is the most appropriate for overseeing and managing the risks.

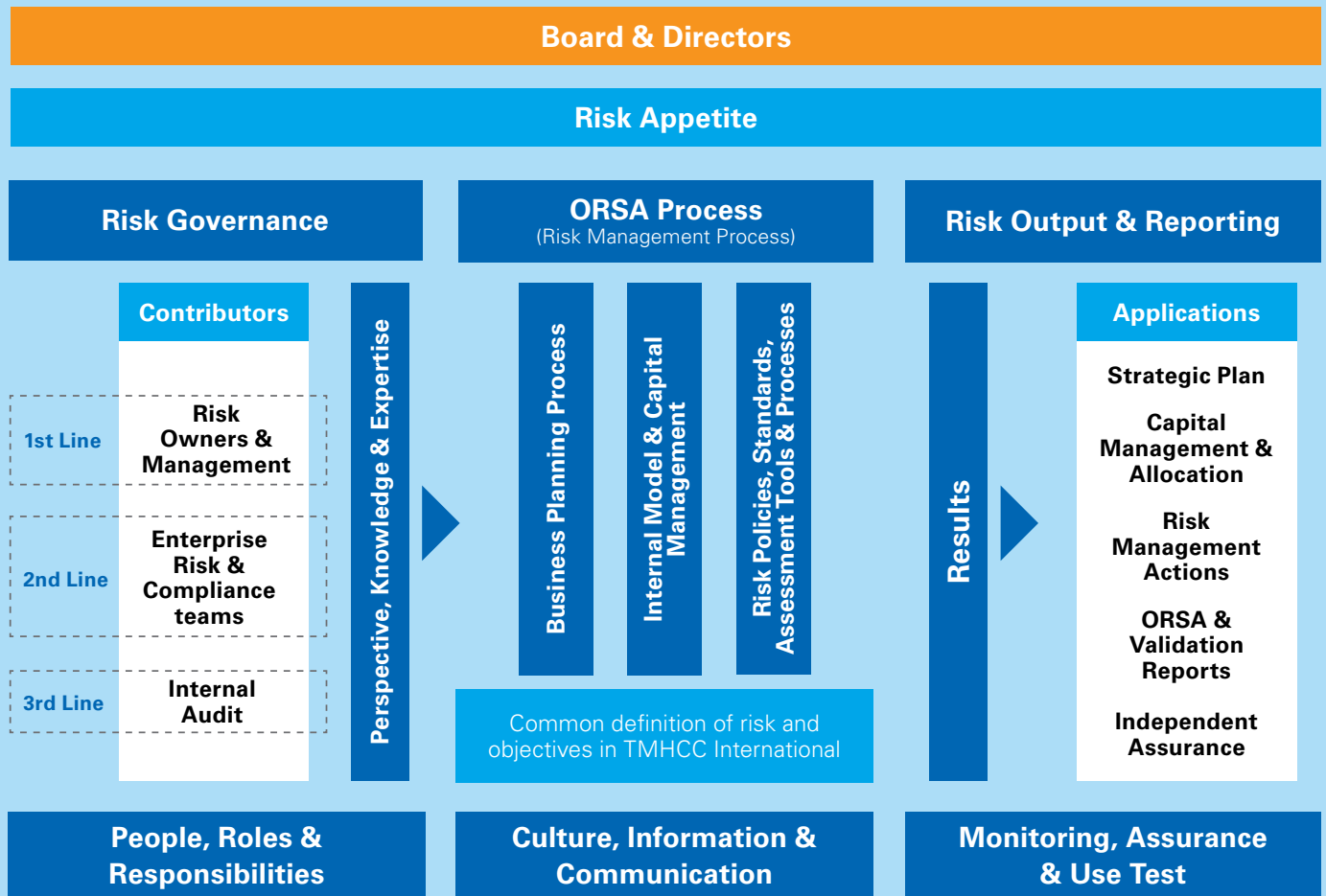
The Group's principal risks, uncertainties and mitigations are set out on pages 40–43. The Board accepts that the Group's business operations cannot be risk-free; therefore, the ERM framework is designed to manage risk to a desired level and minimise the adverse effects of any residual risk, rather than to entirely eliminate it.

The Group operates a 'three lines of defence' risk governance framework that clearly defines the roles and responsibilities of those involved:

1. Risk owners and senior management.
2. Key functions responsible for risk oversight and risk guidance, including the International Compliance and Enterprise Risk Departments and the Risk, Capital and Compliance Committee.
3. Internal Audit provides independent assurance to the Board and senior management on the effectiveness of risk management processes.



The diagram below illustrates the Group’s ERM framework, demonstrating how risk appetite, risk governance, risk management, risk output and reporting interact with one another.



**Risk Appetite** – the level of business risk the Group will take in order to achieve the strategic objectives. The Group has established risk appetite statements which provide assurance that the Group is able to manage or absorb the impact of a risk in the event it materialises.

**Risk Governance** – includes risk policies and procedures, Risk and Capital Management Committees, and roles and responsibilities (three lines of defence).

**Risk Management** – the processes used to identify, measure, manage, monitor and report risks (including the internal capital model) as well as those used for stress- and scenario-testing are designed to enable dynamic risk-based decision-making and effective day-to-day risk management.

The Risk, Capital and Compliance Committee leads detailed discussions on principal and emerging risks on behalf of the Board and recommends to the Board the approval of the ERM framework, including risk limits, appetites and tolerances.

Risks transition from the emerging risk radar to the live risk tracker as they become more likely to affect the Group’s strategic objectives. Risks then transition to the risk register when the risk is near to crystallising and requires formal monitoring and the establishment of a risk control framework.

**PRINCIPLE 5****Remuneration**

The Group has a Remuneration Policy in place providing a framework for remuneration that rewards performance and attracts, retains and motivates employees to achieve the Group's business objectives while being consistent with its risk appetites and long-term strategy.

The Remuneration Committee has clearly defined terms of reference and is chaired by an Independent Non-Executive Director. The Committee is responsible for reviewing the ongoing appropriateness of the Remuneration Policy and for approving remuneration arrangements for all employees. Salaries of all Group employees are aligned to the performance of the business and market conditions, with bonuses driven by a combination of personal and long-term business performance.

The Group promotes a diverse and inclusive workplace, and an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely on work criteria and individual merit. As detailed in the People section on pages 32–33, the Group has taken steps to further strengthen its D&I Strategy and publishes its gender pay reporting information on its website.

**PRINCIPLE 6****Stakeholder Relationships and Engagement**

The Board understands that effective corporate governance and communication are vital to the Group's continued success and its stakeholder relationships. The Group's strategy is aligned with its purpose of ensuring that its product offering and diversified portfolio of business will continue to meet the needs of its customers while delivering sustainable long-term growth for its shareholders.

The Group is aware of its broader impact on its stakeholders, including its employees, the environment, its customers and the communities in which it operates, and regularly considers the Group's relationship with its various stakeholder groups. The Group applies the core principles of the Good Company vision, and to support its approach to being a sustainable and responsible business has established a sustainability governance structure to support its activities. Details of its sustainability initiative, and other initiatives, can be found in the following sections: Good Company approach, charity and community, People, Business conduct and ethics and Climate risk on pages 28–36.

The Board ensures it has effective relationships with all stakeholders through ongoing dialogues that are open, co-operative and transparent. Examples can be found in the table within the section 172(1) statement on pages 51–56, which provides details of the Group's main stakeholders and some of the engagement that has taken place with them at an operational or Board level during the year.

On behalf of the Board

**B J Cook**  
**Chief Executive Officer**

Registered in England and Wales at

1 Aldgate  
London EC3N 1RE  
Company number 01575839

3 April 2025

# Directors' Report

The Directors present their Directors' Report and the audited accounts of the Group for the year ended 31 December 2024.

The Directors' Report is set out on pages 67–69. Additional information is incorporated into this Directors' Report by reference and should be read as part of it, including information required by the Companies Act 2006, which is contained in the Corporate Governance Statement on pages 62–66 and in the Strategic Report set out on pages 6–9.

## Strategic Report

The Group is required to produce a fair, balanced and comprehensive review of the Group's business for the financial year. The Strategic Report details the Group's business structure, strategy and business model on pages 2–5, a description of the principal risks and uncertainties on pages 40–43 and a review of the Group's activities and the position of the Group at 31 December 2024, as well as its prospects for the future, on pages 26–28.

## Board of Directors

The Directors of the Group set out below have held office from 1 January 2024 to the date of this report unless otherwise stated:

- A M Baker (resigned 30 September 2024)
- D S Burke (appointed 5 June 2024)
- S A Button
- B J Cook (CEO)
- N Dattilo (appointed 17 July 2024)
- P Engelberg
- T J G Hervy
- D Inoue (appointed 17 July 2024)
- K L Letsinger (resigned 31 December 2024)
- N C Marsh (Non-Executive Chair)
- H Mishima (resigned 4 April 2024)
- J M O'Neill (appointed 12 March 2025)
- C Scarr (Non-Executive)
- K Shimizu (resigned 4 April 2024)
- K Takahiro (appointed 27 August 2024)
- G R A White

## Indemnification of Directors and Directors' and Officers' insurance

The Directors have the benefit of an indemnity provision contained in the Group's articles of association, and to the extent permitted by law, the Group may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office.

Throughout the financial year, the Group has maintained Directors' and Officers' liability insurance as defined by section 236 of the Companies Act 2006.

## Conflicts of interest

The Board has a comprehensive procedure for reviewing and (as permitted by the Companies Act 2006 and the Group's articles of association) approving actual and potential conflicts of interest. Directors have a duty to notify the Chair and Company Secretary as soon as they become aware of actual or potential conflict situations.

## Financial instruments

Information on the use of financial instruments by the Group and its management of financial risk is disclosed in Note 5 to the accounts. The Group's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Group's exposure to cash flow risk is addressed under the headings of 'Credit Risk', 'Liquidity Risk' and 'Market Risk'.

## Independent auditors and disclosure of audit information

Following a competitive tender process Deloitte have been recommended by the Board to be appointed as auditor of the Company with effect for the year ending 31 December 2025 replacing PricewaterhouseCoopers LLP (PwC), who have been the Group's auditor since 2004. Accordingly PwC will not be seeking re-appointment and are expected to resign as auditor after completion of the audit for the year ending 31 December 2024.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and consolidated accounts and accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the accounts in accordance with UK GAAP (Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law).

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

- select suitable accounting policies and then apply them consistently
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the accounts
- make judgements and accounting estimates that are reasonable and prudent
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Group and HCCII will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and HCCII and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and HCCII's transactions and disclose with reasonable accuracy at any time the financial position of the Group and HCCII and enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

## Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Going concern

The Group's business activities, together with the factors likely to affect its future development performance and position, are set out in the Strategic Report.

In light of the above, the Directors concluded that there were no material uncertainties that would cast doubt on the ability of the Group to continue as a going concern for at least 12 months from the date of approval of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

## Share capital

HCCII's issued share capital as at the date of this Directors' Report comprises a single class of 96,047,813 Ordinary Shares of £1.00 each and 70,197,001 Ordinary Shares of \$1.00 each.

## Voting

Each Ordinary Share of HCCII carries one vote.

## Substantial shareholding

At the date of this Directors Report the shareholder with 100% shareholding in the Group was Tokio Marine HCC Insurance Holdings (International) Limited.

## Dividends

The Group paid a final dividend of \$190 million during the year ended 31 December 2024 in respect of the financial year ended 31 December 2023 (2023: \$nil). The Directors recommend a final dividend of 161 US Cents per ordinary share for the year ended 31 December 2024. Subject to approval by shareholders of the recommended final dividend, the dividend to shareholders for the year ended 31 December 2024 will total \$268 million (2023: \$190 million). If approved, HCCII will pay the final dividend on 25 June 2025 to shareholders on the register of members at 8 April 2025.

## Post balance sheet events

There are no significant post balance sheet events to be disclosed.

On behalf of the Board

**J L Holliday**  
**Company Secretary**

Registered in England and Wales at  
1 Aldgate, London EC3N 1RE  
Company number 01575839  
3 April 2025

# **Independent Auditors' Report**

# Independent auditors' report to the members of HCC International Insurance Company PLC

## Report on the audit of the financial statements

### Opinion

In our opinion, HCC International Insurance Company PLC's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2024; the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Shareholders' Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 9, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

## Our audit approach

### Context

HCC International Insurance Company plc (the 'Company') and its subsidiaries (the 'Group') is a general insurance group located in the United Kingdom and Continental Europe. Our work to address the audit risks that are inherent to the business is supported by our in-house specialists, with our approach consisting of a blend of controls and substantive testing.

### Overview

| Audit scope   | Key audit matters   | Materiality  |
|---|---|--|
| <ul style="list-style-type: none"> <li>We performed full-scope audit procedures over the Company and the material component Tokio Marine Europe S.A (TME); and</li> <li>We identified certain other operations where account balances were significant by virtue of materiality in size or audit risk. These balances were scoped into our audit through specified procedures.</li> </ul> | <ul style="list-style-type: none"> <li>Valuation of claims incurred but not reported ('IBNR') reserves and the associated reinsurers' share of claims IBNR reserves (Group and Company).</li> </ul> | <ul style="list-style-type: none"> <li><b>Overall group materiality:</b> \$14,860,000 (2023: \$12,590,000) based on 1% of Change in Combined Operating Ratio excluding other technical income ('COR').</li> <li><b>Overall company materiality:</b> \$11,620,000 (2023: \$9,577,000) based on 1% of Change in Combined Operating Ratio excluding other technical income ('COR').</li> <li><b>Performance materiality:</b> \$11,145,000 (2023: \$9,442,000) (Group) and \$8,710,000 (2023: \$7,182,000) (Company).</li> </ul> |

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Valuation of claims incurred but not reported ('IBNR') reserves and the associated reinsurers' share of claims IBNR reserves (Group and Company)</b></p> <p>Valuation of claims incurred but not reported ('IBNR') reserves and the associated reinsurers' share of claims IBNR reserves (Group and Company) Refer to Notes 4(i) and 20 to the Group's financial statements and Note 9 to the Company's financial statements for disclosures of related policies and balances. Claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves are a subset of 'claims outstanding' within technical provisions, and they represent significant accounting estimates in the financial statements.</p> <p>As at 31 December 2024, the value of the Group's claims IBNR reserves and the associated reinsurers' share of IBNR reserves is \$1,442 million and \$534 million respectively. These estimates are included within technical provisions – gross claims outstanding of \$2,444 million and the reinsurers' share of claims outstanding of \$975 million respectively as set out in Note 20. As at 31 December 2024, the value of the Company's claims IBNR reserves and the associated reinsurers' share of IBNR reserves is \$1,042 million and \$220 million respectively. These estimates are included within technical provisions – gross claims outstanding of \$1,042 million and the reinsurers' share of claims outstanding of \$220 million respectively as set out in Note 9 Technical Provisions – Company.</p> <p>The methodologies and assumptions used by the directors to estimate the Group and Company claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves involves a significant degree of judgement. We consider the key drivers of this risk to be as follows:</p> <ul style="list-style-type: none"> <li>• The judgements and assumptions used in significant areas of uncertainty;</li> <li>• The consistency of management's approach from year-to-year;</li> <li>• The impact of the current economic and rating environment;</li> <li>• Assessment and development of large and catastrophic losses; and</li> <li>• The judgements and assumptions used when determining IBNR.</li> </ul> | <p>For the largest and most uncertain classes of business we utilised our actuarial specialists to independently estimate gross claims reserves, and used net to gross ratios to estimate net claims reserves.</p> <p>Our actuarial specialists used either of these methods to test gross (and net) claims IBNR reserve:</p> <ul style="list-style-type: none"> <li>• Independent projections; and</li> <li>• Key indicator testing.</li> </ul> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluated and tested the design and operational effectiveness of relevant controls in place;</li> <li>• Identified the key steps where actuarial or management judgement was required in the reserving process, e.g. assessed the difference between the best estimate and the final booked estimate, and any margins set above the best estimate;</li> <li>• Examined the reasonableness of the initial expected loss ratio selections for the 2024 underwriting year;</li> <li>• Assessed the development of prior year claims estimates, management's assessment of estimation uncertainty and any indication of management bias;</li> <li>• Examined conclusions regarding catastrophes and large losses to determine whether the estimate has been booked appropriately; and</li> <li>• Compared the results of our work to management's booked estimate on a legal entity basis.</li> </ul> <p>Based on the work performed and the evidence obtained we consider the methodologies and assumptions used to calculate the gross and net IBNR reserves to be appropriate.</p> |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Using the outputs from our risk assessment, along with our understanding of the Group, we scoped our audit based on the significance of the results and financial position of individual components relevant to the Group result and financial position. In doing so, we also considered qualitative factors and ensured we had obtained sufficient coverage across all financial statement line items in the consolidated financial statements. Our scoping provided us with coverage of over 90% of Group profit before tax, and over 95% of Group total assets. Based on the outputs of our audit scoping exercise, we identified the Group's components to be the Company and its subsidiaries. We performed a full-scope audit of the Company and its insurance subsidiary undertaking, Tokio Marine Europe S.A, as they had the most significant impact on the consolidated financial statements. For the remaining components, we identified certain account balances which were considered to be significant in size or audit risk and scoped the audit to include detailed testing of

these account balances. As the Group engagement team, we determined the level of involvement required by other auditors to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We exercised oversight over the work performed by other auditors by maintaining regular and timely communication, including performing video-calls, discussions, review of working papers and written communications as appropriate.

### The impact of climate risk on our audit

We have made enquiries of management (both within and outside of the Group's and Company's finance function) to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's and the Company's financial statements and support the disclosures made within the notes to the financial statements. The key areas where management has evaluated that climate change has a potential to impact the business are in relation to physical risk, transitional risk and liability risk. Management considers that the impact of climate change does not give rise to a material financial statement impact.

Our knowledge of the Group and the Company was applied to evaluate management's assessment of the

impact on the financial statements. An evaluation was performed of the completeness of management's assessment of climate change risk under the categories of physical risk, transition risk and liability risk and how these may affect the consolidated financial statements and the audit procedures performed. As part of this, we have reviewed the Board and the TMHCC International Sustainability Committee meeting minutes and read submissions to regulators. The risks of material misstatement to the Group's and the Company's financial statements as a result of climate change were assessed and it was concluded that for the year ended 31 December 2024, there was no impact on the key audit matters or the assessment of the risk of material misstatement.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|  | Financial statements – Group   | Financial statements – Company   |
|--|--|--|
| <b>Overall materiality</b>             | \$14,860,000 (2023: \$12,590,000).   | \$11,620,000 (2023: \$9,577,000).  |
| <b>How we determined it</b>            | 1% of Change in Combined Operating Ratio excluding other technical income ('COR')  | 1% of Change in Combined Operating Ratio excluding other technical income ('COR')  |
| <b>Rationale for benchmark applied</b> | In determining materiality, we considered financial metrics which we believe relevant to the primary users of the Group's and the Company's financial statements. We concluded that the COR was the most relevant benchmark as it provides an indicator of relative performance and is a focus of the directors. | In determining materiality, we considered financial metrics which we believe relevant to the primary users of the Group's and the Company's financial statements. We concluded that the COR was the most relevant benchmark as it provides an indicator of relative performance and is a focus of the directors. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$6,630,000 and \$11,620,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature

and extent of our testing of account balances, classes of transactions and disclosures, for example, in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to \$11,145,000 (2023: \$9,442,000) for the Group financial statements and \$8,710,000 (2023: \$7,182,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$743,000 (Group audit) (2023: \$629,500) and \$580,000 (Company audit) (2023: \$478,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and assessing the reasonableness of the Directors' assessment, taking into consideration the Group's and the Company's year-end investment portfolio and its exposure to certain types of assets, cash flows and liquidity analysis and operational resilience;
- Considering management's assessment of the regulatory solvency coverage and liquidity position;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern;
- Inquiring and auditing actions taken by management to mitigate the impacts of economic uncertainty including review of Risk and Capital Management Committee minutes and attendance of all Audit Committees; and
- Assessing the appropriateness of disclosure made by management in the Directors' Report regarding the Group's and Company's ability to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority as well as regulatory principles in Luxembourg, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and

regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management override of controls, including manual journals and management bias in accounting estimates in respect of pipeline premiums and insurance claims outstanding. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, internal audit, senior management involved in the Risk and Compliance functions and Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the IBNR component of claims outstanding and pipeline premiums;
- Assessing matters reported on the Group's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with relevant laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users; and

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

## **Appointment**

Following the recommendation of the Audit Committee, we were appointed by the directors on 14 July 2005 to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement is 20 years, covering the years ended 31 December 2005 to 31 December 2024.

