Brit Limited

Annual Report 2023

writing the future

BRIT

writing the future

We exist to ensure that uncertainty never stands in the way of progress.

We provide market-leading specialty insurance and reinsurance.

We make disciplined and considered decisions.

We have a culture that is open, honest and fair.

We bring together the best talent and tools to provide service excellence.

We help people and business face the future and thrive.

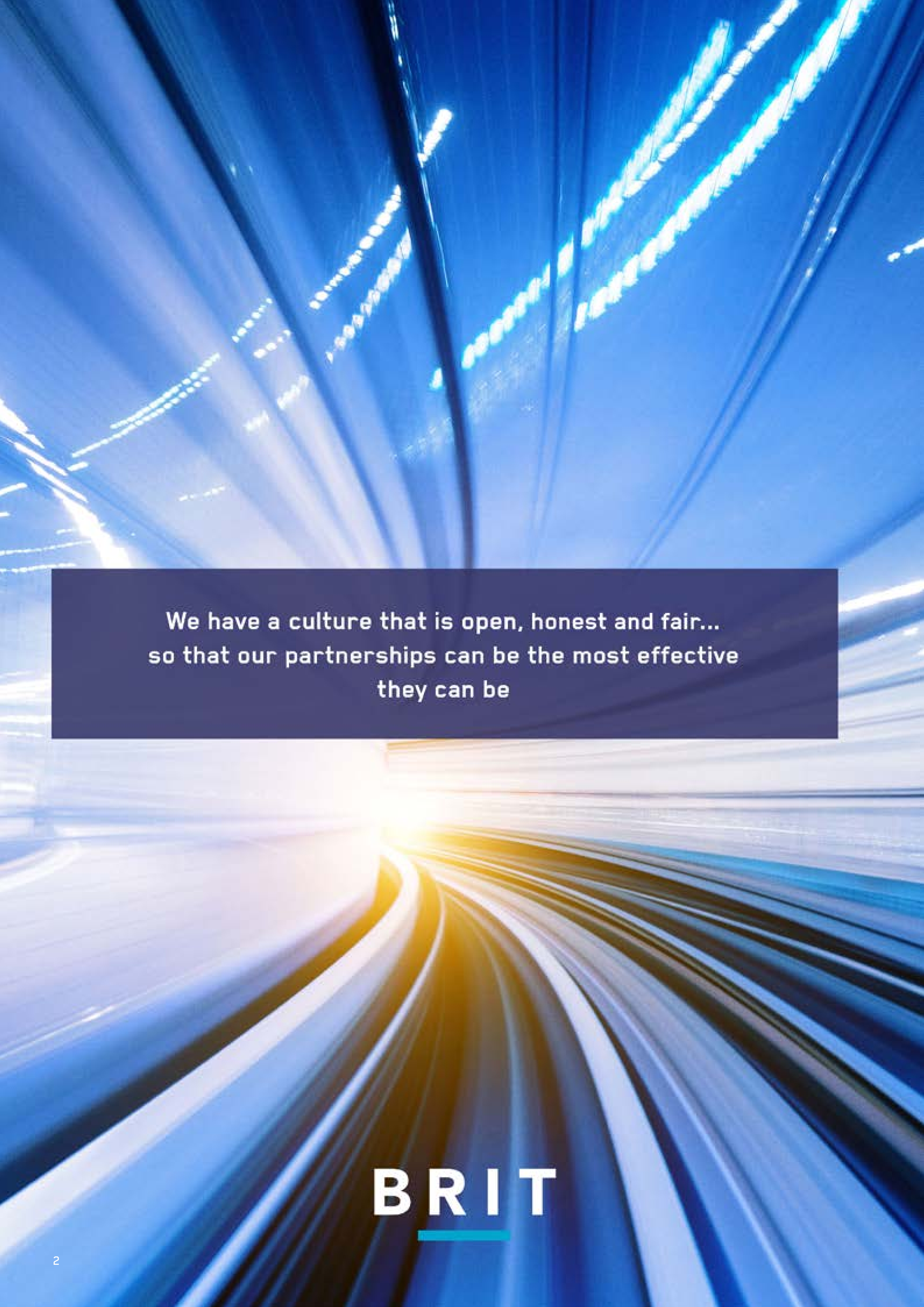
Let's do it together.