### **Philip Watson (Senior Statutory Auditor)**

for and on behalf of  
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory  
Auditors

London

3 April 2025

# Financial statements

# Consolidated Profit and Loss Account and Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2024

| Technical account – general business                                   | Note     | 2024<br>\$'000   | 2023<br>\$'000   |
|--|----------|------------------|------------------|
| <b>Earned premiums, net of reinsurance</b>                             |          |                  |                  |
| Gross premiums written   | 6        | 1,870,045        | 1,783,258        |
| Outward reinsurance premiums   |          | (614,474)        | (638,740)        |
| <b>Net premiums written</b>  |          | <b>1,255,571</b> | <b>1,144,518</b> |
| Change in the gross provision for unearned premiums                    | 20       | (33,585)         | (34,608)         |
| Change in the provision for unearned premiums, reinsurers' share       | 20       | (16,687)         | 5,040            |
| <b>Change in the net provision for unearned premiums</b>               |          | <b>(50,272)</b>  | <b>(29,568)</b>  |
| <b>Earned premiums, net of reinsurance</b>                             |          | <b>1,205,299</b> | <b>1,114,950</b> |
| Allocated investment return transferred from the non-technical account |          | 70,213           | 54,535           |
| Other technical income   | 11       | 16,644           | 15,513           |
| <b>Total technical income</b>  |          | <b>1,292,156</b> | <b>1,184,998</b> |
| <b>Claims incurred, net of reinsurance</b>                             |          |                  |                  |
| Claims paid:   |          |                  |                  |
| – gross amount   |          | (642,277)        | (569,183)        |
| – reinsurers' share  |          | 277,755          | 244,728          |
| <b>Net claims paid</b>   |          | <b>(364,522)</b> | <b>(324,455)</b> |
| Change in the provision for claims:                                    |          |                  |                  |
| – gross amount   | 20       | (111,413)        | (320,599)        |
| – reinsurers' share  | 20       | (32,848)         | 80,050           |
| <b>Change in the net provision for claims</b>                          |          | <b>(144,261)</b> | <b>(240,549)</b> |
| <b>Claims incurred, net of reinsurance</b>                             |          | <b>(508,783)</b> | <b>(565,004)</b> |
| Net operating expenses   | 8        | (456,709)        | (411,017)        |
| <b>Total technical charges</b>   |          | <b>(965,492)</b> | <b>(976,021)</b> |
| <b>Balance on the technical account for general business</b>           | <b>6</b> | <b>326,664</b>   | <b>208,977</b>   |

All results derive from continuing operations.

## Consolidated Profit and Loss Account and Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2024

| Non-technical account   | Note | 2024<br>\$'000 | 2023<br>\$'000 |
|---|------|----------------|----------------|
| <b>Balance on the technical account for general business</b>                      |      | 326,664        | 208,977        |
| <b>Investment Income:</b>   |      |                |                |
| Income from other financial investments   |      | 75,711         | 58,546         |
| Investment expenses and charges   |      | (5,498)        | (4,011)        |
| Unrealised (losses)/gains on financial investments                                |      | (13,449)       | 79,093         |
| Allocated investment return transferred to the general business technical account |      | (70,213)       | (54,535)       |
| Other income  |      | 7,921          | 5,047          |
|   |      | (5,528)        | 84,140         |
| Net foreign exchange loss   | 7    | 6,650          | (6,846)        |
| Other charges   | 10   | (27,447)       | (32,523)       |
| <b>Profit on ordinary activities before tax</b>                                   |      | 300,339        | 253,748        |
| Tax charge on profit/(loss) on ordinary activities                                | 12   | (70,882)       | (62,588)       |
| <b>Profit for the financial year</b>  |      | <b>229,457</b> | <b>191,160</b> |

## Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2024

|  | Note | 2024<br>\$'000 | 2023<br>\$'000 |
|--|------|----------------|----------------|
| Profit for the financial year                  |      | 229,457        | 191,160        |
| Currency translation differences               |      | 149            | 1,899          |
| <b>Total Consolidated comprehensive income</b> |      | <b>229,606</b> | <b>193,059</b> |

The Consolidated Profit and Loss Account and Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

All results derive from continuing operations.

# Consolidated Balance Sheet

As at 31 December 2024

| Assets   | Note | 2024<br>\$'000   | 2023<br>\$'000   |
|--|------|------------------|------------------|
| <b>Intangible assets</b>                           |      |                  |                  |
| Goodwill   | 13   | 62,081           | 69,004           |
| Other intangible assets                            | 13   | 34,214           | 37,824           |
|  |      | 96,295           | 106,828          |
| <b>Investments</b>                                 |      |                  |                  |
| Land and buildings                                 |      | 55               | 55               |
| Other financial investments                        | 14   | 2,512,989        | 2,472,432        |
|  |      | 2,513,044        | 2,472,487        |
| <b>Reinsurers' share of technical provisions</b>   |      |                  |                  |
| Provision for unearned premiums                    | 20   | 200,935          | 227,449          |
| Claims outstanding                                 | 20   | 975,295          | 1,035,873        |
|  |      | 1,176,230        | 1,263,322        |
| <b>Debtors</b>                                     |      |                  |                  |
| Debtors arising out of direct insurance operations |      |                  |                  |
| - Policyholders                                    |      | 23,086           | 23,166           |
| - Intermediaries                                   |      | 288,002          | 327,294          |
| Debtors arising out of reinsurance operations      |      | 352,905          | 297,493          |
| Other debtors                                      | 16   | 118,311          | 48,953           |
|  |      | 782,304          | 696,906          |
| <b>Other assets</b>                                |      |                  |                  |
| Tangible assets                                    | 17   | 8,371            | 7,417            |
| Deposits from third parties                        |      | 124,957          | 183,819          |
| Cash at bank and in hand                           |      | 87,585           | 100,052          |
|  |      | 220,913          | 291,288          |
| <b>Prepayments and accrued income</b>              |      |                  |                  |
| Accrued interest                                   |      | 22,917           | 20,418           |
| Deferred acquisition costs                         | 20   | 161,269          | 153,194          |
|  |      | 184,186          | 173,612          |
| <b>Total Assets</b>                                |      | <b>4,972,972</b> | <b>5,004,443</b> |

## Consolidated Balance Sheet

As at 31 December 2024

| Liabilities  | Note | 2024<br>\$'000   | 2023<br>\$'000   |
|--|------|------------------|------------------|
| <b>Capital and reserves</b>                                      |      |                  |                  |
| Called up share capital  | 18   | 233,242          | 233,242          |
| Share premium  |      | 19,115           | 19,115           |
| Merger reserve   |      | (19,115)         | (19,115)         |
| Currency exchange reserve  |      | (1,271)          | (1,420)          |
| Profit and loss account  |      | 999,720          | 960,263          |
| <b>Total shareholder's equity</b>                                |      | <b>1,231,691</b> | <b>1,192,085</b> |
| <b>Technical provisions</b>                                      |      |                  |                  |
| Provision for unearned premiums                                  | 20   | 769,210          | 765,233          |
| Claims outstanding   | 20   | 2,443,633        | 2,391,382        |
|  |      | 3,212,843        | 3,156,615        |
| <b>Creditors – amounts due within one year</b>                   |      |                  |                  |
| Creditors arising out of direct insurance operations             |      | 32,103           | 43,103           |
| Creditors arising out of reinsurance operations                  |      | 202,778          | 252,832          |
| Other creditors including taxation and social security           | 19   | 39,335           | 46,747           |
| Deposits from third parties                                      |      | 125,024          | 183,890          |
|  |      | 399,240          | 526,572          |
| <b>Accruals and deferred income</b>                              |      |                  |                  |
| Accruals   |      | 80,187           | 75,817           |
| Deferred acquisition costs arising out of reinsurance operations | 20   | 49,011           | 53,354           |
|  |      | 129,198          | 129,171          |
| <b>Total liabilities</b>   |      | <b>4,972,972</b> | <b>5,004,443</b> |

The accounts on pages 80–135 were approved by the Board of Directors and were signed on its behalf by

**J M O'Neill**  
Director

3 April 2025

Company registration number 1575839

The Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2024

| Capital and reserves          | Called up<br>share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Merger<br>reserve<br>\$'000 | Currency<br>exchange<br>reserve<br>\$'000 | Profit<br>and loss<br>account<br>\$'000 | Total<br>equity<br>\$'000 |
|-------------------------------|---|----------------------------|-----------------------------|---|---|---------------------------|
| At 1 January 2024             | 233,242                                 | 19,115                     | (19,115)                    | (1,420)                                   | 960,263                                 | 1,192,085                 |
| Profit for the financial year | -                                       | -                          | -                           | -   | 229,457                                 | 229,457                   |
| Other comprehensive income    | -                                       | -                          | -                           | 149                                       | -                                       | 149                       |
| Dividends paid                | -                                       | -                          | -                           | -   | (190,000)                               | (190,000)                 |
| At 31 December 2024           | 233,242                                 | 19,115                     | (19,115)                    | (1,271)                                   | 999,720                                 | 1,231,691                 |

| Capital and reserves          | Called up<br>share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Merger<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Profit<br>and loss<br>account<br>\$'000 | Total<br>equity<br>\$'000 |
|-------------------------------|---|----------------------------|-----------------------------|-------------------------------|---|---------------------------|
| At 1 January 2023             | 233,242                                 | 19,115                     | (19,115)                    | (3,319)                       | 769,103                                 | 999,026                   |
| Profit for the financial year | -                                       | -                          | -                           | -                             | 191,160                                 | 191,160                   |
| Other comprehensive loss      | -                                       | -                          | -                           | 1,899                         | -                                       | 1,899                     |
| At 31 December 2023           | 233,242                                 | 19,115                     | (19,115)                    | (1,420)                       | 960,263                                 | 1,192,085                 |

The Consolidated Statement of Changes in Shareholders' Equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2024

|   | Note | 2024<br>\$'000 | 2023<br>\$'000 |
|---|------|----------------|----------------|
| <b>Cash inflow from operating activities</b>            | 21   | 285,908        | 29,870         |
| Taxation paid   |      | (106,708)      | (51,128)       |
| Net cash generated from/ (used in) operating activities |      | 179,200        | (21,258)       |
| <b>Cash flow from investing activities</b>              |      |                |                |
| Purchase of tangible assets                             |      | (1,667)        | (844)          |
| Net cash used in investing activities                   |      | (1,667)        | (844)          |
| <b>Cash flow from financing activities</b>              |      |                |                |
| Dividends paid  |      | (190,000)      | -              |
| Net cash used in financing activities                   |      | (190,000)      | -              |
| <b>Net decrease in cash at bank and in hand</b>         |      | (12,467)       | (22,102)       |
| Cash and cash equivalents at the beginning of the year  |      | 100,052        | 122,154        |
| <b>Cash and cash equivalents at the end of the year</b> |      | 87,585         | 100,052        |
| <b>Cash and cash equivalents consist of:</b>            |      |                |                |
| Cash at bank and in hand                                |      | 87,585         | 100,052        |
|   |      | 87,585         | 100,052        |

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

## 1. General information

HCC International Insurance Company plc (HCCII) and its subsidiaries (together the Group) is authorised by the Prudential Regulation Authority (PRA) and regulated by both the Financial Conduct Authority (FCA) and the PRA. The principal activity of HCCII is the transaction of general insurance business in the United Kingdom and Continental Europe where its subsidiary in Luxembourg benefits from the European Union Freedom of Services charter to write business across the European Union member states. The Group operates from a number of offices across the UK and also in Luxembourg, Spain, Ireland, France, Switzerland, Germany, Italy, Belgium, Netherlands and Denmark. HCCII is a private company limited by shares and is incorporated in England. The address of its registered office is 1 Aldgate, London EC3N 1RE.

## 2. Basis of preparation

The consolidated accounts of HCCII have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103') and the Companies Act 2006. The Group accounts have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance groups.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the accounts.

FRS 102 and 103 require financial statement disclosure about the use of certain critical accounting estimates for which management has exercised judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed in Note 4.

## 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A. Basis of consolidation

The consolidated accounts include the accounts of HCCII and all of its subsidiary undertakings for the year ended 31 December 2024.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

HCCII has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

### B. Foreign currency

The Group's functional and presentation currency is US Dollars. For subsidiaries whose functional currency is US Dollars, foreign currency transactions are recorded

using the spot exchange rates at the dates of the transactions into the functional currency. At each period end, foreign currency monetary assets and liabilities are revalued using the closing rate prevailing at that time. For this purpose, all assets and liabilities arising from Insurance contracts (including Unearned premiums and Deferred acquisition costs) are monetary items. Differences arising on the revaluation of foreign currency monetary amounts to the functional currency are recognised in the Non-technical profit and loss account.

For subsidiaries, whose functional currency is not US Dollars the results and financial position are translated into the presentation currency as follows:

- (a) Assets and liabilities are translated at the closing rate at the balance sheet date;
- (b) Income and expenses are translated at the average rate of exchange during the year; and
- (c) All resulting exchange differences are recognised in the Consolidated statement of Other comprehensive income.

## C. Insurance contracts

### i. Classification of insurance

The Group issues insurance contracts that transfer significant insurance risk.

### ii. Insurance transactions

Results are determined on an annual basis whereby the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

### iii. Premiums written

Premiums written relates to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Premiums are presented gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for unreported or pipeline premiums representing amounts due to the Group not yet notified. Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related inwards business.

#### a. Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis.

#### b. Acquisition costs

Acquisition costs, which represent commission and other related expenses incurred in respect of issuing insurance contracts, are deferred over the period in which the related premiums are earned.

#### c. Claims incurred

Claims incurred comprise of claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related loss adjustment expenses, together with any other adjustments to claims for previous years. Where applicable, deductions are made for estimated salvage and other recoveries.

#### d. Claims provisions and related reinsurance recoveries

A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported ('IBNR') to the Group, expenses to be incurred in settling claims and a deduction for expected value of salvage and other recoveries on claims not settled. Whilst the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, given the uncertainty

in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Gross loss provisions are calculated gross of any reinsurance recoveries.

The estimate of claims IBNR is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the insurer where more information about a claim event is generally available. Claims IBNR may not become known to the insurer until many years after the event giving rise to the claim.

Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the Group's processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

Another component of these estimation techniques is the estimation of the cost of notified to the Group but not paid claims. In estimating the cost of these, the Group has regard to the claim circumstance as reported, any information available from loss adjusters where applicable and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis and projected individually, in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

### **Credit, Political Risk and Suretyship, London Market (Marine, Aviation & Transport; Property) and Miscellaneous**

The majority of this business is 'short tail', that is, where claims are usually made during the term of the policy or shortly after the policy has expired. The cost of claims notified to the Group at the balance sheet date is estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous years have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

**Professional Risks (Third party liability) and Financial Lines**

These claims are longer tail than those of the other classes of business described above and so a larger element of the claims provision relates to IBNR. Claims estimates for the Group's Professional Risks and Financial Lines businesses, as with other lines, are derived initially from a combination of loss ratio-based estimates followed after a period of time reflecting the longer tail by estimates based upon actual claims experience. Alternative projection methods may be employed. The initial estimate of the loss ratio is based on the experience of previous years, adjusted for factors such as premium rate changes, claims inflation and market environment. The estimate of claims inflation and anticipated market environment is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract.

**e. Reinsurance**

Reinsurance to cover catastrophe exposed lines or lines with unbalanced line size to premium is purchased on a shared basis for the International insurance entities. Reinsurance premiums on excess of loss programmes are allocated across the International platforms based on gross premiums written. Reinsurance recoveries are allocated based on the share of gross losses suffered by each carrier. To protect the Group on a specific risk basis and to allow it to write larger lines where necessary specific facultative reinsurance is purchased, these reinsurances protect specific risks or lines and so cost and recoveries are attributed to the entity writing the risk in question. Additionally, quota share reinsurance is purchased and allocated across the International platforms to balance line size and premium where it is prudent to do so.

The reinsurers' share of claims incurred in the profit and loss account reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance

liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums'.

**f. Subrogation and salvage**

Recoveries arising out of subrogation or salvage on settled claims are estimated on a prudent basis and included within 'Other debtors'.

**D. Allocated investment return transferred from the non-technical account**

This income represents the total realised and earned net investment return that relates to assets which are held to cover the technical provision and which are transferred from the non-technical account in order to ensure that the technical account reflects all transactions arising from conducting insurance business.

**E. Taxation**

Taxation for the period comprises current and deferred tax recognised in the year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in Other comprehensive income or Equity. In this case tax is also recognised in Other comprehensive income or Equity, respectively.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

Deferred tax arises from timing differences that are differences between taxable profits and Total comprehensive income as stated in the accounts. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in accounts.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax are measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**F. Business combinations and goodwill**

Business combinations are accounted for by applying the purchase method.

**Business combinations**

The Group measures the cost of a business combination as the fair value of the consideration given, plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

**Goodwill**

Goodwill recognised represents the excess of the fair value of the purchase consideration and directly attributable costs over the fair values to the Group's interest in the identifiable net assets and liabilities acquired.

Goodwill is amortised over its expected useful life of 15 years. Goodwill is assessed for impairment annually and any impairment is charged to the profit and loss account immediately. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

**G. Intangible assets**

Intangible assets representing broker relationships and trade brand names are stated at cost less accumulated amortisation. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, which are 15 years. Amortisation and any impairment expense are charged to other charges in the non-technical account. Intangible assets' residual

values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

## H. Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original price and costs directly attributable to bringing the assets to their working condition for their intended use.

### Depreciation

Tangible assets are depreciated from the time when they are available for use and are depreciated on a straight-line basis over their estimated useful lives as follows:

- Owner-occupied buildings  
50 years
- Leasehold improvements  
10 years
- Computer equipment  
3 years
- Fixtures, fittings and office equipment  
5 years

### Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in 'Other charges and other operating expenses'.

## I. Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset and if the recoverable amount is lower an impairment loss is recognised immediately. Impairment in respect of goodwill and intangibles would be presented in non-technical account

in the profit and loss account, and in respect of any other assets it would be presented in the technical account in the profit and loss account.

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account unless the asset has been revalued when the amount is recognised in Other comprehensive income to the extent of any previously recognised revaluation surplus. Thereafter, any remaining impairment loss in respect of goodwill and intangibles would be presented in the non-technical account in the profit and loss account, and in respect of any other assets, it would be presented in the technical account in the profit and loss account.

If an impairment loss is subsequently reversed for assets other than goodwill, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. Any further reversal of an impairment loss is recognised immediately, either in the non-technical or technical account in the profit and loss account depending on where the original impairment loss was booked.

## J. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

A company within the Group also manages claims funds of \$21.2 million on behalf of third-party insurers. These are held in fiduciary accounts. Accordingly, these amounts are not included on the balance sheet of the Group.

## K. Financial instruments

The Group has adopted sections 11 and 12 of FRS 102 relating to fair value hierarchy disclosures and applied the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

## L. Financial assets

The Group classifies its financial assets into the following categories:

- Shares and other variable yield securities – at fair value through profit or loss;
- Debt securities and other fixed-income securities – at fair value through profit or loss;
- Equity securities – at fair value through profit or loss;
- Real estate investment fund loans – at fair value through profit or loss; and
- Loans and receivables.

Management determines the classification of its investments at initial recognition.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell in the short term or that it has designated at fair value through

profit or loss. Loans and receivables are initially recognised at transaction price, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently measured at amortised cost using the effective interest rate method. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as prudent having regard to the likely realisable value.

#### **Fair value through profit or loss**

Financial assets designated at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis (see Note M below for measurement policy). Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to predominantly invest in fixed interest rate debt securities.

The fair values of financial assets traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active 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.

The fair values of financial assets that are not traded in an active market (for example corporate bonds) are established by the Directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants. Net gains or losses arising from changes in the fair value of financial assets designated at fair value through profit or loss are presented in the profit and loss account within 'unrealised gains on financial investments' or 'unrealised losses on financial

investments' in the period in which they arise.

The fair values of real estate investment fund loans are provided quarterly by the fund manager based on modelling earnings results of comparable property loan assets under current market conditions.

#### **M. Valuation of fair value assets**

FRS 102 defines the disclosure of fair value assets levels as follows:

- Level 1 – Inputs are based on quoted prices in active markets.