BRIT

2023 – A record result

- Group profit after tax (including discontinued operations) of $895.4m (2022: $308.9m).
- Profit on ordinary activities before tax, FX and discontinued operations of $720.3m (2022: $281.3m).
- Return on net tangible assets on all operations of 51.9% (2022: 12.6%) and return on net tangible assets on continuing operations of 41.7% (2022: 12.9%).
- Combined ratio for continuing business after discounting of 76.2% (2022: 88.5%) and an undiscounted combined ratio for continuing business of 85.3% (2022: 96.2%).
- Insurance operating result, excluding the impact of discounting, was a profit of $405.7m (2022: $93.9m), and the result including the impact of discounting was a profit of $423.7m (2022: $492.5m).
- Insurance premium written for 2023 of $3,753.5m, a reduction of 5.5% over 2022 ($3,970.0m) at constant rates of exchange, reflecting market conditions in certain classes, the implementation of our catastrophe strategy, and our continued focus on improving our performance by exiting underperforming business.
- Investment return was a strong $394.4m or 6.2% (2022: loss of $132.1m or -2.3%).
- Result from discontinued operations after tax totalled $266.2m (2022: $21.7m), including the gain on sale of Ambridge of $259.1m.
- Capital position remains strong, with a surplus over management entity capital requirements of $1,050.5m or 54.5% (2022: $709.8m or 39.9%), after dividend payments in the year of $413.6m. A significant proportion of our investment portfolio remains invested in cash and fixed income securities (2023: 85.8%; 2022: 85.1%).
- Highly successful third year of trading for Ki[3], recording insurance premium written of $877.0m (2022: $834.1m), a combined ratio after discounting of 83.2% (2022: 91.1%) and an undiscounted combined ratio of 89.4% (2022: 95.0%).
- Overall market conditions continued to harden, albeit at a reducing rate, and we achieved risk-adjusted rate increases of 7.1%, bringing the compound increase since 1 January 2018 to 65.1%.
- Key developments include:
  - Completion of the sale of the Ambridge MGA companies;
  - Agreement to sell our holding in Canadian MGA Sutton, which completed post year end on 8 March 2024;
  - Execution of our catastrophe strategy, reducing our Property portfolio's gross exposure to such events;
  - Launch of Ki's enhanced offering allowing brokers to access third-party digital capacity from multiple syndicates directly through the Ki platform;
  - Continued focus on our customers through claims innovation;
  - Continued focus on our digital, data and AI strategy; and
  - Adoption of IFRS 17 'Insurance Contracts'.

Note 1: The calculations of the combined ratio and other ratios are set out in 'key performance indicators and alternative performance measures' on pages 210 to 215.
Note 2: 2022 figures have been restated where applicable following the adoption of IFRS 17 'Insurance Contracts' from 1 January 2023.
Note 3: The Ki segment result has been prepared for the purposes of Brit Limited segmental reporting and does not constitute stand-alone financials for Ki Syndicate 1618 or the Ki Financial Limited sub-group in whole or part.



We have a culture that is open, honest and fair... so that our partnerships can be the most effective they can be

BRIT

contents

Strategic Report

The Strategic Report contains information about the Group, how we make money and how we run the business. It gives an insight into our markets, approach to governance, sustainability and risk management. It provides context for our financial statements, sets out our key performance indicators (KPIs) and analyses our financial performance. It also sets out how we engage with our people and other stakeholders and includes our Section 172(1) Statement.

Governance

This report sets out other information of interest to our stakeholders. It includes our Directors' responsibility statement and our Directors' statement on going concern. It also explains our governance framework and contains our Modern Slavery and Human Trafficking Statement.

Financial statements

This section presents the financial position, performance and development in accordance with generally accepted accounting practice for both the Group and the Company. It also contains the Auditors' Report.

Additional information

This section explains how we calculate our KPIs and alternative performance measures with reference to data contained within the financial statements. We also summarise other information relating to the Company that is useful to stakeholders.

Glossary

In this section, we include definitions of the terms used in this Annual Report, focusing on terms specific to the insurance industry and to Brit.

strategic report

This Strategic Report contains information about our business and provides an insight into how we operate and our approach to sustainability and risk management. It provides context for our Financial Statements, sets out our key performance indicators (KPIs) and analyses our financial performance. All monetary figures in this report are presented in US dollars ($), unless otherwise stated.

The calculations of the combined ratio and other underwriting ratios are set out on pages 210 to 215.

During the year ended 31 December 2023 the Group adopted IFRS 17 'Insurance Contracts'. IFRS 17 replaces IFRS 4 'Insurance Contracts' for accounting periods beginning on or after 1 January 2023, with a transition date of 1 January 2022. The Group has applied IFRS 17 fully retrospectively and therefore 2022 figures have been restated where applicable on this basis.

This Strategic Report was approved by the Board on 26 March 2024.

Martin Thompson
Group Chief Executive Officer

Gavin Wilkinson
Group Chief Financial Officer

We provide market-leading specialty insurance and reinsurance...
so you can present the best solutions to your clients.

BRIT

officer statements

Brit has delivered an excellent result for 2023, with a strong underwriting and investment performance.

Our undiscounted combined ratio of 85.3%, a 10.9 percentage point improvement from 2022, reflects the strength of Brit's underwriting teams and the successful execution of our catastrophe strategy, as well as a year of more benign major loss activity. Our discounted combined ratio reduced to 76.2% (2022: 88.5%).

Overall, market conditions have remained broadly positive, and we achieved risk adjusted rate increases of 7.1%. In total, we have seen compound increases since 1 January 2018 of 65.1%. While we have continued to achieve rate increases in most of our underwriting portfolios, in some lines we are seeing increased competition and rate reductions, putting pressure on premium income. We remain vigilant to this and continue to closely monitor our underwriting approach as we maintain our focus on cycle management.

Against this backdrop we have remained highly disciplined and focused on underwriting profitability. This is reflected in a slight reduction in the Group's overall insurance premium written to $3,753.5m (2022: $3,970.0m), mainly driven by market conditions in certain classes, the implementation of our catastrophe strategy, and our continued focus on improving our performance by exiting underperforming business.

In its third year of trading, Ki's insurance premium written increased by $42.9m to $877.0m and continued to make a positive contribution to the Group. Ki has further driven change in the Lloyd's market including the evolution of Ki's business model, allowing brokers to access digital capacity from multiple Lloyd's syndicates directly through the Ki platform, made possible through multi-year partnerships with capacity partners.

On 10 May 2023, Brit completed the sale of Ambridge, its US and European based managing general underwriter (MGU) to Amynta Group, recording a gain on sale of $259.1m.

In November 2023 we also entered into an agreement with Amynta to sell Sutton, the Canadian MGU in which we have a 49% interest, which closed on 8 March 2024. We believe it was the appropriate time to realise the value of our investments in Ambridge and Sutton as we focus on our strategic priorities: our core underwriting capabilities and our investment in building out our market leading digital capabilities. Importantly, Ambridge, Sutton and Amynta remain key partners for Brit, and we look forward to a long and deep underwriting relationship with them as an independent MGUs.

Our ability to deliver a best-in-class claims service is an important differentiator for Brit. We continued to support our clients when they need it most, with innovation at the heart of our claims approach, as demonstrated with our response to the 2023 Hawaiian wildfires and other major loss events. We were delighted that this resulted in our claims team being recognised in winning a number of prestigious industry awards.