These financial instruments are traded in active markets whose fair value is based on quoted bid prices at the balance sheet date.

- Level 2 – Recent transactions in an identical or similar asset in the absence of quoted prices in active markets at the balance sheet date or are derived from or corroborated by observable market data.

The Group's Level 2 investments include its fixed maturity securities, which consist of US Government agency securities, foreign government securities, municipal bonds (including those held as restricted securities), corporate debt securities, bank loans, middle market senior loans, foreign debt securities, and mortgage-backed and asset-backed securities (including collateralized loan obligations).

The Group measures fair value for the majority of its Level 2 investments using matrix pricing and observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures. The Group measures fair value for its structured securities using observable market data in cash flow models.

The Group is responsible for the prices used in its fair value measurements and uses independent pricing services to assist itself in determining fair value of all of its Level 2 investments. The

pricing services provide a single price or quote per security. The Group uses data provided by the Group's third-party investment managers to value its Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Group performs various quantitative and qualitative procedures, including:

- 1) evaluation of the underlying methodologies;
- 2) analytical review of the Group's fair values against current market prices; and
- 3) comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

No markets for the Group's investments were judged to be inactive at period end. Based on these procedures, the Group did not adjust the prices or quotes provided by its independent pricing services, third-party investment managers, as of 31 December 2024 or at 31 December 2023.

- Level 3 – use of a valuation technique where there is no market of other transactions which is a good estimate of fair value.

These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such are Level 2 securities is impractical. That fair value is established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. At present, the Group has Level 3 securities in the form of investment in a real estate investment fund. The real estate investment fund is carried at

net asset value. Changes in the net asset value are included in unrealised gains/(losses) on investments.

## N. Impairment of financial assets

For financial assets not at fair value, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether

objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, then it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account for the period. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the profit and loss account for the period.

Financial liabilities are creditors and

are recognised initially at fair value, net of directly attributable transaction costs.

## O. Investment return

Interest income from loans and receivables is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established. Rental income and investment expenses are accounted for on an accruals basis.

Realised gains and losses on investments classified at fair value through the profit and loss account are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments classified at fair value through the profit and loss account represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account for the earned investment income and realised returns on investments supporting the insurance technical provisions and related shareholders' funds.

## P. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

## Q. Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the accounts in the period in which the dividends and other distributions are approved by the shareholders and declared as payable. These amounts are recognised in the statement of

changes in equity.

#### R. Share premium

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received in exchange for these shares.

#### S. Merger reserve

Merger reserve arose as a result of a merger between a subsidiary of the Group and a business within the TM Group which was accounted for under the merger accounting method. The valuation of the business within the TM Group was performed in collaboration with an independent expert together with management reforecasts and was determined based on accepted valuation approaches resulting in an equity value of the business of \$19.1m, equivalent to the share premium of HCCII on merger (see Note 3 (R)).

### 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

#### Significant estimate assumptions in applying accounting policies

Estimation of the ultimate net claims incurred from the issuance of insurance contracts involves assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### I. The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims made under insurance contracts is the

Group's most critical accounting estimate. The carrying amount of the claims outstanding, net of reinsurance, is \$1,468.3m (2023: \$1,355.5m), see Note 20 for net claims outstanding. There are many sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advice, experience of development of similar claims, historical experience, case law, and legislative and judicial actions.

Full analyses of reserves take place at least annually. During the full analyses, attritional claims and large losses gross and net of reinsurance are projected to ultimate using the following four standard actuarial methods: Paid Chain Ladder, Incurred Chain Ladder, Incurred Bornhuetter-Ferguson and Loss Ratio method. The method selected depends on the accident or underwriting year, gross or net of reinsurance perspective and the line of business. Generally, for more developed years, the Incurred Chain Ladder is used and for less developed years, the Incurred Bornhuetter-Ferguson method is used. For the years where the Incurred Bornhuetter-Ferguson or Loss Ratio method is used, the ultimate claim projected is sensitive to the Initial Expected Ultimate Loss Ratio assumption (also referred to as the 'prior loss ratio' assumption).

The most significant assumptions made relate to the level of future claims, the amount of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the accounts for the

period in which the adjustments are made. The methods used and the estimates made are reviewed regularly. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome. See Note 5.1 (iv) for loss development triangles.

#### II. Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date.

If quoted prices are unavailable, observable prices for recent arm's-length transactions for an identical asset are used to determine its fair value and classified as Level 2. The carrying value of these Level 2 instruments is \$2,329.7m (2023: \$2,306.3m); see Note 15 and Note 3(M) for measurement policy. The Group uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### III. Pipeline premium

The Group makes an estimate of premiums written on a policy-by-policy basis. Pipeline premium is the difference between estimated premium and booked premium. For the majority of lines written, premium is adjusted to equal booked premiums two years post expiry of cover. Pipeline premium is recorded within gross written premium and an assessment is made of the related unearned premium provision and an estimate of claims IBNR in respect of the earned element. The pipeline premium included within net written premium for the year is \$323.7m (2023: \$281.0m).

### 5. Risk management

The Group has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance

with its risk appetite. The Group maintains a risk register and categorises its risks into seven areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit; Liquidity; and Sustainability. The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk. The disclosures set out in this note have been presented at the Group level. HCCII disclosures are included within the notes to the company accounts.

## 5.1 Insurance risk

The Group's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from the Group's assumption of this risk due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance purchasing, claims management and reserving. Each element is considered below.

### i. Underwriting risk

Underwriting risk relates to the potential claims arising from inadequate underwriting. There are four elements that apply to all insurance products offered by the Group:

- **cycle risk** – the risk that business is written without full knowledge as to the (in) adequacy of rates, terms and conditions;
- **event risk** – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- **pricing risk** – the risk that the level of expected loss is understated in the pricing process; and
- **expense risk** – the risk that the allowance for expenses and inflation in pricing is inadequate.

The Group manages and models these four elements in the following three categories:

attritional claims, large claims and catastrophe events.

The Group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

To manage underwriting exposures, the Group has developed limits of authority and business plans which are binding upon all staff and third parties authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and rigorous peer and external review processes are in place.

Rate monitoring, including risk-adjusted rate change and adequacy against benchmark rates, is recorded and reported.

The annual corporate budgeting process comprises a three-year plan which incorporates the Group's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The plan is approved by the directors and monitored by the underwriting committees on a monthly basis or quarterly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions, and acquisition expenses using rating and other models.

The Group also recognises that insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Group sets out its risk appetite (expressed as Probable Maximum Loss estimates 'PML' and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which the Group is exposed.

The Group uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, the Group measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The Group's catastrophe risk appetite set by the directors is limited to a gross PML aggregate of no more than 200% of capital and for a probability of gross catastrophe event exceeding 50% of capital of less than 1%. Additionally, the appetite for non-modelled risk and other potential non-natural catastrophe perils is included within the catastrophe appetites noted above.

The Group continues to monitor developing risk events. These include: 1) actual or potential geopolitical tensions around the world including Russia-Ukraine, Israel-Hamas and China-Taiwan; and 2) the increasing speed of technological advancement, such as the rising profile surrounding generative AI and the use of deepfakes being used to spread misinformation, which raises global security threat levels in an already volatile geographical climate. Regarding the current conflicts between Russia-Ukraine and Israel-Hamas, the impact on the Group continues to be limited, with only a few classes of business having direct exposure. The main indirect exposure has been market volatility driven by the continuing economic impacts arising from these situations. However, the Group's cautious investment strategy, long-term focus and a general policy of holding investments to maturity mean that the current state of affairs is unlikely to cause any material long-term issues from an investment perspective. Other indirect exposures are limited by the Group's robust operational frameworks. The impact of the conflicts on future business is expected to remain limited.

## ii. Reinsurance risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid

claim is considered a credit risk, which is detailed in the credit risk section. See Note 5.5.

The purchase of reinsurance is a key tool utilised to manage underwriting risk. The Group's reinsurance programme is comprised of excess of loss cover, facultative insurance and quota share cover which may be over placed to protect against reinstatement costs. Prior to placement of the programme, it is modelled against significant historical and modelled events across the peak exposure areas. The programme is purchased on a class of business basis, modelling catastrophe, large and attritional losses separately.

Consideration is given to a number of factors when setting minimum retention including the Annual Aggregate Loss (AAL) for catastrophe-exposed lines. Where market opportunity allows, additional reinsurance is purchased. A TMHCC Group reinsurance approval committee examines and approves all reinsurers to ensure that they possess suitable security. The Group's reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates the Group's responses to any erosion of the reinsurance programmes.

## iii. Claims management risk

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group's brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claim life cycle.

The Group's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment and the business' broader interests. Prompt and accurate case reserves are

set for all known claims liabilities, including provisions for expenses as soon as a reliable estimate can be made of the claims liability.

## iv. Reserving risk

Reserving risk occurs within the Group where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

The objective of the Group's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The Group's reserving process is governed by the IBNR Committee, a subcommittee of the Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves gathering information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates (described in further detail below) and management's best estimate of IBNR is recorded. It is the policy of the Group to carry, at a minimum, the actuarial best estimate. It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing.

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year are presented below for the Group and give an indication of the accuracy of the Group's estimation technique for claims payments. Data has been translated using 31 December 2024 foreign exchange rates throughout the triangle.

| Loss development triangles – GROSS<br>Ultimate claims and cumulative payments | Accident year  |                |                |                |                |                |                |                |                |                  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|   | 2016<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2024<br>\$'000 | Total<br>\$'000  |
| End of reporting year   | 255,959        | 251,443        | 274,869        | 484,040        | 553,289        | 678,457        | 788,954        | 829,732        | 744,641        |                  |
| - one year later  | 257,187        | 250,614        | 355,440        | 562,026        | 627,188        | 750,086        | 749,710        | 889,775        | -              |                  |
| - two years later   | 250,657        | 268,716        | 357,901        | 584,283        | 620,540        | 723,826        | 713,656        | -              | -              |                  |
| - three years later   | 309,943        | 293,459        | 360,805        | 558,313        | 684,810        | 702,466        | -              | -              | -              |                  |
| - four years later  | 305,265        | 264,975        | 365,662        | 525,413        | 663,585        | -              | -              | -              | -              |                  |
| - five years later  | 317,487        | 249,654        | 401,776        | 535,513        | -              | -              | -              | -              | -              |                  |
| - six years later   | 316,754        | 284,103        | 393,333        | -              | -              | -              | -              | -              | -              |                  |
| - seven years later   | 312,981        | 290,690        | -              | -              | -              | -              | -              | -              | -              |                  |
| - eight years later   | 307,746        | -              | -              | -              | -              | -              | -              | -              | -              |                  |
| Current estimate of ultimate claims   | 307,746        | 290,690        | 393,333        | 535,513        | 663,585        | 702,466        | 713,656        | 889,775        | 744,641        |                  |
| Cumulative payments to date   | 325,467        | 285,269        | 280,622        | 420,990        | 462,570        | 374,485        | 371,849        | 286,141        | 95,833         |                  |
| Liability recognised in the balance sheet                                     | (17,721)       | 5,421          | 112,711        | 114,523        | 201,015        | 327,981        | 341,807        | 603,634        | 648,808        | 2,338,179        |
| Provision in respect of previous years  |                |                |                |                |                |                |                |                |                | 105,454          |
| <b>Total provision included in the balance sheet</b>                          |                |                |                |                |                |                |                |                |                | <b>2,443,633</b> |

| Loss development triangles – NET<br>Ultimate claims and cumulative payments | Accident year  |                |                |                |                |                |                |                |                |                  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|   | 2016<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2024<br>\$'000 | Total<br>\$'000  |
| End of reporting year   | 186,663        | 193,027        | 209,461        | 278,334        | 285,455        | 377,345        | 504,293        | 514,940        | 491,436        |                  |
| - one year later  | 184,404        | 202,780        | 251,409        | 298,394        | 305,945        | 385,124        | 485,157        | 547,976        | -              |                  |
| - two years later   | 176,088        | 203,407        | 258,583        | 273,427        | 312,008        | 366,784        | 476,738        | -              | -              |                  |
| - three years later   | 211,074        | 220,507        | 261,540        | 240,290        | 338,559        | 361,423        | -              | -              | -              |                  |
| - four years later  | 206,985        | 196,287        | 264,769        | 235,000        | 330,276        | -              | -              | -              | -              |                  |
| - five years later  | 219,504        | 191,648        | 286,980        | 239,855        | -              | -              | -              | -              | -              |                  |
| - six years later   | 230,663        | 218,892        | 265,475        | -              | -              | -              | -              | -              | -              |                  |
| - seven years later   | 232,407        | 219,751        | -              | -              | -              | -              | -              | -              | -              |                  |
| - eight years later   | 232,573        | -              | -              | -              | -              | -              | -              | -              | -              |                  |
| Current estimate of ultimate claims   | 232,573        | 219,751        | 265,475        | 239,855        | 330,276        | 361,423        | 476,738        | 547,976        | 491,436        |                  |
| Cumulative payments to date   | 219,252        | 218,463        | 226,184        | 220,419        | 221,945        | 194,361        | 228,709        | 181,896        | 67,680         |                  |
| Liability recognised in the balance sheet                                   | 13,321         | 1,288          | 39,291         | 19,436         | 108,331        | 167,062        | 248,029        | 366,080        | 423,756        | 1,386,594        |
| Provision in respect of previous years                                      |                |                |                |                |                |                |                |                |                | 81,744           |
| <b>Total provision included in the balance sheet</b>                        |                |                |                |                |                |                |                |                |                | <b>1,468,338</b> |

## 5.2 Strategic, regulatory and group risk

The Group manages strategic, regulatory and group risks together. Each element is considered below:

### i. Strategic risk

This is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy. Where an event exceeds the Group's strategic plan, this is escalated at the earliest opportunity through the Group's monitoring tools and governance structure.

On a day-to-day basis, the Group's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Group as a whole.

### ii. Regulatory risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Group are subject to legal and regulatory requirements within the jurisdictions in which it operates, and the Group's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk, which is owned by the finance team.

### Capital management

The Group estimates its economic capital requirements using an internal model (the Economic Capital Model (ECM)) which, the directors believe, is the most appropriate tool

to determine the Group's medium-term capital needs. Additionally, the PRA's Solvency UK Standard Formula Solvency Capital Requirement (SF SCR) is used as the measure for required regulatory capital for the Group and HCCII. The Board has reviewed the SF SCRs against the ECMs and has concluded that the SF SCRs are appropriate. The SF SCRs are measured against the Solvency II Own Funds to monitor solvency ratios. Given the inherent volatility of the SF SCR and Solvency II Own Funds, the Group carried an amount in excess of the regulatory minimum. At 31 December 2024, the Group Solvency II available assets are 484% (2023: 484%) of the regulatory minimum capital requirement and 156% (2023: 144%) of the SF SCR.

### iii. Group risk

Group risk occurs where the business fails to consider the impact of its activities on other parts of the overall Group, as well as the risks arising from these activities. There are two main components of group risk, which are explained below.

#### Contagion

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. HCCII and Group are members of various groups, including TMHCC International, the TMHCC Group and the wider TM Group, and they therefore may be impacted by the actions of any other group company. This risk is managed by operating with clear and open lines of communication across the various groups to ensure all relevant entities are well informed and working to common goals.

#### Reputation

Reputation risk is the risk of negative publicity as a result of the TMHCC Group's or the wider TM Group's contractual arrangements, customers, products, services and other activities. The Group's preference is to minimise reputation risks, but it is not possible or beneficial to avoid them, as the benefits of being part of the Tokio Marine brand are significant.

The Group considers reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

## 5.3 Market risk

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices. Managing investment risk as a whole is fundamental to the operation and development of the Group's investment strategy and is key to the investment of Group assets.

The investment strategy is developed by reference to an investment risk budget, which is reviewed annually by the directors as part of the overall risk budgeting framework of the business. In 2024, the investment risk budget was re-confirmed as the amount of an investment loss, at the 1-in-200 Tail Value at Risk (TVaR) level, and would be no more than the Group's excess capital (above the regulatory minimum).

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis. The Group's ECM includes an asset risk module, which uses an Economic Scenario Generator to create multiple simulations of financial conditions, to support stochastic analysis of investment risk. Internal model output is used to assess potential investment downsides, at different confidence levels, including '1 in 200-year' event, which reflects Solvency UK & II modelling requirements. In addition, the Group undertakes regular scenario tests (which look at shock events such as yield curve shifts, credit spread widening or the repeat of historical events) to assess the impact of potential investment losses.

The Economic Scenario Generator's outputs are regularly validated against actual market conditions, but (as noted above) the Group also uses a number of other qualitative measures to support the monitoring and management of investment risk.

## i. Foreign exchange risk

The Group's functional and reporting currency is US Dollars and, when possible, the Group generally matches currency monetary liabilities (excluding unearned premium and deferred acquisition costs arising out of reinsurance operations) with assets in those same currencies. Excess assets are generally held in US Dollars. The

effect of this on foreign exchange risk is that the Group is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar-denominated positions.

The Group operates in six main currencies: US Dollars; Sterling; Canadian Dollars; Swiss Francs; Australian Dollars; and Euros. Transactions in all currencies are converted to the US Dollars

functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollars spot rate. The following table summarises the carrying value of total assets and total liabilities and net profit, converted to US Dollars, categorized by the Group's main currencies.

| FX risk exposure<br>31 December 2024 | AUD \$<br>\$'000 | CAD \$<br>\$'000 | CHF Fr<br>\$'000 | EUR €<br>\$'000 | GBP £<br>\$'000  | Subtotal<br>\$'000 | USD \$<br>\$'000 | Total<br>\$'000  |
|--------------------------------------|------------------|------------------|------------------|-----------------|------------------|--------------------|------------------|------------------|
| Total assets                         | 102,899          | 5,610            | 47,951           | 1,181,927       | 1,198,304        | 2,536,691          | 2,436,281        | 4,972,972        |
| Total liabilities                    | (107,397)        | (10,401)         | (48,328)         | (1,198,940)     | (1,325,945)      | (2,691,011)        | (1,050,270)      | (3,741,281)      |
| <b>Net (liability)/assets</b>        | <b>(4,498)</b>   | <b>(4,791)</b>   | <b>(377)</b>     | <b>(17,013)</b> | <b>(127,641)</b> | <b>(154,320)</b>   | <b>1,386,011</b> | <b>1,231,691</b> |
| <b>Net profit/(loss)</b>             | <b>7,615</b>     | <b>(756)</b>     | <b>(9,621)</b>   | <b>41,922</b>   | <b>66,625</b>    | <b>105,785</b>     | <b>123,672</b>   | <b>229,457</b>   |

| FX risk exposure<br>31 December 2023 | AUD \$<br>\$'000 | CAD \$<br>\$'000 | CHF Fr<br>\$'000 | EUR €<br>\$'000 | GBP £<br>\$'000  | Subtotal<br>\$'000 | USD \$<br>\$'000 | Total<br>\$'000  |
|--------------------------------------|------------------|------------------|------------------|-----------------|------------------|--------------------|------------------|------------------|
| Total assets                         | 114,987          | 10,817           | 43,514           | 1,229,473       | 1,179,397        | 2,578,188          | 2,426,255        | 5,004,443        |
| Total liabilities                    | (127,095)        | (14,852)         | (34,270)         | (1,288,304)     | (1,355,469)      | (2,819,990)        | (992,368)        | (3,812,358)      |
| <b>Net (liability)/assets</b>        | <b>(12,108)</b>  | <b>(4,035)</b>   | <b>9,244</b>     | <b>(58,831)</b> | <b>(176,072)</b> | <b>(241,802)</b>   | <b>1,433,887</b> | <b>1,192,085</b> |
| <b>Net profit/(loss)</b>             | <b>3,490</b>     | <b>2,221</b>     | <b>(837)</b>     | <b>10,406</b>   | <b>(111,686)</b> | <b>(96,406)</b>    | <b>287,566</b>   | <b>191,160</b>   |

## Sensitivity analysis

Fluctuations in the Group's non-functional currencies against US Dollars, with everything else staying the same, would result in a change to net profit after tax and net asset value. The table below gives an indication of the impact on net profit and net assets of a percentage change in the relative strength of the US Dollar against the value of the Australian Dollar, Canadian Dollar, Swiss Franc, the Euro and Sterling, simultaneously.

| FX risk exposure – sensitivity<br>Change in exchange rate of Canadian Dollar, Australian Dollar, Swiss Franc, Euro and Sterling, relative to US Dollar | Impact on profit after tax |                | Impact on net assets |                |
|--|----------------------------|----------------|----------------------|----------------|
|  | 2024<br>\$'000             | 2023<br>\$'000 | 2024<br>\$'000       | 2023<br>\$'000 |
| US Dollar weakens 30% against other currencies   | 23,801                     | (23,427)       | (46,296)             | (72,541)       |
| US Dollar weakens 20% against other currencies   | 15,868                     | (15,618)       | (30,864)             | (48,360)       |
| US Dollar weakens 10% against other currencies   | 7,934                      | (7,809)        | (15,432)             | (24,180)       |
| US Dollar strengthens 10% against other currencies   | (7,934)                    | 7,809          | 15,432               | 24,180         |
| US Dollar strengthens 20% against other currencies   | (15,868)                   | 15,618         | 30,864               | 48,360         |
| US Dollar strengthens 30% against other currencies   | (23,801)                   | 23,427         | 46,296               | 72,541         |

# 11

## FINANCIAL STATEMENTS

### ii. Interest rate risk

Some of the Group's financial instruments, including cash and certain financial assets at fair value, are exposed to movements in market interest rates.