Looking ahead, our aspiration for the Group is to be a long-term winner in the Lloyd's market, supported by our clear strategic focus on driving performance and profitability. Our 2023 results show we have the foundations from which to achieve this. Through Syndicate 2987 we are a highly relevant lead market, while Ki is demonstrating the future of follow. In 2024 we will continue to invest in our technology strategy, broker relationships and underwriting capabilities to build on the established leadership positions of these respective parts of the Group, while retaining our long-term focus on careful management of the insurance cycle.

While we remain mindful of shifting market dynamics, this positioning gives me great confidence in the outlook for Brit. Underpinning this confidence is our special and unique culture and I am proud of Brit's reputation for fostering diverse talent. I would like to thank all my colleagues at Brit for their contributions over the last year, as well as our brokers and partners in the market for their ongoing support.

Martin Thompson
Group Chief Executive Officer

This is our first annual report following the implementation of IFRS 17 'Insurance Contracts' on 1 January 2023. This new accounting standard has not changed the way we evaluate the performance of our insurance and reinsurance operations. The Company remains focused on underwriting return on an undiscounted basis, while maintaining a strong balance sheet. We continue to use the traditional volume measure of premium written, and the performance measure of the combined ratio.

In 2023, Brit delivered both a strong underwriting result and a strong investment performance. Brit's profit after tax for continuing operations was $629.2m (2022: $287.2m), while profit for the year including discontinued operations totalled $895.4m (2022: $308.9m). Our return on net tangible assets (RoNTA) for all operations, excluding the effects of foreign exchange, was an excellent 51.9% (2022: 12.6%), and for continuing operations was 41.7% (2022: 12.9%).

Our insurance operating result, excluding the effects of discounting, was $405.7m (2022: $93.9m), and after the impact of discounting was $423.7m (2022: $492.5m). This result, together with our undiscounted combined ratio of 85.3% (2022: 96.2%), reflected good underwriting discipline, rigorous risk selection, reduced major loss activity and healthy compound rate increases.

The Group had reduced major losses in the period, with best estimate reserves of $69.6m established for the Hawaiian wildfires and Hurricane Idalia, benefiting from our catastrophe strategy and a more benign year of activity (2022: $338.5m arising from Hurricane Ian, Australian floods, Winter Storm Elliott and claims arising from the Russian invasion of Ukraine).

In the period, our overall prior year reserves were broadly unchanged. As part of our standard reserving process, we released $3.0m (2022: $1.7m) of our overall net best estimate reserves established for prior year claims before the movements in the risk adjustment and before the impact of discounting. This reflected releases across Financial and Professional Liability, Property Treaty, Programmes and Facilities, and Specialty, partly offset by strengthening in Ambridge Transactional, Casualty Treaty and Ambridge Re.

Our return on invested assets net of fees was a strong $394.4m or 6.2% (2022: loss of $132.1m or -2.3%), with all investment classes other than derivatives contributing to this return. The result reflects market conditions, with strong yields and positive equity market performance.

Our balance sheet remains strong, with adjusted net tangible assets of $2,516.0m (31 December 2022: $2,025.1m), after paying dividends to our shareholders of $413.6m (2022: $18.7m) during the year. Our management capital surplus increased to $1,050.5m or 54.5% (2022: $709.8m or 39.9%) over our Group management capital requirement of $1,927.4m (2022: $1,777.7m), reflecting the impact of the movement in interest rates on our capital requirements, and our result for the period.

Our investment portfolio remains conservatively positioned. It includes a large allocation to debt securities and cash and cash equivalents ($5,784.0m or 85.8%), while Brit's equity and structured product allocation stands at $965.6m, or 14.3%. At 31 December 2023, 82.3% of our invested assets were investment grade quality (31 December 2022: 82.2%) and the duration of the portfolio was broadly neutral compared to the duration of our liabilities. At 31 December 2023, the running yield of our total portfolio was 4.0% (2022: 4.0%).