The Group's investment strategy reflects the nature of the Group's liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following table shows the duration of the financial instruments that are exposed to movements in market interest rates. Duration is a commonly used measure of volatility, and the Group believes this gives a better indication than maturity of the likely sensitivity of the Group's investment portfolio to changes in interest rates. The Investment Committee monitors the duration of these assets on a regular basis.

| Investments and cash – duration<br>31 December 2024 | <1 yr<br>\$'000 | 1–2 yrs<br>\$'000 | 2–3 yrs<br>\$'000 | 3–4 yrs<br>\$'000 | 4–5 yrs<br>\$'000 | 5–10 yrs<br>\$'000 | >10 yrs<br>\$'000 | Non-interest bearing<br>\$'000 | Total<br>\$'000  |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------------------|------------------|
| Variable yield securities                           | 67,917          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 67,917           |
| Debt securities                                     | 254,740         | 277,566           | 270,557           | 556,849           | 298,653           | 600,243            | 77,772            | -                              | 2,336,380        |
| Other investments                                   | -               | -                 | -                 | -                 | -                 | -                  | -                 | 108,692                        | 108,692          |
| <b>Total other financial investments</b>            | <b>322,657</b>  | <b>277,566</b>    | <b>270,557</b>    | <b>556,849</b>    | <b>298,653</b>    | <b>600,243</b>     | <b>77,772</b>     | <b>108,692</b>                 | <b>2,512,989</b> |
| Deposits from third parties                         | 124,957         | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 124,957          |
| Cash at bank  | 87,585          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 87,585           |
| <b>Total</b>  | <b>535,199</b>  | <b>277,566</b>    | <b>270,557</b>    | <b>556,849</b>    | <b>298,653</b>    | <b>600,243</b>     | <b>77,772</b>     | <b>108,692</b>                 | <b>2,725,531</b> |

| Investments and cash – duration<br>31 December 2023 | <1 yr<br>\$'000 | 1–2 yrs<br>\$'000 | 2–3 yrs<br>\$'000 | 3–4 yrs<br>\$'000 | 4–5 yrs<br>\$'000 | 5–10 yrs<br>\$'000 | >10 yrs<br>\$'000 | N/A<br>\$'000  | Total<br>\$'000  |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|----------------|------------------|
| Variable yield securities                           | 65,627          | -                 | -                 | -                 | -                 | -                  | -                 | -              | 65,627           |
| Debt securities                                     | 289,742         | 270,071           | 381,291           | 408,918           | 293,841           | 192,540            | 469,876           | -              | 2,306,279        |
| Other investments                                   | -               | -                 | -                 | -                 | -                 | -                  | -                 | 100,526        | 100,526          |
| <b>Total other financial investments</b>            | <b>355,369</b>  | <b>270,071</b>    | <b>381,291</b>    | <b>408,918</b>    | <b>293,841</b>    | <b>192,540</b>     | <b>469,876</b>    | <b>100,526</b> | <b>2,472,432</b> |
| Deposits from third parties                         | 183,819         | -                 | -                 | -                 | -                 | -                  | -                 | -              | 183,819          |
| Cash at bank  | 100,052         | -                 | -                 | -                 | -                 | -                  | -                 | -              | 100,052          |
| <b>Total</b>  | <b>639,240</b>  | <b>270,071</b>    | <b>381,291</b>    | <b>408,918</b>    | <b>293,841</b>    | <b>192,540</b>     | <b>469,876</b>    | <b>100,526</b> | <b>2,756,303</b> |

## Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the market value of debt securities as well as subsequent interest receipts and payments. This would affect reported profits after tax and net assets as indicated in the table below:

| Investments and cash – interest rate sensitivity<br>Shift in yield (basis points) | Impact on profit after tax |                | Impact on net assets |                |
|---|----------------------------|----------------|----------------------|----------------|
|   | 2024<br>\$'000             | 2023<br>\$'000 | 2024<br>\$'000       | 2023<br>\$'000 |
| 100 basis point increase  | (92,187)                   | (90,681)       | (92,187)             | (90,681)       |
| 50 basis point increase   | (46,809)                   | (45,991)       | (46,809)             | (45,991)       |
| 50 basis point decrease   | 48,135                     | 47,195         | 48,135               | 47,195         |
| 100 basis point decrease  | 97,418                     | 95,506         | 97,418               | 95,506         |

### 5.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

The Group actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. The Group regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of the Group's operational control environment include:

- modelling of operational risk exposures and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative, directive and detective controls within key processes;
- contingency planning; and
- other systems' controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers, including the

recent requirements of Fair Value and Consumer Duty regulations. The Group's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and the Group's Conduct Risk Policy broadly defines conduct risk as "...the risk that detriment is caused to the Group, our customers, clients or counterparties because of the inappropriate execution of our business activities."

The Group therefore seeks at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable UK and international laws and regulations and internal policies and procedures. The Group ensures that this ethos is clearly communicated from the Board of directors downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the Group's compliance function, which undertakes scheduled reviews as part of a comprehensive compliance monitoring schedule.

### Operational resilience

In order to meet the requirements of Operational Resilience, the Operational Resilience Office (ORO) was established in October 2022 with the appointment of the Head of Operational Resilience. The latest annual self-assessment was undertaken in March 2024, with the conclusion that the full implementation of Operational Resilience was on track to meet the regulatory deadline of March 2025. Work since the self-assessment continues to indicate that the conclusion remains valid.

### 5.5 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Group are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Group;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the Group;
- investments – whereby issuer default results in the Group losing all or part of the value of a financial instrument; and

# 11

## FINANCIAL STATEMENTS

- financial institutions holding cash – whereby financial institutions' default results in the Group losing all or part of the value of cash.

The Group's core business is to accept insurance risk and the appetite for other risks is low. This protects the Group's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

The Group limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight

trading with non-approved brokers, and the Group's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for the Group's Investment Managers regarding the type, duration and quality of investments acceptable to the Group to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of the Group's Investment Managers is regularly reviewed to confirm adherence to these guidelines.

The Group has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently, and collateral is taken to mitigate the Group's credit risk exposure. As at 31 December 2024 US\$2,419k (2023: \$1,605k) of collateral was held by the Group. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. The Group's concentrations of credit risk have been categorised by these ratings in the following table.

| Investments, reinsurance assets and cash – credit ratings<br>31 December 2024 | AAA<br>\$'000  | AA<br>\$'000     | A<br>\$'000      | BBB<br>\$'000  | BB<br>\$'000 | Not rated<br>\$'000 | Total<br>\$'000  |
|---|----------------|------------------|------------------|----------------|--------------|---------------------|------------------|
| Variable yield securities   | 67,917         | -                | -                | -              | -            | -                   | 67,917           |
| Debt securities   | 151,945        | 975,054          | 769,538          | 438,403        | 1,440        | -                   | 2,336,380        |
| Other investments   | -              | -                | -                | -              | -            | 108,692             | 108,692          |
| <b>Total other financial investments</b>                                      | <b>219,862</b> | <b>975,054</b>   | <b>769,538</b>   | <b>438,403</b> | <b>1,440</b> | <b>108,692</b>      | <b>2,512,989</b> |
| Reinsurers' share of technical provisions                                     | -              | 648,643          | 494,353          | -              | -            | 33,234              | 1,176,230        |
| Debtors arising out of reinsurance operations                                 | -              | 137,712          | 187,336          | -              | -            | 27,857              | 352,905          |
| Deposits from third parties   | -              | -                | 124,957          | -              | -            | -                   | 124,957          |
| Cash at bank  | -              | -                | 87,585           | -              | -            | -                   | 87,585           |
| <b>Total</b>  | <b>219,862</b> | <b>1,761,409</b> | <b>1,663,769</b> | <b>438,403</b> | <b>1,440</b> | <b>169,783</b>      | <b>4,254,666</b> |

| Investments, reinsurance assets and cash – credit ratings<br>31 December 2023 | AAA<br>\$'000  | AA<br>\$'000     | A<br>\$'000      | BBB<br>\$'000  | BB<br>\$'000 | Not rated<br>\$'000 | Total<br>\$'000  |
|---|----------------|------------------|------------------|----------------|--------------|---------------------|------------------|
| Variable yield securities   | 65,627         | -                | -                | -              | -            | -                   | 65,627           |
| Debt securities   | 165,429        | 871,891          | 800,100          | 459,513        | 9,346        | -                   | 2,306,279        |
| Other investments   | -              | -                | -                | -              | -            | 100,526             | 100,526          |
| <b>Total other financial investments</b>                                      | <b>231,056</b> | <b>871,891</b>   | <b>800,100</b>   | <b>459,513</b> | <b>9,346</b> | <b>100,526</b>      | <b>2,472,432</b> |
| Reinsurers' share of technical provisions                                     | -              | 523,827          | 707,176          | -              | -            | 32,319              | 1,263,322        |
| Debtors arising out of reinsurance operations                                 | -              | 85,147           | 199,703          | -              | -            | 12,643              | 297,493          |
| Deposits from third parties   | -              | -                | 183,819          | -              | -            | -                   | 183,819          |
| Cash at bank  | -              | -                | 100,052          | -              | -            | -                   | 100,052          |
| <b>Total</b>  | <b>231,056</b> | <b>1,480,865</b> | <b>1,990,850</b> | <b>459,513</b> | <b>9,346</b> | <b>145,488</b>      | <b>4,317,118</b> |

The Group's largest counterparty exposure is \$354.9m of US Government securities (2023: \$265.2m).

An ageing analysis of the Group's insurance and reinsurance receivables that are past due at the reporting date is presented below:

| Financial assets – ageing<br>31 December 2024 | Up to 3 months past due<br>\$'000 | 3–6 months past due<br>\$'000 | 7–12 months past due<br>\$'000 | > 1 year past due<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------|
| Insurance debtors                             | 28,529                            | 7,341                         | 4,538                          | 5,695                       | 46,103          |
| Reinsurance debtors                           | 86,227                            | 13,875                        | 39,500                         | 2,059                       | 141,661         |
| <b>Total</b>                                  | <b>114,756</b>                    | <b>21,216</b>                 | <b>44,038</b>                  | <b>7,754</b>                | <b>187,764</b>  |

| Financial assets – ageing<br>31 December 2023 | Up to 3 months past due<br>\$'000 | 3–6 months past due<br>\$'000 | 7–12 months past due<br>\$'000 | > 1 year past due<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------|
| Insurance debtors                             | 51,921                            | 14,037                        | 5,109                          | 6,477                       | 77,544          |
| Reinsurance debtors                           | 13,241                            | 3,618                         | 4,638                          | 2,134                       | 23,631          |
| <b>Total</b>                                  | <b>65,162</b>                     | <b>17,655</b>                 | <b>9,747</b>                   | <b>8,611</b>                | <b>101,175</b>  |

# 11

## FINANCIAL STATEMENTS

### 5.6 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. Details of the Group's management of its exposure to loss scenarios are provided in Note 5.1.(i). This means that the Group maintains sufficient liquid assets, or assets that can be readily converted into liquid

assets at short notice, to meet expected cash flow requirements. The Group can also draw on group funds to bridge short-term cash flow requirements or additional capital requirements, should the need arise. The following table is an analysis of the net contractual cash flows based on all the liabilities held at 31 December 2024 and 2023:

| Financial liabilities – projected cash flows<br>31 December 2024 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000  |
|--|----------------------|---------------------|---------------------|--------------------|------------------|
| Gross claims outstanding   | 717,139              | 841,475             | 431,790             | 453,229            | 2,443,633        |
| Creditors from direct insurance operations                       | 32,103               | -                   | -                   | -                  | 32,103           |
| Creditors from reinsurance operations                            | 202,778              | -                   | -                   | -                  | 202,778          |
| Other creditors  | 39,335               | -                   | -                   | -                  | 39,335           |
| <b>Total</b>   | <b>991,355</b>       | <b>841,475</b>      | <b>431,790</b>      | <b>453,229</b>     | <b>2,717,849</b> |

| Financial liabilities – projected cash flows<br>31 December 2023 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000  |
|--|----------------------|---------------------|---------------------|--------------------|------------------|
| Gross claims outstanding   | 737,258              | 855,962             | 406,513             | 391,649            | 2,391,382        |
| Creditors from direct insurance operations                       | 43,103               | -                   | -                   | -                  | 43,103           |
| Creditors from reinsurance operations                            | 252,832              | -                   | -                   | -                  | 252,832          |
| Other creditors  | 46,747               | -                   | -                   | -                  | 46,747           |
| <b>Total</b>   | <b>1,079,940</b>     | <b>855,962</b>      | <b>406,513</b>      | <b>391,649</b>     | <b>2,734,064</b> |

The next two tables summarise the carrying amount at the reporting date of financial instruments analysed by maturity date.

| Investments and cash – maturity<br>31 December 2024 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | N/A<br>\$'000  | Total<br>\$'000  |
|---|----------------------|---------------------|---------------------|--------------------|----------------|------------------|
| Variable yield securities                           | 67,917               | -                   | -                   | -                  | -              | 67,917           |
| Debt securities                                     | 220,307              | 462,579             | 435,129             | 1,218,365          | -              | 2,336,380        |
| Other investments                                   | -                    | -                   | -                   | -                  | 108,692        | 108,692          |
| <b>Total other financial investments</b>            | <b>288,224</b>       | <b>462,579</b>      | <b>435,129</b>      | <b>1,218,365</b>   | <b>108,692</b> | <b>2,512,989</b> |
| Cash at bank  | 87,585               | -                   | -                   | -                  | -              | 87,585           |
| <b>Total</b>  | <b>375,809</b>       | <b>462,579</b>      | <b>435,129</b>      | <b>1,218,365</b>   | <b>108,692</b> | <b>2,600,574</b> |

| Investments and cash – maturity<br>31 December 2023 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | No maturity<br>\$'000 | Total<br>\$'000  |
|---|----------------------|---------------------|---------------------|--------------------|-----------------------|------------------|
| Variable yield securities                           | 65,627               | -                   | -                   | -                  | -                     | 65,627           |
| Debt securities                                     | 254,960              | 509,252             | 400,892             | 1,141,175          | -                     | 2,306,279        |
| Other investments                                   | -                    | -                   | -                   | -                  | 100,526               | 100,526          |
| <b>Total other financial investments</b>            | <b>320,587</b>       | <b>509,252</b>      | <b>400,892</b>      | <b>1,141,175</b>   | <b>100,526</b>        | <b>2,472,432</b> |
| Cash at bank  | 100,052              | -                   | -                   | -                  | -                     | 100,052          |
| <b>Total</b>  | <b>420,639</b>       | <b>509,252</b>      | <b>400,892</b>      | <b>1,141,175</b>   | <b>100,526</b>        | <b>2,572,484</b> |

## 5.7 Sustainability

Sustainability Risk was previously being monitored as a Live Risk, but the Sustainability Risk and Control Framework was finalised and approved by the Board in May 2024 for incorporation into the overall Company Risk Register.

Sustainability Risk is concerned with the considerations made to environmental, social and ethical factors of performing our insurance business. It is divided into Environmental Risk, Social Risk and Governance Risk.

### i. Environmental Risk

This is the financial risk arising from climate change, nature and biodiversity loss with a particular focus on how the Company understands the impact of the physical, transitional and liability aspects of climate change within its underwriting and investment portfolios. It also includes the operational climate responsibilities which relate to the actions taken by the business to reduce operational impact on the environment. The primary drivers of this risk are climate change, pollution, resource depletion, waste and ecological footprint.

### ii. Social Risk

This is the risk of jeopardising the achievement of safety and security of the communities that the Company works with and its employees. The primary drivers of this risk are working conditions, supply chains, health and safety, employee engagement, diversity and inclusion, and customer relations.

### iii. Governance Risk

This is the risk of jeopardising the commitment of the Company to carrying out its business activities fairly, honestly, transparently and in accordance with applicable legal and regulatory requirements and high ethical standards. The drivers of this risk include executive pay, corruption and bribery, Board diversity and conduct regulations.

The Sustainability Risk framework has continued to be refined during 2024. Risk appetites and risk metrics to monitor them continue to be scoped. Those relating to investments are most advanced, with some having started to be measured in 2024. Work on potential quantitative impacts of climate change continues.

The Group's sustainability approach has continued to be embedded into policies such as the travel and expense policy.

## 5.8 Other Current Risks

This section identifies risks that have the potential to materially impact the existing risk profiles. In addition to monitoring the Group's existing and established principal risks, the risk management framework is designed to support the identification of developing and emerging risks – those which have the potential to impact, or require a review of, the existing strategic objectives. Risks which are more imminently likely to crystallise are also monitored.

### Procurement and Outsourcing

Procurement and Outsourcing is a key focus for the Group, in light of greater reliance on cloud service providers to ensure system/data back-up capabilities and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It is also a sub-component of Supply Chain Risk, which is an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount. Over the course of 2024, a new Contract Lifecycle Management System has been implemented which will enhance the controls in regard to the contracting, due diligence and management of suppliers. Resilience standards are also in the process of being developed to ensure that any

disruption experienced by the Group's material outsourcers does not impact the service they provide to the Group.

### Geopolitical Risk

The geopolitical landscape remains volatile, not least because of various elections around the world. The key areas of concern remain Russia/Ukraine, China/Taiwan and the Middle East. The impacts for TMHCC International could come from both direct and indirect exposures. Management have continued to monitor and review potential direct exposures across the impacted regions with underwriters, and appropriate exclusions (e.g. war exclusion) and notices of cancellation are issued where appropriate. There are several types of indirect impact, including secondary impacts, legal risks and security risks.

### Technological Advancements

It is recognised that the rapid pace of technological progress can bring both risks and opportunities for the business, some of which are more imminent than others. In particular, the rise of artificial intelligence and the existence of both risks and opportunities. For instance, potential advantages could involve automating manual tasks in the data collection process and analysis. On the other hand, technology could also be used by malicious actors to facilitate cyber-attacks and deepfakes. This risk is recognised and monitored through the Emerging Risk Framework, with some specific near-term aspects considered as part of our current risks. Updates are provided on a quarterly basis against each of these and presented to the Risk Committee.

## 6. Segmental information

### (a) Underwriting result by class of business

| 2024                                  | Gross<br>premiums<br>written<br>\$'000 | Gross<br>premiums<br>earned<br>\$'000 | Gross<br>claims<br>incurred<br>\$'000 | Gross<br>operating<br>expenses<br>\$'000 | Reinsurance<br>balance<br>\$'000 | Net<br>underwriting<br>result<br>\$'000 |
|---------------------------------------|--|---------------------------------------|---------------------------------------|--|----------------------------------|---|
| <b>Direct insurance</b>               |  |                                       |                                       |  |                                  |   |
| Accident and health                   | 70,600                                 | 68,857                                | (28,240)                              | (19,444)                                 | (18,874)                         | 2,299                                   |
| Marine, aviation and transport        | 238,014                                | 218,759                               | (143,841)                             | (54,864)                                 | (4,428)                          | 15,626                                  |
| Fire and other damage to property     | 216,010                                | 200,241                               | (78,076)                              | (76,389)                                 | (55,906)                         | (10,130)                                |
| Third-party liability                 | 421,339                                | 445,240                               | (210,689)                             | (154,459)                                | (45,953)                         | 34,139                                  |
| Credit, political risk and suretyship | 238,599                                | 247,315                               | (53,549)                              | (95,655)                                 | (42,900)                         | 55,211                                  |
| Other                                 | 119,250                                | 113,129                               | (51,679)                              | (45,090)                                 | (20,366)                         | (4,006)                                 |
| Total direct                          | 1,303,812                              | 1,293,541                             | (566,074)                             | (445,901)                                | (188,427)                        | 93,139                                  |
| Reinsurance acceptances               | 566,233                                | 542,919                               | (187,616)                             | (146,673)                                | (61,962)                         | 146,668                                 |
| <b>Total</b>                          | <b>1,870,045</b>                       | <b>1,836,460</b>                      | <b>(753,690)</b>                      | <b>(592,574)</b>                         | <b>(250,389)</b>                 | <b>239,807</b>                          |
| Investment return                     |  |                                       |                                       |  |                                  | 70,213                                  |
| Other technical income                |  |                                       |                                       |  |                                  | 16,644                                  |
| <b>Technical account</b>              |  |                                       |                                       |  |                                  | <b>326,664</b>                          |

| 2023                                  | Gross<br>premiums<br>written<br>\$'000 | Gross<br>premiums<br>earned<br>\$'000 | Gross<br>claims<br>incurred<br>\$'000 | Gross<br>operating<br>expenses<br>\$'000 | Reinsurance<br>balance<br>\$'000 | Net<br>underwriting<br>result<br>\$'000 |
|---------------------------------------|--|---------------------------------------|---------------------------------------|--|----------------------------------|---|
| <b>Direct insurance</b>               |  |                                       |                                       |  |                                  |   |
| Accident and health                   | 64,928                                 | 63,167                                | (49,942)                              | (19,214)                                 | 8,762                            | 2,773                                   |
| Marine, aviation and transport        | 244,893                                | 256,178                               | (109,667)                             | (66,668)                                 | (51,027)                         | 28,816                                  |
| Fire and other damage to property     | 194,063                                | 191,014                               | (94,222)                              | (72,846)                                 | (89,198)                         | (65,252)                                |
| Third-party liability                 | 458,242                                | 490,162                               | (272,497)                             | (150,407)                                | (21,125)                         | 46,133                                  |
| Credit, political risk and suretyship | 246,688                                | 231,665                               | (107,179)                             | (79,018)                                 | 23,614                           | 69,082                                  |
| Other                                 | 111,575                                | 75,266                                | (4,998)                               | (34,847)                                 | (33,368)                         | 2,053                                   |
| Total direct                          | 1,320,389                              | 1,307,452                             | (638,505)                             | (423,000)                                | (162,342)                        | 83,605                                  |
| Reinsurance acceptances               | 462,869                                | 441,198                               | (251,277)                             | (119,735)                                | (14,862)                         | 55,324                                  |
| <b>Total</b>                          | <b>1,783,258</b>                       | <b>1,748,650</b>                      | <b>(889,782)</b>                      | <b>(542,735)</b>                         | <b>(177,204)</b>                 | <b>138,929</b>                          |
| Investment return                     |  |                                       |                                       |  |                                  | 54,535                                  |
| Other technical income                |  |                                       |                                       |  |                                  | 15,513                                  |
| <b>Technical account</b>              |  |                                       |                                       |  |                                  | <b>208,977</b>                          |

The reinsurance balance represents the debit/(credit) to the technical account from the aggregate of all items relating to reinsurance outwards.

## (b) Geographical location of underwriting operations

|                | Gross premiums written |                | Profit before taxation and unrealised gains/(losses) |                | Profit/(loss) before taxation |                | Net assets     |                |
|----------------|------------------------|----------------|--|----------------|-------------------------------|----------------|----------------|----------------|
|                | 2024<br>\$'000         | 2023<br>\$'000 | 2024<br>\$'000                                       | 2023<br>\$'000 | 2024<br>\$'000                | 2023<br>\$'000 | 2024<br>\$'000 | 2023<br>\$'000 |
| United Kingdom | 1,193,626              | 1,128,912      | 223,997  | 129,799        | 239,997                       | 192,573        | 922,952        | 932,073        |
| Rest of Europe | 676,419                | 654,346        | 62,892   | 44,856         | 60,342                        | 61,175         | 308,739        | 260,012        |
|                | 1,870,045              | 1,783,258      | 289,889  | 174,655        | 300,339                       | 253,748        | 1,231,691      | 1,192,085      |

Profit/(loss) before tax is after unrealised losses of \$13,449,000 (2023: unrealised gains of \$79,093,000).

## (c) Geographical location of gross premiums written by destination

|                   | 2024<br>\$'000 | 2023<br>\$'000 |
|-------------------|----------------|----------------|
| United Kingdom    | 875,794        | 836,798        |
| Rest of Europe    | 472,021        | 475,722        |
| Rest of the World | 522,230        | 470,738        |
|                   | 1,870,045      | 1,783,258      |

## 7. Net foreign exchange gain/(loss)

|   | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| Net foreign exchange gains/(losses) in revaluation of the non-US Dollar investment portfolio          | (37,017)       | 29,442         |
| Foreign exchange gains/(losses) on revaluation of other non-US Dollar monetary assets and liabilities | 43,667         | (36,288)       |
|   | 6,650          | (6,846)        |

## 8. Net operating expenses

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| Commission costs                                 | 307,930        | 293,072        |
| Change in deferred acquisition costs (Note 20)   | (13,703)       | (12,309)       |
| Reinsurance commissions and profit participation | (135,865)      | (131,718)      |
| <b>Earned net acquisition costs</b>              | <b>158,362</b> | <b>149,045</b> |
| Administrative expenses                          | 298,347        | 261,972        |
|  | 456,709        | 411,017        |

Total commission incurred during the year in respect of direct insurance was \$235.9m (2023: \$232.4m).

**Staff costs**

All UK-based staff are employed by HCC Service Company Inc. (UK branch), a fellow TM Group subsidiary. The disclosures in the staff costs table below relate to underwriting and other direct staff only. The costs of staff providing central services to TMHCC International entities are allocated and recharged to the Group as a management fee. This staff information is not included in salary costs and average staff numbers as it is not practical to allocate them to the underlying entities to which the staff provide services.

| Group                 | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------|----------------|----------------|
| Wages and salaries    | 97,727         | 86,634         |
| Social security costs | 13,920         | 11,978         |
| Other pension costs   | 6,933          | 6,165          |
|                       | 118,580        | 104,777        |

The average numbers of direct staff (excluding Directors) working for the Group during the year were as follows:

|                            | 2024<br>Number | 2023<br>Number |
|----------------------------|----------------|----------------|
| Underwriting               | 438            | 391            |
| Claims                     | 87             | 85             |
| Administration and finance | 244            | 246            |
|                            | 769            | 722            |

**Directors' emoluments**

The compensation of Executive Directors attributable to the Group is charged as a management fee and not included in staff costs.

|                       | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------|----------------|----------------|
| Aggregate emoluments  | 12,152         | 10,040         |
| Pension contributions | 52             | 34             |
|                       | 12,204         | 10,074         |

Pension benefits are accruing to one Director (2023: one) under the Group's defined contribution pension scheme.

| Highest-paid director | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------|----------------|----------------|
| Aggregate emoluments  | 4,997          | 4,189          |
| Pension contributions | -              | -              |
|                       | 4,997          | 4,189          |

## 9. Auditors' remuneration

During the year, the Group obtained the following services (exclusive of VAT) from HCCII's auditors PricewaterhouseCoopers LLP and its associates:

|   | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| Fees payable for the audit of the Group and Company's annual accounts | 772            | 686            |
| Fees payable for the audit of the subsidiaries' annual accounts       | 998            | 1,021          |
| <b>Total audit fees</b>   | <b>1,770</b>   | <b>1,707</b>   |
| Fees payable for audit-related assurance services                     | 248            | 229            |
| <b>Fees payable for services to Group companies</b>                   | <b>2,018</b>   | <b>1,936</b>   |

Auditors' remuneration is paid by HCC Service Company Inc. (UK branch) and recharged as appropriate to HCCII and its subsidiaries.

## 10. Other charges

|                                       | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Corporate oversight costs             | 9,364          | 16,026         |
| Service awards                        | 7,550          | 5,963          |
| Amortisation of goodwill (Note 13)    | 6,923          | 6,923          |
| Amortisation of intangibles (Note 13) | 3,610          | 3,611          |
|                                       | 27,447         | 32,523         |

Corporate oversight costs represent the recharge of staff and administrative expenses by the service companies within the Group. Service awards are mainly payments made to key staff under a long-term incentive scheme.

## 11. Other technical income

|   | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| Credit limit notification services fee income | 5,007          | 4,729          |
| GCube and Qdos fee and commission income      | 4,579          | 5,658          |
| HCCII and TME fee income                      | 7,058          | 5,126          |
| <b>Other technical income</b>                 | <b>16,644</b>  | <b>15,513</b>  |

Other technical income comprises \$5.0m (2023: \$4.7m) for credit limit notification services conducted for Credit policyholders of HCCII by HCC Credit Services Limited. GCube and Qdos fee and commission is third-party income. HCCII and TME fee income reflects predominantly fees associated with the Credit and Surety business (and to a lesser extent Professional Risks) reflecting non-insurance services offered to their customers.

**12. Tax charge on profit on ordinary activities**

|   | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| UK Corporation tax at 25% (2023: 23.52%)                      |                |                |
| Current tax on income for the year                            | 79,109         | 57,151         |
| Tax in respect of prior years                                 | (3,117)        | (4,848)        |
| <b>Current tax for the year</b>                               | <b>75,992</b>  | <b>52,303</b>  |
| Deferred tax – origination and reversal of timing differences | (5,110)        | 10,285         |
| <b>Tax charge on profit on ordinary activities</b>            | <b>70,882</b>  | <b>62,588</b>  |

The tax assessed for the year is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| Profit on ordinary activities before taxation  | 300,339        | 253,748        |
| Tax charge on profit on ordinary activities before taxation at standard rate of 25% (2023: 23.52%) | 75,084         | 59,681         |
| Expenses not deductible for tax purposes   | 1,191          | 2,741          |
| Attribution of investment income   | (470)          | 1,024          |
| Amortisation of goodwill and intangibles   | (3,165)        | 3,574          |
| Intra-group transfer of business   | 2,575          | -              |
| Foreign tax  | 704            | 652            |
| Effect of foreign exchange   | (1,036)        | (593)          |
| Tax in respect of prior years  | (3,117)        | 1,044          |
| Movement in unrecognised deferred tax asset  | 159            | (3,119)        |
| Impact of foreign tax regimes  | (1,056)        | 1,134          |
| Other  | 13             | (3,550)        |
| <b>Tax charge on profit on ordinary activities</b>   | <b>70,882</b>  | <b>62,588</b>  |

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the UK, the jurisdiction in which the entity is incorporated, and is effective in 2024.

Under the legislation, the Group is liable to pay a top-up tax in the UK for the difference between the GloBE effective tax rate for each jurisdiction and the 15% minimum rate. In addition, top-up taxes are payable locally where qualifying domestic minimum top-up taxes have been legislated and are in effect. As at 31 December 2024 a top-up tax of \$115k is payable in respect of TME Ireland.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as set out in p29.12A of FRS102.

### 13. Goodwill and other intangible assets

|                                 | Goodwill<br>\$'000 | Other intangible assets<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--------------------|-----------------------------------|-----------------|
| <b>Cost</b>                     |                    |                                   |                 |
| At 1 January 2024               | 103,865            | 54,160                            | 158,025         |
| <b>At 31 December 2024</b>      | <b>103,865</b>     | <b>54,160</b>                     | <b>158,025</b>  |
| <b>Accumulated amortisation</b> |                    |                                   |                 |
| At 1 January 2024               | 34,861             | 16,336                            | 51,197          |
| Charge for the year             | 6,923              | 3,610                             | 10,533          |
| <b>At 31 December 2024</b>      | <b>41,784</b>      | <b>19,946</b>                     | <b>61,730</b>   |
| <b>Net</b>                      |                    |                                   |                 |
| <b>At 31 December 2024</b>      | <b>62,081</b>      | <b>34,214</b>                     | <b>96,295</b>   |

|                                 | Goodwill<br>\$'000 | Other intangible assets<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--------------------|-----------------------------------|-----------------|
| <b>Cost</b>                     |                    |                                   |                 |
| At 1 January 2023               | 103,865            | 54,160                            | 158,025         |
| <b>At 31 December 2023</b>      | <b>103,865</b>     | <b>54,160</b>                     | <b>158,025</b>  |
| <b>Accumulated amortisation</b> |                    |                                   |                 |
| At 1 January 2023               | 27,938             | 12,725                            | 40,663          |
| Charge for the year             | 6,923              | 3,611                             | 10,534          |
| <b>At 31 December 2023</b>      | <b>34,861</b>      | <b>16,336</b>                     | <b>51,197</b>   |
| <b>Net</b>                      |                    |                                   |                 |
| <b>At 31 December 2023</b>      | <b>69,004</b>      | <b>37,824</b>                     | <b>106,828</b>  |

Goodwill and intangibles arose from the acquisition in 2020 of GCube amounted to \$15.3m and \$23.3m respectively. The carrying values at the end of the year were goodwill of \$10.6m (2023: \$11.6m) and intangibles of \$16.2m (2023: \$17.7m).

Goodwill and intangibles arose from the acquisition in 2018 of Qdos Holdings Limited and its subsidiary Qdos Broker and Underwriting Services Limited amounted to \$88.6m and \$30.9m respectively. The carrying values at the end of the year were goodwill of \$51.5m (2023: \$ 57.4m) and intangibles of \$18.0m (2023: \$20.1m).

**14. Other financial investments**

|  | Fair value       |                  | Book cost        |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2024<br>\$'000   | 2023<br>\$'000   | 2024<br>\$'000   | 2023<br>\$'000   |
| Variable yield securities and units in unit trusts | 67,917           | 65,627           | 67,917           | 65,627           |
| Debt securities and other fixed-income securities  | 2,336,380        | 2,306,279        | 2,508,640        | 2,431,056        |
| Other investments                                  | 108,692          | 100,526          | 85,542           | 75,358           |
|  | <b>2,512,989</b> | <b>2,472,432</b> | <b>2,662,099</b> | <b>2,572,041</b> |

Debt securities and other fixed-income securities comprise listed investments. Other investments include an investment in a real estate investment fund and an investment in a specialty MGA.

**15. Fair value estimation**

The following table presents the Group's financial investments measured at fair value at 31 December 2024 and 31 December 2023 categorised into levels 1, 2 and 3, reflecting the categorisation criteria specified in FRS 102 (see Note 3m). No liabilities were measured at fair value at 31 December 2024 or at 31 December 2023.

| Financial investments – pricing basis    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000  |
|--|-------------------|-------------------|-------------------|------------------|
| <b>31 December 2024</b>                  |                   |                   |                   |                  |
| Variable yield securities                | 67,917            | -                 | -                 | 67,917           |
| Debt securities                          | 6,729             | 2,329,651         | -                 | 2,336,380        |
| Other investments                        | -                 | -                 | 108,692           | 108,692          |
| <b>Total other financial investments</b> | <b>74,646</b>     | <b>2,329,651</b>  | <b>108,692</b>    | <b>2,512,989</b> |

| Financial investments – pricing basis    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000  |
|--|-------------------|-------------------|-------------------|------------------|
| <b>31 December 2023</b>                  |                   |                   |                   |                  |
| Variable yield securities                | 65,627            | -                 | -                 | 65,627           |
| Debt securities                          | -                 | 2,306,279         | -                 | 2,306,279        |
| Other investments                        | -                 | -                 | 100,526           | 100,526          |
| <b>Total other financial investments</b> | <b>65,627</b>     | <b>2,306,279</b>  | <b>100,526</b>    | <b>2,472,432</b> |

## 16. Other debtors

|                                    | 2024<br>\$'000 | 2023<br>\$'000 |
|------------------------------------|----------------|----------------|
| Corporate tax                      | 26,497         | -              |
| Claims funds                       | 38,907         | 34,030         |
| Amounts owed by group undertakings | 46,669         | 9,091          |
| Other debtors                      | 6,238          | 5,832          |
|                                    | <b>118,311</b> | <b>48,953</b>  |

There are no debtors falling due after more than one year. Amounts owed by group undertakings are short term, unsecured, interest-free and have no fixed date of repayment.

## 17. Tangible assets

|                                 | Leasehold<br>improvements<br>\$'000 | Owner-<br>occupied land<br>and buildings<br>\$'000 | Computer<br>equipment<br>\$'000 | Fixtures,<br>fittings<br>and office<br>equipment<br>\$'000 | Total<br>\$'000 |
|---------------------------------|-------------------------------------|--|---------------------------------|--|-----------------|
| <b>Book cost</b>                |                                     |  |                                 |  |                 |
| At 1 January 2024               | 2,533                               | 6,252  | 683                             | 4,868  | 14,336          |
| Additions                       | 141                                 | 191  | 87                              | 1,244  | 1,663           |
| At 31 December 2024             | <b>2,674</b>                        | <b>6,443</b>                                       | <b>770</b>                      | <b>6,112</b>   | <b>15,999</b>   |
| <b>Accumulated depreciation</b> |                                     |  |                                 |  |                 |
| At 1 January 2024               | 1,787                               | 1,810  | 428                             | 2,894  | 6,919           |
| Charge for the year             | 100                                 | 216  | 91                              | 302  | 709             |
| At 31 December 2024             | <b>1,887</b>                        | <b>2,026</b>                                       | <b>519</b>                      | <b>3,196</b>   | <b>7,628</b>    |
| <b>Net book value</b>           |                                     |  |                                 |  |                 |
| 31 December 2024                | <b>787</b>                          | <b>4,417</b>                                       | <b>251</b>                      | <b>2,916</b>   | <b>8,371</b>    |

|                                 | Leasehold<br>improvements | Owner-<br>occupied land<br>and buildings | Computer<br>equipment | Fixtures,<br>fittings<br>and office<br>equipment | Total         |
|---------------------------------|---------------------------|--|-----------------------|--|---------------|
|                                 | \$'000                    | \$'000                                   | \$'000                | \$'000   | \$'000        |
| <b>Book cost</b>                |                           |  |                       |  |               |
| At 1 January 2023               | 2,523                     | 6,039                                    | 442                   | 4,488  | 13,492        |
| Additions                       | 10                        | 213                                      | 241                   | 380  | 844           |
| At 31 December 2023             | <b>2,533</b>              | <b>6,252</b>                             | <b>683</b>            | <b>4,868</b>                                     | <b>14,336</b> |
| <b>Accumulated depreciation</b> |                           |  |                       |  |               |
| At 1 January 2023               | 1,694                     | 1,621                                    | 331                   | 2,607  | 6,253         |
| Charge for the year             | 93                        | 189                                      | 97                    | 287  | 666           |
| At 31 December 2023             | <b>1,787</b>              | <b>1,810</b>                             | <b>428</b>            | <b>2,894</b>                                     | <b>6,919</b>  |
| <b>Net book value</b>           |                           |  |                       |  |               |
| 31 December 2023                | <b>746</b>                | <b>4,442</b>                             | <b>255</b>            | <b>1,974</b>                                     | <b>7,417</b>  |

Land and buildings are occupied by the Group for its own use and are being depreciated over 50 years through to June 2045.

## 18. Called up share capital – Group and HCCII

| Allocated and fully paid<br>ordinary shares | 2024                |                | 2023                |                |
|---|---------------------|----------------|---------------------|----------------|
|   | Number of<br>shares | \$'000         | Number of<br>shares | \$'000         |
| Balance brought forward:                    |                     |                |                     |                |
| - Ordinary shares of £1 each                | 96,047,813          | 163,045        | 96,047,813          | 163,045        |
| - Ordinary shares of \$1 each               | 70,197,001          | 70,197         | 70,197,001          | 70,197         |
| <b>Balance carried forward</b>              | <b>166,244,814</b>  | <b>233,242</b> | <b>166,244,814</b>  | <b>233,242</b> |

The £1 ordinary shares (2023: £1 ordinary shares) are translated to US Dollars at the rates of exchange ruling on the dates the shares were issued.

Dividends paid during the year totalled \$190m (2023: \$nil).