We continue to monitor the impact of inflation across our underwriting portfolio and reserves, with work being undertaken collaboratively across Underwriting, Actuarial, Risk and Claims. In the 2023 full-year reserving exercise the Actuarial team has maintained its approach of considering the impact of our forward-looking expectations for claims inflation on our reserves.

We continued to experience positive underwriting conditions and favourable market developments in 2023, though underwriting conditions in certain classes are becoming more challenging. The world faces ongoing volatility, challenges arising from inflation, and continuing uncertainty from global events. The insurance market also continues to evolve and we believe that our strategy, discipline, market position and financial strength make us well placed to take advantage of opportunities as they arise.

Gavin Wilkinson
Group Chief Financial Officer

Brit at a glance

Overview

We are a market-leading global specialty (re)insurer and one of the largest businesses that trades primarily on the Lloyd's of London platform, the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks, underpinned by our strong underwriting and claims expertise.

We care deeply about our clients' needs, ensuring that we not only surround them with the best talent in the industry, but also combine the depth of our experience with technology to deliver innovation. Acting in open, honest partnership, our clients can be sure that with Brit by their side, the future is not something to be feared, it is something to be seized.

A full history of Brit can be found at **www.britinsurance.com**.

The Fairfax group

Since June 2015, Brit has been a member of the Fairfax Financial Holdings Limited group (Fairfax), a Canadian company whose shares are listed on the Toronto Stock Exchange (www.fairfax.ca).

At 31 December 2023, Fairfax owned 86.2% of Brit Limited while the remaining 13.8% was owned by OMERS Administration Corporation (OMERS), the defined benefit pension plan for municipal sector employees in the Province of Ontario, Canada. Fairfax has the option to purchase OMERS' interest in Brit at certain dates from October 2023.

We believe that Fairfax is an excellent parent for Brit, enabling us to enhance our global product offering. It provides us with a strong and stable base for long-term growth and affords us with opportunities to expand our underwriting and distribution channels, combined with the freedom to pursue our own identity, philosophy and ambitions.

Our financial strength

Our strong and efficient capital model results from our focus on Lloyd's. As part of the Fairfax group we also benefit from the group's financial strength. We believe that our efficient, flexible and scalable operating model provides a stable foundation that enables us to pursue our strategy of focusing on maximising profitability of the underwriting business and extending our global reach.

Our capabilities and ambition are underpinned by our strong financial position. Our business is underwritten primarily through our wholly-aligned Lloyd's Syndicate 2987, our innovative Ki Syndicate 1618, and the partly-aligned Lloyd's Syndicate 2988, which benefit from Lloyd's ratings of A (Excellent) positive outlook from A.M. Best, AA- (Very Strong) from Fitch, AA- stable outlook from Standard & Poor's, and AA- (Very Strong) stable outlook with Kroll Bond Rating Agency (KBRA).

During 2023, A.M. Best reaffirmed a Financial Strength Rating of A (Excellent) positive outlook, with a 'stable' outlook, to Brit Reinsurance (Bermuda) Limited (Brit Re). This rating reflects Brit Re's financial strength, which A.M. Best assesses as 'very strong', and the positive impact of having Fairfax as its ultimate parent.

At 31 December 2023, we had capital resources equal to 154.5% of the management capital requirement needed to support our business and Fairfax has supported our continued capital strength allowing us to take advantage of business opportunities as they arise. Our capital strength provides the flexibility to allow us to cope with major losses while not deviating from our commitment to fund profitable expansion and to provide attractive returns.

Providing a risk service

Choosing to work with Brit means clients are buying a service, not just buying a product. Every day, our multidisciplined teams bring diverse skills and experience to our clients' businesses, and our deep underwriting expertise helps clients to effectively mitigate their risks. By working in close collaboration across Underwriting, Claims, Actuarial and Technology, our teams gain and share unparalleled insight into the risks that our clients face.

Extensive distribution network

We are proud of our extensive distribution network and are focused on tailoring our distribution strategy across four key areas: open market, coverholders, reinsurance and digital. We source our business through established trading relationships with Lloyd's brokers, wholesale brokers, retail agents and global reinsurance intermediaries. This network allows us to understand and exceed our clients' needs and serve them globally. In London, our specialist Delegated Underwriting Management team has a reputation for its commitment to providing an excellent broker and coverholder experience.

Underwriting and claims excellence

Underscored by comprehensive underwriting, claims and risk services, we operate as a market lead across our primary underwriting classes. At Brit we pride ourselves on Underwriting and Claims excellence, deploying the latest tools and a disciplined approach, and we have a long record of strong performance.

Underwriting excellence

We predominantly underwrite complex, high value insurance and reinsurance risks. Our largest source of business is the US Excess and Surplus lines market and the majority of our premium income is denominated in US dollars, although the risks underwritten are distributed globally. We complement our core classes with highly specialised niche lines which provide both diversification and the potential for high returns.

In addition to our core platform Brit Syndicate 2987, through Ki Syndicate 1618 and Syndicate 2988 we manage $1.14bn of underwriting capacity for the 2024 year of account. These underwriting platforms, backed by diversified sources of capital, reflect our desire to increase our flexibility, enhance our relevance to clients and brokers, and reinforce the long-term relationships we have in the market.

We have an influential and respected presence within the Lloyd's of London insurance market. With one of the largest and most diverse portfolios, we underwrite primarily through our Syndicates 2987, 2988 and Ki 1618. We have a long and successful track record of leading an extensive range of insurance and reinsurance programmes, based on rigorous risk selection and a disciplined approach to underwriting. We hire the best people and develop their skills and expertise. Combining technical expertise with industry knowledge, we listen, we share and we collaborate, to create best-in-class insurance solutions for our clients.

Claims excellence

Should the worst happen, our team of claims professionals are committed to helping those affected not only to move on from the incident, but to move forward. When a customer has a claim, their life or business has been disrupted, or even put in peril. They expect their insurance to deliver – and it is our responsibility to fulfil that commitment.

Our team is highly experienced at both senior and adjuster levels, and has successfully managed claims arising from some of the market's most challenging events. Our claims professionals collaborate closely with our underwriters, giving them real insight into the risks that our clients face, enabling us to tailor our responses appropriately.

Broker surveys consistently highlight Brit's effective client engagement, proactive communications and case-by-case approach, all of which underpinned our response to the pandemic.

Market-leading innovation

By putting innovation at the heart of our business we are constantly looking for ways to provide the ongoing value that will help our customers thrive in a changing world. We have created a stimulating environment where talented original thinkers flourish, and we channel this creativity towards meeting real customer needs: turning smart ideas into cutting-edge insurance solutions.

Investment management

At Brit we have a significant investment portfolio comprising financial investments, investments in associates, investment-related derivatives and cash. The value of our invested assets at 31 December 2023 was $6,744.8m. The investment portfolio is managed for the most part by Hamblin Watsa Investment Counsel Limited, a Fairfax subsidiary with an excellent long-term track record, whose sole business is managing investment portfolios of Fairfax companies.

Our culture, values and people

We are passionate about our business, our people and our customers and we have focused on cultivating a franchise that is built on delivering exceptional service.

Our culture is centred on achievement with four key tenets: delivering on commitments and ensuring the same from others; actively managing risk to optimise reward; focusing efforts to maximise results; living a distinct ethos. In addition, we encourage enthusiasm for improvement, be it changes to process, policy or working practices. We encourage new thinking, and we encourage collective working and open and honest communication.

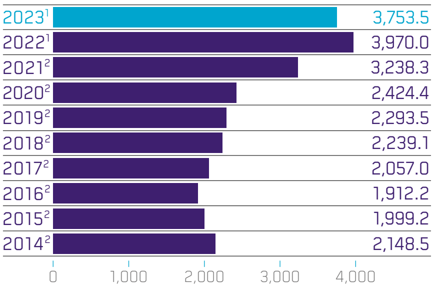
Our values are absolute precision, respect, innovation and pride.