The Directors recommend a final dividend of 161 US Cents per ordinary share for the year ended 31 December 2024 (2023: 114 US Cents). Subject to approval by shareholders of the recommended final dividend, the dividend to shareholders for the year ended 31 December 2024 will total \$268 million (2023: \$190 million). If approved, HCCII will pay the final dividend on 25 June 2025 to shareholders on the register of members at 8 April 2025.

## 19. Other creditors including taxation and social security

|                                    | 2024<br>\$'000 | 2023<br>\$'000 |
|------------------------------------|----------------|----------------|
| Corporation tax                    | -              | 7,988          |
| Net deferred tax liability         | 2,865          | 7,557          |
| Amounts owed to group undertakings | 34,255         | 28,813         |
| Other creditors                    | 2,215          | 2,389          |
|                                    | <b>39,335</b>  | <b>46,747</b>  |

Amounts owed to group undertakings are short term, unsecured, interest-free and have no fixed date of repayment.

| Net deferred tax liability/(asset)                 | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| At 1 January – net deferred tax liability/(asset)  | 7,557          | (2,245)        |
| Changes in accelerated capital allowances          | 31             | (138)          |
| Intangible asset                                   | (915)          | 543            |
| Technical reserves                                 | 819            | 9,622          |
| Short-term timing differences                      | 1,108          | (4,974)        |
| (Profits)/losses carried forward                   | (5,735)        | 4,749          |
| <b>At 31 December – net deferred tax liability</b> | <b>2,865</b>   | <b>7,557</b>   |

The net deferred tax liability consists of the following amounts:

|                                   | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Accelerated capital allowances    | 172            | 141            |
| Intangible assets                 | 8,746          | 9,661          |
| Technical reserves                | 2,156          | 1,337          |
| Short-term timing differences     | (6,629)        | (7,737)        |
| (Profits)/losses carried forward  | (1,580)        | 4,155          |
| <b>Net deferred tax liability</b> | <b>2,865</b>   | <b>7,557</b>   |

A potential Deferred Tax Asset of \$20.9m (2023: \$25.9m) in respect of tax losses in Spain, France and Denmark has not been recognised. This asset would be recognised and recovered should sufficient taxable profits be generated in future which would be eligible for relief against the unutilised tax losses.

## 20. Technical provisions – Group

|                             | Provisions<br>for unearned<br>premiums<br>\$'000 | Claims<br>outstanding (1)<br>\$'000 | Deferred<br>acquisition<br>costs<br>\$'000 | Net technical<br>liabilities<br>\$'000 |
|-----------------------------|--|-------------------------------------|--|--|
| <b>Gross of reinsurance</b> |  |                                     |  |  |
| At 1 January 2024           | 765,233  | 2,391,382                           | (153,194)                                  | 3,003,421                              |
| Movement in provision       | 33,585   | 111,413                             | (13,703)                                   | 131,295                                |
| Exchange adjustments        | (29,608)   | (59,162)                            | 5,628                                      | (83,142)                               |
| <b>At 31 December 2024</b>  | <b>769,210</b>                                   | <b>2,443,633</b>                    | <b>(161,269)</b>                           | <b>3,051,574</b>                       |
| <b>Reinsurance</b>          |  |                                     |  |  |
| At 1 January 2024           | (227,449)  | (1,035,873)                         | 53,354                                     | (1,209,968)                            |
| Movement in provision       | 16,687   | 32,848                              | (1,170)                                    | 48,365                                 |
| Exchange adjustments        | 9,827  | 27,730                              | (3,173)                                    | 34,384                                 |
| <b>At 31 December 2024</b>  | <b>(200,935)</b>                                 | <b>(975,295)</b>                    | <b>49,011</b>                              | <b>(1,127,219)</b>                     |
| <b>Net</b>                  |  |                                     |  |  |
| <b>At 31 December 2024</b>  | <b>568,275</b>                                   | <b>1,468,338</b>                    | <b>(112,258)</b>                           | <b>1,924,355</b>                       |

|                             | Provisions<br>for unearned<br>premiums<br>\$'000 | Claims<br>outstanding (1)<br>\$'000 | Deferred ac-<br>quisition costs<br>\$'000 | Net technical<br>liabilities<br>\$'000 |
|-----------------------------|--|-------------------------------------|---|--|
| <b>Gross of reinsurance</b> |  |                                     |   |  |
| At 1 January 2023           | 708,201  | 1,992,435                           | (135,488)                                 | 2,565,148                              |
| Movement in provision       | 34,608   | 320,599                             | (12,309)                                  | 342,898                                |
| Exchange adjustments        | 22,424   | 78,348                              | (5,397)                                   | 95,375                                 |
| <b>At 31 December 2023</b>  | <b>765,233</b>                                   | <b>2,391,382</b>                    | <b>(153,194)</b>                          | <b>3,003,421</b>                       |
| <b>Reinsurance</b>          |  |                                     |   |  |
| At 1 January 2023           | (216,466)  | (926,539)                           | 50,256                                    | (1,092,749)                            |
| Movement in provision       | (5,040)  | (80,050)                            | 1,561                                     | (83,529)                               |
| Exchange adjustments        | (5,943)  | (29,284)                            | 1,537                                     | (33,690)                               |
| <b>At 31 December 2023</b>  | <b>(227,449)</b>                                 | <b>(1,035,873)</b>                  | <b>53,354</b>                             | <b>(1,209,968)</b>                     |
| <b>Net</b>                  |  |                                     |   |  |
| <b>At 31 December 2023</b>  | <b>537,784</b>                                   | <b>1,355,509</b>                    | <b>(99,840)</b>                           | <b>1,793,453</b>                       |

(1) Claims outstanding includes claims incurred but not reported ('IBNR') reserves of \$1,442.1m gross of reinsurance and \$533.9m reinsurer's share of IBNR reserves (2023: \$1,360.6m gross; \$513.3m reinsurer's share).

## 21. Cash flows from operating activities

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| Profit before tax  | 300,339        | 253,748        |
| Adjustments for:   |                |                |
| <b>Non-cash movements in profit for the year</b>                               |                |                |
| Amortisation of goodwill   | 6,923          | 6,923          |
| Amortisation of other intangibles  | 3,610          | 3,611          |
| Depreciation of tangible fixed assets  | 712            | 666            |
| Realised and unrealised investment losses/(gains)                              | 15,243         | (78,339)       |
| Other non-cash movement including foreign exchange                             | 149            | 1,899          |
| Investment income from participating interests and other financial investments | (83,632)       | (63,593)       |
| <b>Changes in operating assets/liabilities</b>                                 |                |                |
| Increase in debtors, prepayments and accrued income                            | (95,971)       | (40,300)       |
| Decrease in creditors, accruals and deferred income                            | (32,613)       | (42,995)       |
| Increase in net technical provisions   | 143,319        | 335,662        |
| (Increase)/decrease in deposits with ceding undertakings                       | (3)            | 4              |
| <b>Cash generated from operations</b>  | <b>258,076</b> | <b>377,286</b> |
| Interest received  | 83,632         | 63,593         |
| Cash flows from purchases and sales of financial investments                   | (55,800)       | (411,009)      |
| <b>Net cash inflow from operating activities</b>                               | <b>285,908</b> | <b>29,870</b>  |

## 22. Commitments

### a. Operating lease commitments

The Group is required to give notice for the termination of these agreements. The lease expenditure charged to the consolidated profit and loss account during the year is \$11.2m (2023: \$8.8m).

The future aggregate minimum lease payments under the non-cancellable portion of the Group's operating leases are as follows:

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| Not later than 1 year                        | 7,954          | 5,438          |
| Later than 1 year and not later than 5 years | 26,681         | 13,331         |
| Later than 5 years                           | 2,209          | 3,904          |
|  | <b>36,844</b>  | <b>22,673</b>  |

**b. Other commitments**

The Group and HCCII have commitments to subscribe into a real estate investment fund vehicle totalling \$175m (2023: \$175m) which at the date of the balance sheet had a balance of £68.5m (2023: £66.8m) undrawn.

**23. Related party transactions****Parental guarantee**

The Group benefits from a parental guarantee from Houston Casualty Company, a subsidiary of HCC Insurance Holdings, Inc., guaranteeing the payment of all policyholder obligations of the Group in the event of the Group being unable to pay.

**Shared reinsurance programme**

The Group shares a reinsurance programme with the other TMHCC International entities. Reinsurance premiums and recoveries are pro-rated across TMHCC International entities according to their respective underlying risks and claims experience. Cash settlements with respect to the shared reinsurance programme are cleared through HCCII and settled on a monthly basis with the appropriate entity. The table below represents the reinsurance premium settled by HCCII on behalf of related parties and the net receivable/(payable) balance due to HCCII.

| Related party              | Nature of Contract             | 2024<br>Closing balance<br>\$'000 | 2023<br>Closing balance<br>\$'000 |
|----------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Houston Casualty Co London | Excess of loss and Quota share | (1,284)                           | (16,788)                          |
| Syndicate 4141             | Excess of loss and Quota share | 9,656                             | 15,873                            |
|                            |                                | <b>8,372</b>                      | <b>(915)</b>                      |

## Intra-group reinsurance contracts

The Group enters into a number of inwards and outwards reinsurance contracts with other Group companies. The tables below provide detail of the nature of the contracts, the premium and the closing balance.

| Related party – inwards reinsurance            | Nature of contract  | 2024 Gross premium<br>\$'000 | 2024 Closing balance<br>\$'000 | 2023 Gross premium<br>\$'000 | 2023 Closing balance<br>\$'000 |
|--|---------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Tokio Marine Insurance Singapore               | Inwards reinsurance | 6,681                        | (3)                            | 7,027                        | (1)                            |
| Tokio Marine & Nichido Fire Insurance Co. Ltd. | Inwards reinsurance | 13,398                       | (166)                          | 10,044                       | (607)                          |
| Tokio Marine Kiln Group Limited                | Inwards reinsurance | -                            | -                              | (96)                         | -                              |
| Tokio Marine Seguradora S.A.                   | Inwards reinsurance | 238                          | -                              | -                            | -                              |
| Singapore Airlines                             | Inwards reinsurance | -                            | -                              | 60                           | 3                              |
| Tokio Marine America, Inc.                     | Inwards reinsurance | 25                           | -                              | -                            | -                              |
|  |                     | 20,342                       | (169)                          | 17,035                       | (605)                          |

| Related party – outwards reinsurance           | Nature of contract   | 2024 RI premium<br>\$'000 | 2024 Closing balance<br>\$'000 | 2023 RI premium<br>\$'000 | 2023 Closing balance<br>\$'000 |
|--|----------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Tokio Marine & Nichido Fire Insurance Co. Ltd. | Outwards reinsurance | 214,501                   | 33,031                         | 181,665                   | 29,670                         |
| Lloyd's Syndicate 1880                         | Outwards reinsurance | 635                       | 1,686                          | 2,544                     | 538                            |
| Tokio Marine GRV Re                            | Outwards reinsurance | 26,532                    | 10,392                         | 8,482                     | 8,450                          |
| Tokio Marine Kiln Insurance Limited            | Outwards reinsurance | 2,182                     | 743                            | 115                       | 568                            |
| Lloyd's Syndicate 510                          | Outwards reinsurance | 17,144                    | 9,424                          | 10,188                    | 4,390                          |
| Tokio Marine North America, Inc.               |                      | 1,730                     | 145                            | -                         | -                              |
| Houston Casualty Company                       | Outwards reinsurance | -                         | (4,942)                        | -                         | (2,778)                        |
| Tokio Marine America Insurance Company         | Outwards reinsurance | 19,645                    | 1,555                          | -                         | -                              |
| Reliance Standard Life Insurance Company       | Outwards reinsurance | -                         | 150                            | -                         | -                              |
|  |                      | 282,369                   | 52,184                         | 202,994                   | 40,838                         |

**Agency commission**

The Group delegates underwriting authorities to an agency within the wider TM Group for which it pays a commission. This is detailed in the table below.

| Related party     | Nature of Contract  | 2024<br>Commission<br>\$'000 | 2024<br>Closing balance<br>\$'000 | 2023<br>Commission<br>\$'000 | 2023<br>Closing balance<br>\$'000 |
|-------------------|---------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| HCC Specialty Ltd | Underwriting agency | -                            | -                                 | 112                          | -                                 |

The agency was dissolved in 2023.

**Group services administration**

The Group has a shared services arrangement with HCC Service Company Inc. (UK Branch) for the provision of central administrative services in addition to the staff costs mentioned in Note 8. These are detailed in the table below.

| Related party                        | Nature of Contract                           | 2024<br>Expenses<br>incurred<br>\$'000 | 2024<br>Closing<br>balance<br>\$'000 | 2023<br>Expenses<br>incurred<br>\$'000 | 2023<br>Closing<br>balance<br>\$'000 |
|--------------------------------------|--|--|--------------------------------------|--|--------------------------------------|
| HCC Service Company Inc. (UK Branch) | Provision of central administrative services | 109,667                                | (19,220)                             | 112,032                                | (18,806)                             |

**Other related party balances**

The following table shows the balances outstanding at the end of the year between the Group and fellow affiliates of the TM Group. The balances have arisen in the normal course of business.

| Related party               | 2024<br>\$'000 | 2023<br>\$'000 |
|-----------------------------|----------------|----------------|
| HCC Insurance Holdings, Inc | (4)            | (3)            |
| HCC Service Company, Inc.   | (3,941)        | (3,100)        |
| U.S. Specialty Insurance Co | 4,009          | 265            |
| NameCo (No. 808) Ltd.       | 33,758         | (266)          |
| HCCUA                       | 28             | 382            |
| Rattner Mackenzie Limited   | (1,754)        | (1,753)        |
| HCC Re Agency               | 259            | 221            |
| <b>Total</b>                | <b>32,355</b>  | <b>(4,254)</b> |

**Key management compensation**

The key management of the Group are considered to be the statutory Directors of HCCII. Note 8, Net operating expenses, gives details of their compensation as Directors of HCCII.

## 24. Subsidiary audit exemption

The Group has guaranteed the liabilities of its subsidiaries under Section 479C of the Companies Act 2006. As a result, the companies listed below have claimed exemption from audit for the financial year ended in 2024 under Section 379A of the Companies Act 2006:

- HCCI Credit Services (Registered number: 02396699);
- Renewable Energy Loss Adjusters (Registered number: 09730673); and
- QDOS Business Underwriting Services (Registered number: 06012716).

## 25. Ultimate parent company and controlling party

The Group's ultimate parent company and controlling party is Tokio Marine Holdings, Inc. ('TMHD'). TMHD is incorporated in and its head office is located in Tokyo, Japan. Copies of the consolidated accounts of TMHD can be obtained from its website at [https://www.tokiomarinehd.com/en/ir/download/annual\\_report.html](https://www.tokiomarinehd.com/en/ir/download/annual_report.html).

HCCII's immediate parent company is Tokio Marine HCC Insurance Holdings (International) Limited, which is incorporated in England and has a head office in 1 Aldgate, London EC3N 1RE.

## 26. Post balance sheet events

The Directors confirm that there are no significant post balance sheet events requiring disclosure.

# Company Balance Sheet

As at 31 December 2024

| ASSETS   | Note | 2024<br>\$'000   | 2023<br>\$'000   |
|--|------|------------------|------------------|
| <b>Intangible assets</b>                           |      |                  |                  |
| Intangible assets                                  | 6    | 37,000           | -                |
|  |      | 37,000           | -                |
| <b>Investments</b>                                 |      |                  |                  |
| Land and buildings                                 |      | 55               | 55               |
| Investment in subsidiary undertakings              | 3    | 505,867          | 464,816          |
| Other financial investments                        | 4    | 2,049,643        | 2,006,209        |
|  |      | 2,555,565        | 2,471,080        |
| <b>Reinsurers' share of technical provisions</b>   |      |                  |                  |
| Provision for unearned premiums                    | 9    | 108,202          | 120,703          |
| Claims outstanding                                 | 9    | 470,026          | 532,905          |
|  |      | 578,228          | 653,608          |
| <b>Debtors</b>                                     |      |                  |                  |
| Debtors arising out of direct insurance operations |      |                  |                  |
| - Policyholders                                    |      | 1,301            | 2,057            |
| - Intermediaries                                   |      | 194,240          | 192,000          |
| Debtors arising out of reinsurance operations      |      | 185,709          | 138,936          |
| Other debtors                                      | 5    | 129,239          | 109,567          |
|  |      | 510,489          | 442,560          |
| <b>Other assets</b>                                |      |                  |                  |
| Tangible assets                                    | 7    | 6,557            | 5,663            |
| Deposits from third parties                        |      | 117,650          | 151,770          |
| Cash at bank and in hand                           |      | 33,060           | 49,793           |
|  |      | 157,267          | 207,226          |
| <b>Prepayments and accrued income</b>              |      |                  |                  |
| Accrued interest                                   |      | 18,044           | 15,724           |
| Deferred acquisition costs                         | 9    | 134,090          | 123,599          |
|  |      | 152,134          | 139,323          |
| <b>Total assets</b>                                |      | <b>3,990,683</b> | <b>3,913,797</b> |

## Company Balance Sheet

As at 31 December 2024

| LIABILITIES  | Note | 2024<br>\$'000   | 2023<br>\$'000   |
|--|------|------------------|------------------|
| <b>Capital and reserves</b>                                      |      |                  |                  |
| Called up share capital  |      | 233,242          | 233,242          |
| Share premium  |      | 19,115           | 19,115           |
| Revaluation reserve  |      | 96,462           | 55,414           |
| Profit and loss account  |      | 962,291          | 958,805          |
| <b>Total shareholders' funds</b>                                 |      | <b>1,311,110</b> | <b>1,266,576</b> |
| <b>Technical provisions</b>                                      |      |                  |                  |
| Provision for unearned premiums                                  | 9    | 571,629          | 555,662          |
| Claims outstanding   | 9    | 1,761,229        | 1,712,456        |
|  |      | 2,332,858        | 2,268,118        |
| <b>Creditors – amounts due within one year</b>                   |      |                  |                  |
| Creditors arising out of direct insurance operations             |      | 19,772           | 11,917           |
| Creditors arising out of reinsurance operations                  |      | 63,915           | 131,424          |
| Other creditors including taxation and social security           | 8    | 84,776           | 30,411           |
| Deposits from third parties                                      |      | 117,649          | 151,769          |
|  |      | 286,112          | 325,521          |
| <b>Accruals and deferred income</b>                              |      |                  |                  |
| Accruals   |      | 38,743           | 29,236           |
| Deferred acquisition costs arising out of reinsurance operations | 9    | 21,860           | 24,346           |
|  |      | 60,603           | 53,582           |
| <b>Total liabilities</b>   |      | <b>3,990,683</b> | <b>3,913,797</b> |

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company profit or loss account and Company statement of other comprehensive income are not presented as part of these accounts. The Company's profit after taxation for the year was \$193.5m (2023: \$138.2 million).

# Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2024

| Capital and reserves                   | Called up share capital | Share premium | Revaluation reserve | Profit and loss account | Total shareholders' equity |
|--|-------------------------|---------------|---------------------|-------------------------|----------------------------|
|  | \$'000                  | \$'000        | \$'000              | \$'000                  | \$'000                     |
| At 1 January 2024                      | 233,242                 | 19,115        | 55,414              | 958,805                 | 1,266,576                  |
| Profit for the financial year          | -                       | -             | -                   | 193,472                 | 193,472                    |
| Revaluation of subsidiary undertakings | -                       | -             | 41,048              | -                       | 41,048                     |
| Other reserves                         | -                       | -             | -                   | 14                      | 14                         |
| Dividends paid                         | -                       | -             | -                   | (190,000)               | (190,000)                  |
| At 31 December 2024                    | 233,242                 | 19,115        | 96,462              | 962,291                 | 1,311,110                  |

| Capital and reserves                   | Called up share capital | Share premium | Revaluation reserve | Profit and loss account | Total shareholders' equity |
|--|-------------------------|---------------|---------------------|-------------------------|----------------------------|
|  | \$'000                  | \$'000        | \$'000              | \$'000                  | \$'000                     |
| At 1 January 2023                      | 233,242                 | 19,115        | (37,623)            | 820,651                 | 1,035,385                  |
| Profit for the financial year          | -                       | -             | -                   | 138,154                 | 138,154                    |
| Revaluation of subsidiary undertakings | -                       | -             | 93,037              | -                       | 93,037                     |
| At 31 December 2023                    | 233,242                 | 19,115        | 55,414              | 958,805                 | 1,266,576                  |

# Notes to the Company Financial Statements

## 1. Summary of significant accounting policies

The accounting policies that are used in the preparation of these Company accounts are consistent with the accounting policies used in the preparation of the consolidated accounts of the Group (refer to Note 3 of the Group accounts). This includes the Group policies on critical accounting judgements and key sources of estimation uncertainty.

The additional accounting policies that are specific to the separate Company accounts are set out below:

### A. Basis of Preparation

The individual accounts of the Company ('HCCII') have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103') and the Companies Act 2006.

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company profit or loss account, and Company statement of other comprehensive income are not presented as part of these accounts.

### B. Exemptions for qualifying entities under FRS 102

As allowed by FRS 102, HCCII has applied certain exemptions as follows:

- i. From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these accounts, includes the Company's cash flows;
- ii. Related party disclosures; and
- iii. From disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

### C. Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet at fair value and categorised into level 3, reflecting the categorisation criteria specified in FRS 102 (refer to Note 3(m) in the accounting policies of the consolidated accounts) with changes in fair value recognised through the statement of other comprehensive income and revaluation reserve, or, if an impairment expense, through the profit and loss account and presented in the non-technical account.

## 2. Risk management

The sections below present tables specific to the HCCII's risk management. Refer to the risk management note to the consolidated accounts for further information regarding these tables.

### 2.1 Insurance risk

#### Reserving risk

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year are presented below for HCCII. Data has been translated using 31 December 2024 foreign exchange rates throughout the triangle.

# 11

## FINANCIAL STATEMENTS

| Loss development triangles – GROSS Ultimate claims and cumulative payments | Accident year  |                |                |                |                |                |                |                |                |                  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|  | 2016<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2024<br>\$'000 | Total<br>\$'000  |
| End of reporting year  | 255,959        | 251,443        | 274,869        | 344,992        | 353,421        | 395,115        | 530,837        | 587,780        | 508,207        | -                |
| - one year later   | 257,187        | 250,614        | 279,729        | 402,303        | 403,301        | 416,817        | 515,836        | 616,926        | -              | -                |
| - two years later  | 250,657        | 249,238        | 278,981        | 412,235        | 405,155        | 411,199        | 480,765        | -              | -              | -                |
| - three years later  | 290,530        | 275,169        | 281,604        | 383,969        | 471,153        | 389,465        | -              | -              | -              | -                |
| - four years later   | 290,950        | 246,766        | 289,099        | 375,110        | 462,648        | -              | -              | -              | -              | -                |
| - five years later   | 308,685        | 232,296        | 293,075        | 391,736        | -              | -              | -              | -              | -              | -                |
| - six years later  | 314,767        | 263,706        | 289,760        | -              | -              | -              | -              | -              | -              | -                |
| - seven years later  | 314,778        | 263,063        | -              | -              | -              | -              | -              | -              | -              | -                |
| - eight years later  | 316,588        | -              | -              | -              | -              | -              | -              | -              | -              | -                |
| Current estimate of ultimate claims  | 316,588        | 263,063        | 289,760        | 391,736        | 462,648        | 389,465        | 480,765        | 616,926        | 508,207        | -                |
| Cumulative payments to date  | 321,496        | 266,726        | 240,599        | 300,887        | 291,437        | 169,295        | 218,375        | 160,775        | 63,410         | -                |
| Liability recognised in the balance sheet                                  | (4,908)        | (3,663)        | 49,161         | 90,849         | 171,211        | 220,170        | 262,390        | 456,151        | 444,797        | 1,686,158        |
| Provision in respect of previous years                                     |                |                |                |                |                |                |                |                |                | 75,071           |
| <b>Total provision included in the balance sheet</b>                       |                |                |                |                |                |                |                |                |                | <b>1,761,229</b> |

| Loss development triangles – NET Ultimate claims and cumulative payments | Accident year  |                |                |                |                |                |                |                |                |                  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|  | 2016<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2023<br>\$'000 | 2024<br>\$'000 | Total<br>\$'000  |
| End of reporting year  | 186,663        | 193,027        | 209,461        | 244,532        | 221,747        | 290,730        | 417,932        | 446,790        | 406,038        |                  |
| - one year later   | 184,404        | 202,780        | 208,502        | 251,798        | 248,425        | 278,026        | 407,664        | 471,664        | -              |                  |
| - two years later  | 176,088        | 187,742        | 214,064        | 225,333        | 253,645        | 273,346        | 386,882        | -              | -              |                  |
| - three years later  | 198,466        | 204,923        | 217,356        | 191,262        | 271,958        | 269,899        | -              | -              | -              |                  |
| - four years later   | 194,456        | 180,248        | 220,720        | 195,827        | 256,022        | -              | -              | -              | -              |                  |
| - five years later   | 207,110        | 175,877        | 219,135        | 201,347        | -              | -              | -              | -              | -              |                  |
| - six years later  | 218,396        | 202,140        | 218,617        | -              | -              | -              | -              | -              | -              |                  |
| - seven years later  | 219,991        | 203,062        | -              | -              | -              | -              | -              | -              | -              |                  |
| - eight years later  | 219,950        | -              | -              | -              | -              | -              | -              | -              | -              |                  |
| Current estimate of ultimate claims                                      | 219,950        | 203,062        | 218,617        | 201,347        | 256,022        | 269,899        | 386,882        | 471,664        | 406,038        |                  |
| Cumulative payments to date  | 207,420        | 203,167        | 184,655        | 188,189        | 160,400        | 116,330        | 157,960        | 137,266        | 53,985         |                  |
| Liability recognised in the balance sheet                                | 12,530         | (105)          | 33,962         | 13,158         | 95,622         | 153,569        | 228,922        | 334,398        | 352,053        | 1,224,109        |
| Provision in respect of previous years                                   |                |                |                |                |                |                |                |                |                | 67,094           |
| <b>Total provision included in the balance sheet</b>                     |                |                |                |                |                |                |                |                |                | <b>1,291,203</b> |

## 2.2 Market risk

### i. Foreign exchange risk

The following table summarises the carrying value of total assets and total liabilities, converted to US Dollars, categorised by HCCII's main currencies.

| FX risk exposure<br>31 December 2024 | AUD \$<br>\$'000 | CAD \$<br>\$'000 | CHF Fr<br>\$'000 | EUR €<br>\$'000 | GBP £<br>\$'000 | Subtotal<br>\$'000 | USD \$<br>\$'000 | Total<br>\$'000  |
|--------------------------------------|------------------|------------------|------------------|-----------------|-----------------|--------------------|------------------|------------------|
| Total assets                         | 98,164           | 5,332            | 43,369           | 306,594         | 1,272,812       | 1,726,271          | 2,264,412        | 3,990,683        |
| Total liabilities                    | (103,872)        | (10,165)         | (49,633)         | (314,048)       | (1,289,429)     | (1,767,147)        | (912,426)        | (2,679,573)      |
| <b>Net assets</b>                    | <b>(5,708)</b>   | <b>(4,833)</b>   | <b>(6,264)</b>   | <b>(7,454)</b>  | <b>(16,617)</b> | <b>(40,876)</b>    | <b>1,351,986</b> | <b>1,311,110</b> |

| FX risk exposure<br>31 December 2023 | AUD \$<br>\$'000 | CAD \$<br>\$'000 | CHF Fr<br>\$'000 | EUR €<br>\$'000 | GBP £<br>\$'000 | Subtotal<br>\$'000 | USD \$<br>\$'000 | Total<br>\$'000  |
|--------------------------------------|------------------|------------------|------------------|-----------------|-----------------|--------------------|------------------|------------------|
| Total assets                         | 108,371          | 8,794            | 42,769           | -               | 299,481         | 459,415            | 3,454,382        | 3,913,797        |
| Total liabilities                    | (121,788)        | (12,675)         | (34,093)         | -               | (351,568)       | (520,124)          | (2,127,097)      | (2,647,221)      |
| <b>Net assets</b>                    | <b>(13,417)</b>  | <b>(3,881)</b>   | <b>8,676</b>     | <b>-</b>        | <b>(52,087)</b> | <b>(60,709)</b>    | <b>1,327,285</b> | <b>1,266,576</b> |

**Sensitivity analysis**

Fluctuations in HCCII's operating currencies against US Dollars, with everything else staying the same, would result in a change to net asset value. The table below gives an indication of the impact on net assets of a percentage change in the relative strength of the US Dollar against the value of the Australian Dollar, Canadian Dollar, Swiss Franc, the Euro and Sterling, simultaneously.

| FX risk exposure – sensitivity<br>Change in exchange rate of Canadian Dollar, Australian Dollar, Swiss Franc, Euro and Sterling, relative to US Dollar | Impact on profit after tax |                | Impact on net assets |                |
|--|----------------------------|----------------|----------------------|----------------|
|  | 2024<br>\$'000             | 2023<br>\$'000 | 2024<br>\$'000       | 2023<br>\$'000 |
| US Dollar weakens 30% against other currencies   | 21,121                     | (1,587)        | (12,262)             | (18,213)       |
| US Dollar weakens 20% against other currencies   | 14,081                     | (1,058)        | (8,175)              | (12,142)       |
| US Dollar weakens 10% against other currencies   | 7,040                      | (529)          | (4,087)              | (6,071)        |
| US Dollar strengthens 10% against other currencies   | (7,040)                    | 529            | 4,087                | 6,071          |
| US Dollar strengthens 20% against other currencies   | (14,081)                   | 1,058          | 8,175                | 12,142         |
| US Dollar strengthens 30% against other currencies   | (21,121)                   | 1,587          | 12,262               | 18,213         |

**ii. Interest rate risk**

The following table shows the duration at the reporting date of the financial instruments that are exposed to movements in market interest rates.

| Investments and cash – duration<br>31 December 2024 | <1 yr<br>\$'000 | 1–2 yrs<br>\$'000 | 2–3 yrs<br>\$'000 | 3–4 yrs<br>\$'000 | 4–5 yrs<br>\$'000 | 5–10 yrs<br>\$'000 | >10 yrs<br>\$'000 | Non-interest bearing<br>\$'000 | Total<br>\$'000  |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------------------|------------------|
| Variable yield securities                           | 45,631          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 45,631           |
| Debt securities                                     | 201,917         | 201,935           | 204,798           | 471,159           | 231,952           | 514,770            | 68,789            | -                              | 1,895,320        |
| Other investments                                   | -               | -                 | -                 | -                 | -                 | -                  | -                 | 108,692                        | 108,692          |
| <b>Total other financial investments</b>            | <b>247,548</b>  | <b>201,935</b>    | <b>204,798</b>    | <b>471,159</b>    | <b>231,952</b>    | <b>514,770</b>     | <b>68,789</b>     | <b>108,692</b>                 | <b>2,049,643</b> |
| Deposits from third parties                         | 117,650         | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 117,650          |
| Cash at bank  | 33,060          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 33,060           |
| <b>Total</b>  | <b>398,258</b>  | <b>201,935</b>    | <b>204,798</b>    | <b>471,159</b>    | <b>231,952</b>    | <b>514,770</b>     | <b>68,789</b>     | <b>108,692</b>                 | <b>2,200,353</b> |

| Investments and cash – duration<br>31 December 2023 | <1 yr<br>\$'000 | 1–2 yrs<br>\$'000 | 2–3 yrs<br>\$'000 | 3–4 yrs<br>\$'000 | 4–5 yrs<br>\$'000 | 5–10 yrs<br>\$'000 | >10 yrs<br>\$'000 | Non-interest bearing<br>\$'000 | Total<br>\$'000  |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------------------|------------------|
| Variable yield securities                           | 61,413          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 61,413           |
| Debt securities                                     | 228,849         | 217,576           | 299,737           | 339,023           | 220,811           | 81,768             | 456,506           | -                              | 1,844,270        |
| Other investments                                   | -               | -                 | -                 | -                 | -                 | -                  | -                 | 100,526                        | 100,526          |
| <b>Total other financial investments</b>            | <b>290,262</b>  | <b>217,576</b>    | <b>299,737</b>    | <b>339,023</b>    | <b>220,811</b>    | <b>81,768</b>      | <b>456,506</b>    | <b>100,526</b>                 | <b>2,006,209</b> |
| Deposits from third parties                         | 151,770         | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 151,770          |
| Cash at bank  | 49,793          | -                 | -                 | -                 | -                 | -                  | -                 | -                              | 49,793           |
| <b>Total</b>  | <b>491,825</b>  | <b>217,576</b>    | <b>299,737</b>    | <b>339,023</b>    | <b>220,811</b>    | <b>81,768</b>      | <b>456,506</b>    | <b>100,526</b>                 | <b>2,207,772</b> |

### Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the market value of debt securities. This would affect net assets and profit after tax as indicated in the table below:

| Investments and cash – interest rate sensitivity<br>Shift in yield (basis points) | Impact on profit after tax |                | Impact on net assets |                |
|---|----------------------------|----------------|----------------------|----------------|
|   | 2024<br>\$'000             | 2023<br>\$'000 | 2024<br>\$'000       | 2023<br>\$'000 |
| 100 basis point increase  | (76,692)                   | (73,257)       | (76,692)             | (73,257)       |
| 50 basis point increase   | (38,963)                   | (37,164)       | (38,963)             | (37,164)       |
| 50 basis point decrease   | 40,120                     | 38,139         | 40,120               | 38,139         |
| 100 basis point decrease  | 81,240                     | 77,155         | 81,240               | 77,155         |

### 2.3 Credit risk

HCCII's concentrations of credit risk have been categorised by these ratings in the following table:

| Investments, reinsurance assets and cash – credit ratings<br>31 December 2024 | AAA<br>\$'000  | AA<br>\$'000     | A<br>\$'000      | BBB<br>\$'000  | BB<br>\$'000 | Not rated<br>\$'000 | Total<br>\$'000  |
|---|----------------|------------------|------------------|----------------|--------------|---------------------|------------------|
| Variable yield securities   | 45,631         | -                | -                | -              | -            | -                   | 45,631           |
| Debt securities   | 139,211        | 851,756          | 543,490          | 359,423        | 1,440        | -                   | 1,895,320        |
| Other investments   | -              | -                | -                | -              | -            | 108,692             | 108,692          |
| <b>Total other financial investments</b>                                      | <b>184,842</b> | <b>851,756</b>   | <b>543,490</b>   | <b>359,423</b> | <b>1,440</b> | <b>108,692</b>      | <b>2,049,643</b> |
| Reinsurers' share of technical provisions                                     | -              | 303,460          | 271,559          | -              | -            | 3,211               | 578,228          |
| Debtors arising out of reinsurance operations                                 | -              | 72,468           | 104,139          | -              | -            | 9,102               | 185,709          |
| Deposits from third parties   | -              | -                | 117,650          | -              | -            | -                   | 117,650          |
| Cash at bank  | -              | -                | 33,060           | -              | -            | -                   | 33,060           |
| <b>Total</b>  | <b>184,842</b> | <b>1,227,682</b> | <b>1,069,898</b> | <b>359,423</b> | <b>1,440</b> | <b>121,005</b>      | <b>2,964,290</b> |

| Investments, reinsurance assets and cash – credit ratings<br>31 December 2023 | AAA<br>\$'000  | AA<br>\$'000     | A<br>\$'000      | BBB<br>\$'000  | BB<br>\$'000 | Not rated<br>\$'000 | Total<br>\$'000  |
|---|----------------|------------------|------------------|----------------|--------------|---------------------|------------------|
| Variable yield securities   | 61,413         | -                | -                | -              | -            | -                   | 61,413           |
| Debt securities   | 153,479        | 761,819          | 560,733          | 359,920        | 8,319        | -                   | 1,844,270        |
| Other investments   | -              | -                | -                | -              | -            | 100,526             | 100,526          |
| <b>Total other financial investments</b>                                      | <b>214,892</b> | <b>761,819</b>   | <b>560,733</b>   | <b>359,920</b> | <b>8,319</b> | <b>100,526</b>      | <b>2,006,209</b> |
| Reinsurers' share of technical provisions                                     | -              | 256,813          | 381,972          | -              | -            | 14,823              | 653,608          |
| Debtors arising out of reinsurance operations                                 | -              | 39,766           | 93,266           | -              | -            | 5,904               | 138,936          |
| Deposits from third parties   | -              | -                | 151,770          | -              | -            | -                   | 151,770          |
| Cash at bank  | -              | -                | 49,793           | -              | -            | -                   | 49,793           |
| <b>Total</b>  | <b>214,892</b> | <b>1,058,398</b> | <b>1,237,534</b> | <b>359,920</b> | <b>8,319</b> | <b>121,253</b>      | <b>3,000,316</b> |

HCCII's largest counterparty exposure is \$303.1m of US Government securities (2023: \$232.7m).



# FINANCIAL STATEMENTS

An ageing analysis of HCCII's insurance and reinsurance receivables that are past due at the reporting date is presented below:

| Financial assets – ageing<br>31 December 2024 | Up to 3<br>months<br>past due<br>\$'000 | 3 to 6<br>months<br>past due<br>\$'000 | 7 to 12<br>months<br>past due<br>\$'000 | > 1 year past<br>due<br>\$'000 | Total<br>\$'000 |
|---|---|--|---|--------------------------------|-----------------|
| Insurance debtors                             | 19,215                                  | 4,858                                  | 3,113                                   | 2,132                          | 29,318          |
| Reinsurance debtors                           | 25,954                                  | 5,424                                  | (6,232)                                 | 1,523                          | 26,669          |
| <b>Total</b>                                  | <b>45,169</b>                           | <b>10,282</b>                          | <b>(3,119)</b>                          | <b>3,655</b>                   | <b>55,987</b>   |

| Financial assets – ageing<br>31 December 2023 | Up to 3<br>months<br>past due<br>\$'000 | 3 to 6<br>months<br>past due<br>\$'000 | 7 to 12<br>months<br>past due<br>\$'000 | > 1 year past<br>due<br>\$'000 | Total<br>\$'000 |
|---|---|--|---|--------------------------------|-----------------|
| Insurance debtors                             | 9,300                                   | 585                                    | 1,513                                   | 1,302                          | 12,700          |
| Reinsurance debtors                           | 11,546                                  | 2,982                                  | 4,377                                   | 1,468                          | 20,373          |
| <b>Total</b>                                  | <b>20,846</b>                           | <b>3,567</b>                           | <b>5,890</b>                            | <b>2,770</b>                   | <b>33,073</b>   |

### Fair value estimation

The following table presents HCCII's financial investments measured at fair value at 31 December 2024 and 31 December 2023 categorised into levels 1, 2 and 3, reflecting the categorisation criteria specified in FRS 102 (see Note 3(m) of consolidated accounts). No liabilities were measured at fair value at 31 December 2024 or 31 December 2023.

| Financial investments – pricing basis    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000  |
|--|-------------------|-------------------|-------------------|------------------|
| <b>31 December 2024</b>                  |                   |                   |                   |                  |
| Variable yield securities                | -                 | 45,631            | -                 | 45,631           |
| Debt securities                          | 6,729             | 1,888,591         | -                 | 1,895,320        |
| Other investments                        | -                 | -                 | 108,692           | 108,692          |
| <b>Total other financial investments</b> | <b>6,729</b>      | <b>1,934,222</b>  | <b>108,692</b>    | <b>2,049,643</b> |

| Financial investments – pricing basis    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000  |
|--|-------------------|-------------------|-------------------|------------------|
| <b>31 December 2023</b>                  |                   |                   |                   |                  |
| Variable yield securities                | -                 | 61,413            | -                 | 61,413           |
| Debt securities                          | -                 | 1,844,270         | -                 | 1,844,270        |
| Other investments                        | -                 | -                 | 100,526           | 100,526          |
| <b>Total other financial investments</b> | <b>-</b>          | <b>1,905,683</b>  | <b>100,526</b>    | <b>2,006,209</b> |