We have a longstanding ethos of social responsibility and we have a strong culture of 'doing the right thing'; from volunteering in our local communities to supporting good causes further afield. The projects we choose align with our strategic priorities and each year, ten charities are chosen by our employees for significant support

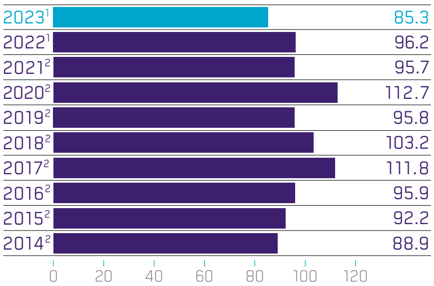
Brit at a glance

Our track record

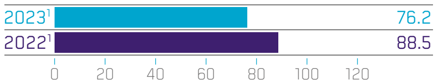
Insurance premium written ($m)



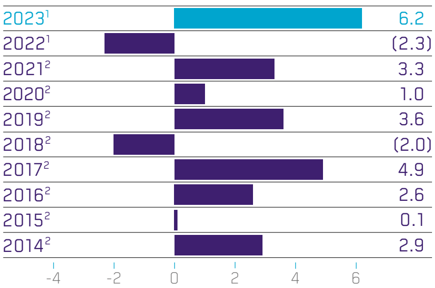
Combined ratio (undiscounted) (%)



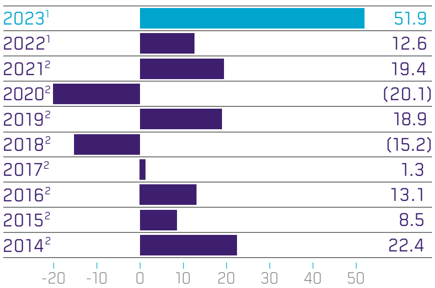
Combined ratio (discounted) (%)



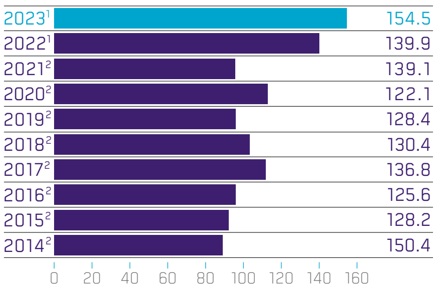
Investment return (net of fees) (%)



RoNTA[3] (%)



Capital ratio (%)



Note 1: The calculations for 2023 and 2022 are set out in 'key performance indicators and alternative performance measures' on pages 210 to 215.
Note 2: The figures for 2014 to 2020 are as previously reported under IFRS 4.
Note 3: RoNTA from all operations, continuing and discontinued.

We make disciplined and considered decisions...
so you can rely on us to be here for the long term.

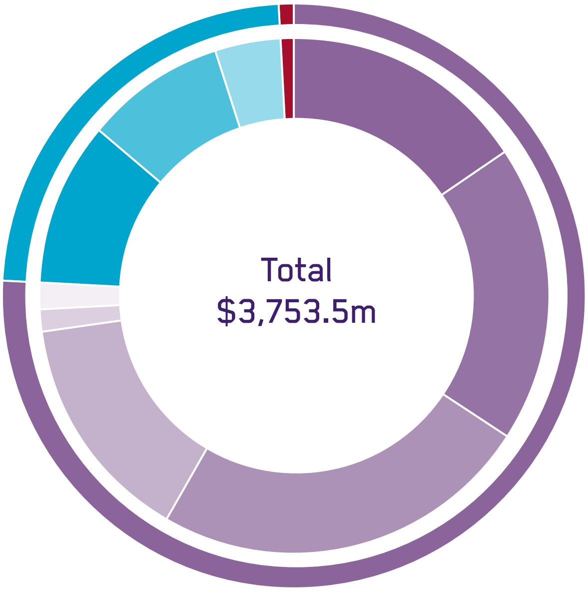
BRIT

our underwriting

writing the future

The breadth of classes we support, the depth of our experience and our commitment to our clients differentiates us.