## 2.4 Liquidity risk

The following table is an analysis of the estimated future net contractual cash flows based on all the liabilities held at 31 December 2024 and 2023:

| Financial liabilities – projected cash flows<br>31 December 2024 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000  |
|--|----------------------|---------------------|---------------------|--------------------|------------------|
| Gross claims outstanding   | 504,293              | 611,206             | 315,075             | 330,655            | 1,761,229        |
| Creditors from direct insurance operations                       | 19,772               | -                   | -                   | -                  | 19,772           |
| Creditors from reinsurance operations                            | 63,915               | -                   | -                   | -                  | 63,915           |
| Other creditors  | 84,776               | -                   | -                   | -                  | 84,776           |
| <b>Total</b>   | <b>672,756</b>       | <b>611,206</b>      | <b>315,075</b>      | <b>330,655</b>     | <b>1,929,692</b> |

| Financial liabilities – projected cash flows<br>31 December 2023 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000  |
|--|----------------------|---------------------|---------------------|--------------------|------------------|
| Gross claims outstanding   | 505,426              | 612,615             | 298,987             | 295,428            | 1,712,456        |
| Creditors from direct insurance operations                       | 11,917               | -                   | -                   | -                  | 11,917           |
| Creditors from reinsurance operations                            | 131,424              | -                   | -                   | -                  | 131,424          |
| Other creditors  | 30,411               | -                   | -                   | -                  | 30,411           |
| <b>Total</b>   | <b>679,178</b>       | <b>612,615</b>      | <b>298,987</b>      | <b>295,428</b>     | <b>1,886,208</b> |

The next two tables summarise the carrying amount at the reporting date of financial instruments analysed by maturity date.

| Investments and cash – maturity<br>31 December 2024 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | N/A<br>\$'000  | Total<br>\$'000  |
|---|----------------------|---------------------|---------------------|--------------------|----------------|------------------|
| Variable yield securities                           | 45,631               | -                   | -                   | -                  | -              | 45,631           |
| Debt securities                                     | 183,843              | 336,577             | 320,695             | 1,054,205          | -              | 1,895,320        |
| Other investments                                   | -                    | -                   | -                   | -                  | 108,692        | 108,692          |
| <b>Total other financial investments</b>            | <b>229,474</b>       | <b>336,577</b>      | <b>320,695</b>      | <b>1,054,205</b>   | <b>108,692</b> | <b>2,049,643</b> |
| Cash at bank  | 33,060               | -                   | -                   | -                  | -              | 33,060           |
| <b>Total</b>  | <b>262,534</b>       | <b>336,577</b>      | <b>320,695</b>      | <b>1,054,205</b>   | <b>108,692</b> | <b>2,082,703</b> |

| Investments and cash – maturity<br>31 December 2023 | Within 1yr<br>\$'000 | 1–3 years<br>\$'000 | 3–5 years<br>\$'000 | >5 years<br>\$'000 | N/A<br>\$'000  | Total<br>\$'000  |
|---|----------------------|---------------------|---------------------|--------------------|----------------|------------------|
| Variable yield securities                           | 61,413               | -                   | -                   | -                  | -              | 61,413           |
| Debt securities                                     | 209,710              | 393,314             | 275,400             | 965,846            | -              | 1,844,270        |
| Other investments                                   | -                    | -                   | -                   | -                  | 100,526        | 100,526          |
| <b>Total other financial investments</b>            | <b>271,123</b>       | <b>393,314</b>      | <b>275,400</b>      | <b>965,846</b>     | <b>100,526</b> | <b>2,006,209</b> |
| Cash at bank  | 49,793               | -                   | -                   | -                  | -              | 49,793           |
| <b>Total</b>  | <b>320,916</b>       | <b>393,314</b>      | <b>275,400</b>      | <b>965,846</b>     | <b>100,526</b> | <b>2,056,002</b> |

### 3. Investment in subsidiary undertakings

Set out below are HCCII's subsidiaries, as at 31 December 2024, with details of the percentages of nominal value and voting rights held by HCCII. The movement in the revaluation of subsidiary undertakings is summarised below:

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| At 1 January   | 464,816        | 371,777        |
| Revaluation of subsidiary undertakings                 | 43,050         | 83,565         |
| Foreign exchange impact on translation to closing rate | (1,999)        | 9,474          |
| <b>At 31 December</b>                                  | <b>505,867</b> | <b>464,816</b> |

The directors believe that the carrying value of HCCII's investment in subsidiary undertakings is supported by the underlying net assets. Investment in subsidiary undertakings, as listed below, comprises its equity holdings at fair value.

| Name  | Address of the registered office  | Principal activity            | Class of shares | Effective % |
|---|---|-------------------------------|-----------------|-------------|
| HCCI Credit Services Limited*                                 | The Grange, Rearsby, Leicester LE7 4FY, UK                                | Information services provider | Ordinary        | 100%        |
| Tokio Marine Europe S.A. (incorporated in Luxembourg)         | 26, Avenue de la Liberté L-1930, Luxembourg                               | Insurance company             | Ordinary        | 100%        |
| Qdos Broker and Underwriting Services Limited*                | The Grange, Rearsby, Leicester LE7 4FY                                    | Insurance intermediary        | Ordinary        | 100%        |
| GCube Underwriting Limited                                    | 20 Fenchurch Street, London EC3M 3BY                                      | Managing general agency       | Ordinary        | 100%        |
| Renewable Energy Loss Adjusters Limited*                      | 70 Gracechurch Street, London, EC3V 0HR                                   | Loss adjusters                | Ordinary        | 100%        |
| HCC Diversificación y Soluciones S.L. (incorporated in Spain) | 13, Torre Diagonal Mar B1, Carrer de Josep Pla, 2, 08019 Barcelona, Spain | Administration services       | Ordinary        | 100%        |

\* All outstanding liabilities of these undertakings as at 31 December 2024 have been provided with a parent company guarantee under s.479c of the Companies Act 2006. Their individual accounts for the year ended 31 December 2024 were therefore entitled to exemption from audit under s.479A of the Companies Act 2006.

Qdos Holdings Limited has been dissolved in 2024.

#### 4. Other financial investments

|  | Fair value       |                  | Book cost        |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2024<br>\$'000   | 2023<br>\$'000   | 2024<br>\$'000   | 2023<br>\$'000   |
| Variable yield securities and units in unit trusts | 45,631           | 61,413           | 45,631           | 61,413           |
| Debt securities and other fixed-income securities  | 1,895,320        | 1,844,270        | 2,046,226        | 1,956,611        |
| Other investments                                  | 108,692          | 100,526          | 85,542           | 75,358           |
|  | <b>2,049,643</b> | <b>2,006,209</b> | <b>2,177,399</b> | <b>2,093,382</b> |

Debt securities and other fixed-income securities comprise listed investments. Other investments is an investment in a real estate investment fund.

#### 5. Other debtors

|                                    | 2024<br>\$'000 | 2023<br>\$'000 |
|------------------------------------|----------------|----------------|
| Deferred tax asset                 | 1,823          | 2,198          |
| Corporation tax                    | 26,515         | 644            |
| Claims funds                       | 18,979         | 14,940         |
| Amounts owed by group undertakings | 81,677         | 91,586         |
| Other debtors                      | 245            | 199            |
|                                    | 129,239        | 109,567        |

There are no debtors except the deferred tax asset falling due after more than one year. Amounts owed by group undertakings are short term, unsecured, interest-free and have no fixed date of repayment.

#### 6. Intangible assets

|                   | 2024<br>\$'000 | 2023<br>\$'000 |
|-------------------|----------------|----------------|
| Intangible assets | 37,000         | -              |
|                   | 37,000         | -              |

During the year, the Company paid GCube Underwriting Limited \$37.0m in connection with the acquisition of its customer-related intangible assets, which are being used to underwrite Renewable business.

**7. Tangible assets**

|                                 | Leasehold<br>improvements<br>\$'000 | Owner-<br>occupied land and<br>buildings<br>\$'000 | Fixtures,<br>fittings<br>and office<br>equipment<br>\$'000 | Total<br>\$'000 |
|---------------------------------|-------------------------------------|--|--|-----------------|
| <b>Book cost</b>                |                                     |  |  |                 |
| At 1 January 2024               | 1,466                               | 6,093  | 3,297  | 10,856          |
| Additions                       | -                                   | 191  | 1,073  | 1,264           |
| <b>At 31 December 2024</b>      | <b>1,466</b>                        | <b>6,284</b>                                       | <b>4,370</b>   | <b>12,120</b>   |
| <b>Accumulated depreciation</b> |                                     |  |  |                 |
| At 1 January 2024               | 1,466                               | 1,748  | 1,979  | 5,193           |
| Charge for the year             | -                                   | 201  | 169  | 370             |
| <b>At 31 December 2024</b>      | <b>1,466</b>                        | <b>1,949</b>                                       | <b>2,148</b>   | <b>5,563</b>    |
| <b>Net book value</b>           |                                     |  |  |                 |
| 31 December 2024                | -                                   | <b>4,335</b>                                       | <b>2,222</b>   | <b>6,557</b>    |

Land and buildings are occupied by HCCII for its own use and are being depreciated over 50 years through June 2045.

|                                 | Leasehold<br>improvements<br>\$'000 | Owner-<br>occupied land and<br>buildings<br>\$'000 | Fixtures,<br>fittings<br>and office<br>equipment<br>\$'000 | Total<br>\$'000 |
|---------------------------------|-------------------------------------|--|--|-----------------|
| <b>Book cost</b>                |                                     |  |  |                 |
| At 1 January 2023               | 1,466                               | 5,880  | 2,847  | 10,193          |
| Additions                       | -                                   | 213  | 450  | 663             |
| <b>At 31 December 2023</b>      | <b>1,466</b>                        | <b>6,093</b>                                       | <b>3,297</b>   | <b>10,856</b>   |
| <b>Accumulated depreciation</b> |                                     |  |  |                 |
| At 1 January 2023               | 1,466                               | 1,577  | 1,825  | 4,868           |
| Charge for the year             | -                                   | 171  | 154  | 325             |
| <b>At 31 December 2023</b>      | <b>1,466</b>                        | <b>1,748</b>                                       | <b>1,979</b>   | <b>5,193</b>    |
| <b>Net book value</b>           |                                     |  |  |                 |
| 31 December 2023                | -                                   | <b>4,345</b>                                       | <b>1,318</b>   | <b>5,663</b>    |

## 8. Other creditors including taxation and social security

|                                 | 2024<br>\$'000 | 2023<br>\$'000 |
|---------------------------------|----------------|----------------|
| Amounts owed by group companies | 84,507         | 30,132         |
| Other creditors                 | 269            | 279            |
|                                 | 84,776         | 30,411         |

Amounts owed to group undertakings are short term, unsecured, interest-free and have no fixed date of repayment.

| Net deferred tax asset                    | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| At 1 January – deferred tax (asset)       | (2,198)        | (2,346)        |
| Changes in accelerated capital allowances | 433            | (1,021)        |
| LTIP                                      | 695            | (2,359)        |
| Technical reserves                        | (50)           | 902            |
| Short-term timing differences             | (703)          | 2,626          |
| At 31 December – net deferred tax asset   | (1,823)        | (2,198)        |

The net deferred tax asset consists of the following amounts:

|                                | 2024<br>\$'000 | 2023<br>\$'000 |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | 170            | (263)          |
| LTIP                           | (1,664)        | (2,359)        |
| Technical reserves             | 626            | 676            |
| Short-term timing differences  | (955)          | (252)          |
| Deferred tax asset             | (1,823)        | (2,198)        |

## 9. Technical provisions – Company

|                             | Provisions<br>for unearned<br>premiums<br>\$'000 | Claims<br>outstanding<br>(1)<br>\$'000 | Deferred<br>acquisition<br>costs<br>\$'000 | Net technical<br>liabilities<br>\$'000 |
|-----------------------------|--|--|--|--|
| <b>Gross of reinsurance</b> |  |  |  |  |
| At 1 January 2024           | 555,662  | 1,712,456                              | (123,599)                                  | 2,144,519                              |
| Movement in provision       | 34,892   | 79,059                                 | (14,651)                                   | 99,300                                 |
| Exchange adjustments        | (18,925)   | (30,286)                               | 4,160                                      | (45,051)                               |
| <b>At 31 December 2024</b>  | <b>571,629</b>                                   | <b>1,761,229</b>                       | <b>(134,090)</b>                           | <b>2,198,768</b>                       |
| <b>Reinsurance</b>          |  |  |  |  |
| At 1 January 2024           | (120,703)  | (532,905)                              | 24,346                                     | (629,262)                              |
| Movement in provision       | 8,917  | 58,032                                 | (1,762)                                    | 65,187                                 |
| Exchange adjustments        | 3,584  | 4,847                                  | (724)                                      | 7,711                                  |
| <b>At 31 December 2024</b>  | <b>(108,202)</b>                                 | <b>(470,026)</b>                       | <b>21,860</b>                              | <b>(556,368)</b>                       |
| <b>Net</b>                  |  |  |  |  |
| <b>At 31 December 2024</b>  | <b>463,427</b>                                   | <b>1,291,203</b>                       | <b>(112,230)</b>                           | <b>1,642,400</b>                       |

|                             | Provisions<br>for unearned<br>premiums<br>\$'000 | Claims<br>outstanding (1)<br>\$'000 | Deferred<br>acquisition<br>costs<br>\$'000 | Net technical<br>liabilities<br>\$'000 |
|-----------------------------|--|-------------------------------------|--|--|
| <b>Gross of reinsurance</b> |  |                                     |  |  |
| At 1 January 2023           | 513,813  | 1,337,505                           | (111,171)                                  | 1,740,147                              |
| Movement in provision       | 23,007   | 325,652                             | (7,549)                                    | 341,110                                |
| Exchange adjustments        | 18,842   | 49,299                              | (4,879)                                    | 63,262                                 |
| <b>At 31 December 2023</b>  | <b>555,662</b>                                   | <b>1,712,456</b>                    | <b>(123,599)</b>                           | <b>2,144,519</b>                       |
| <b>Reinsurance</b>          |  |                                     |  |  |
| At 1 January 2023           | (112,356)  | (411,271)                           | 23,004                                     | (500,623)                              |
| Movement in provision       | (3,897)  | (110,424)                           | 775  | (113,546)                              |
| Exchange adjustments        | (4,450)  | (11,210)                            | 567  | (15,093)                               |
| <b>At 31 December 2023</b>  | <b>(120,703)</b>                                 | <b>(532,905)</b>                    | <b>24,346</b>                              | <b>(629,262)</b>                       |
| <b>Net</b>                  |  |                                     |  |  |
| <b>At 31 December 2023</b>  | <b>434,959</b>                                   | <b>1,179,551</b>                    | <b>(99,253)</b>                            | <b>1,515,257</b>                       |

- (1) Claims outstanding includes claims incurred but not reported ('IBNR') reserves of \$1,041.6m gross of reinsurance and \$219.5m reinsurer's share of IBNR reserves (2023: \$998.6m gross; \$227.8m reinsurer's share).

## 10. Tax charge on profit on ordinary activities

|   | 2024<br>\$'000 | 2023<br>\$'000 |
|---|----------------|----------------|
| UK Corporation tax at 25% (2023: 23.52%)                      |                |                |
| Current tax on income for the year                            | 57,859         | 40,503         |
| Tax in respect of prior years                                 | (1,868)        | (4,101)        |
| <b>Current tax for the year</b>                               | <b>55,991</b>  | <b>36,402</b>  |
| Deferred tax – origination and reversal of timing differences | 389            | 330            |
| <b>Tax charge on profit on ordinary activities</b>            | <b>56,380</b>  | <b>36,732</b>  |

The tax assessed for the year is higher (2023: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

|  | 2024<br>\$'000 | 2023<br>\$'000 |
|--|----------------|----------------|
| <b>Profit on ordinary activities before taxation</b>   | <b>249,852</b> | <b>174,886</b> |
| Tax charge on profit on ordinary activities before taxation at standard rate of 25% (2023: 23.52%) | 62,463         | 41,133         |
| Expenses not deductible for tax purposes   | 472            | 198            |
| Foreign tax  | (52)           | (40)           |
| Effect of foreign exchange   | (5)            | (482)          |
| Dividends received   | (4,811)        |                |
| Tax in respect of prior years  | (1,868)        | (745)          |
| Movement in unrecognised deferred tax asset  | 181            | (3,115)        |
| Other  | -              | (217)          |
| <b>Tax charge on profit on ordinary activities</b>   | <b>56,380</b>  | <b>36,732</b>  |

The UK Government enacted legislation in 2023 to implement the OECD Inclusive Framework on Base Erosion and Profit Shifting Pillar Two Framework to introduce a global minimum tax rate of 15% and a UK domestic minimum tax which will apply for accounting periods beginning on or after 31 December 2023.

The Company has adopted the International Tax Reform – Pillar Two Model Rules amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework, which was approved for issue by the Financial Reporting Council on 5 July 2023, and has applied the exception set out in paragraph 29.12A in respect of recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Company has reviewed the published UK legislation alongside the OECD model rules and guidance and has performed an assessment of the expected impact of the new regime. No additional taxes resulting from the implementation of Pillar Two are expected to arise in the Company.



THANK YOU



# UK

## LONDON

St Botolph Building  
138-139 Houndsditch  
London EC3A 7BT  
UK  
Tel: +44 (0)207 702 4700

At Lloyd's  
1 Lime St  
London EC3M 7HA  
UK

20 Fenchurch Street  
London EC3M 3BY  
UK  
Tel: +44 (0)20 7977 0200

## BRISTOL

First Floor, Regent House  
27a Regent Street  
Clifton, Bristol  
BS8 4HR  
Tel: +44 (0)117 372 7280

## BIRMINGHAM

Lewis Building  
35 Bull Street  
Birmingham B4 6AF  
UK  
Tel: +44 (0)121 345 8394

## LEICESTER

The Grange  
Rearsby  
Leicester LE7 4FY  
UK  
Tel: +44 (0)166 442 4896

## MANCHESTER

Suite A 6th Floor  
Colwyn Chambers  
19 York St  
Manchester M2 3BA  
UK  
Tel: +44 (0)782 653 8406

## BRIDGEND

10 Old Field Road  
Bocam Park  
Pencoed  
Bridgend CF35 5LJ  
UK  
Tel: +44 (0)165 686 8000

# Europe

## BELGIUM

Avenue du Bourget  
Bourgetlaan 42  
1130 Brussels  
Belgium  
Tel: +32 2 218 27 28

## DENMARK

Strandvejen 125  
2900 Hellerup  
Denmark  
Tel: +45 77 34 14 40

## FRANCE

Rhone Alpes Building  
235 Cours Lafayette  
69006 Lyon  
France  
Tel: +33 (0) 4 78 92 82 11

36 rue de Châteaudun  
75009 Paris  
France  
Tel: +33 (0) 1 53 29 30 00

REGUS, Gare de Bordeaux  
Saint-Jean  
Parvis Louis Armand Pavillon  
Nord CS 21912  
33082 Bordeaux Cedex  
France  
Tel: +33 (0)5 56 64 42 94

11 rue Mittlerweg  
68000 Colmar  
France  
Tel: +33 (0)3 89 20 38 71

## GERMANY

Berliner Allee 26  
40212 Düsseldorf  
Germany  
Tel: +49 211 17237-0

Friedrichstrasse 63  
60323 Frankfurt  
Germany  
Tel: +49 69 5095 5680 16

Rindermarkt 16  
80331 Munich  
Germany  
Tel: +49 89 3803 4640

## IRELAND

Summit House  
Embassy Office Park  
Kill, County Kildare  
W91 VK0T  
Ireland  
Tel: +353 (0)4 588 6993

## ITALY

Via Largo Toscanini Arturo 1  
4° piano  
20122 Milano  
Tel: +39 02 655 4791

## LUXEMBOURG

26 Avenue de la Liberté  
L-1930 Luxembourg  
Tel: +352 2786 8300

## SPAIN

Torre Diagonal Mar  
Josep Pla 2  
10th Floor  
08019 Barcelona  
Spain  
Tel: +34 93 530 7300

Paseo de la Castellana  
216, 18th Floor  
28046 Madrid  
Spain  
Tel: +31 610 217 494

## THE NETHERLANDS

Prof. W.H. Keesomlaan 1  
1183 DJ Amstelveen  
The Netherlands  
Tel: +31 20 676 6757

Gustav Mahlerlaan 1212  
1081 LA Amsterdam  
The Netherlands  
Tel: +31 20 2091 542

Kraanspoor 50  
1033 SE Amsterdam  
The Netherlands  
Tel: +31 61 0217 494

Tokio Marine HCC  
St Botolph Building, 138-139 Houndsditch,  
London EC3A 7BT  
T: +44 (0)20 7648 1100

**tmhcc.com**



**TOKIO MARINE  
HCC**

*To Be a Good Company*

HCC International Insurance Company plc is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Tokio Marine HCC is a trading name of the Tokio Marine HCC International companies. Registered in England and Wales No. 01575839. Registered office: St Botolph Building, 138-139 Houndsditch, London EC3A 7BT