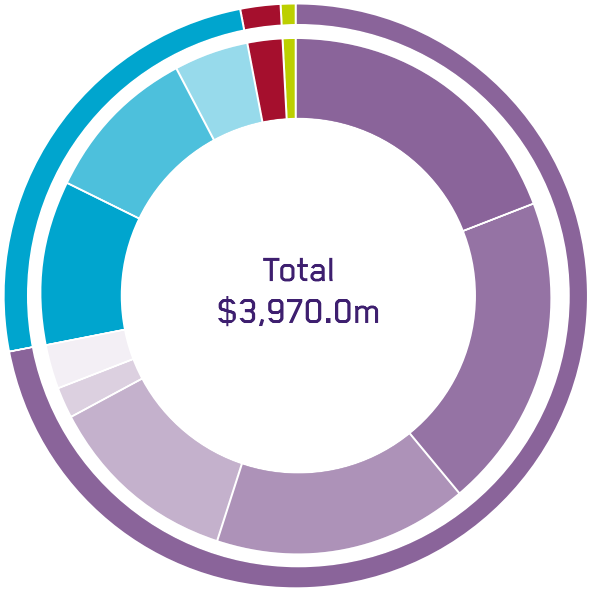
Insurance premium written by portfolio 2023 ($m)



2023

- **Total Direct Portfolios, $2,866.5m**
  - Financial and Professional Liability, $594.5m
  - Programmes and Facilities, $703.3m
  - Property, $908.0m
  - Specialty, $544.3m
  - Ambridge Specialty Casualty, $59.0m
  - Ambridge Transactional, $57.4m
- **Total Reinsurance Portfolios, $882.4m**
  - Casualty Treaty, $392.1m
  - Property Treaty, $339.2m
  - Ambridge Re, $151.1m
- **Underwriting classes in run-off, $27.4m**
- **Other underwriting, $(22.8)m**

Insurance premium written by portfolio 2022 ($m)



2022

- **Total Direct Portfolios, $2,857.0m**
  - Financial and Professional Liability, $767.1m
  - Programmes and Facilities, $785.1m
  - Property, $636.6m
  - Specialty, $481.8m
  - Ambridge Specialty Casualty, $79.8m
  - Ambridge Transactional, $106.6m
- **Total Reinsurance Portfolios, $997.9m**
  - Casualty Treaty, $416.9m
  - Property Treaty, $396.9m
  - Ambridge Re, $184.1m
- **Underwriting classes in run-off, $88.8m**
- **Other underwriting, $26.3m**

Note 1: To aid comparability, the 2022 figures have been re-presented to reflect the changes to the underwriting class monitoring structure introduced for 2023.

Direct Underwriting

Financial and Professional Liability

Financial Lines

Directors' and Officers' (D&O)
As recognised experts in the D&O market, specialising in tailoring products to precisely match individual clients' needs.

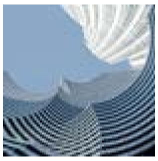
Financial Institutions
As acknowledged leaders in the traditional insurance lines, we also offer exclusive, innovative solutions for organisations of all sizes across mature and emerging economies.

Cyber

Global Cyber Privacy and Technology
Our knowledge of the cyber risk landscape gives us a deeper understanding of the different types of cyber risk. We provide cutting-edge products to clients ranging from agile start-ups to multinational corporations.

Professional Lines

Healthcare Liability
With a wealth of industry expertise, our healthcare team is committed to providing tailored insurance solutions, innovative products and related risk services. We focus on hospitals, allied health and medical liability coverage.



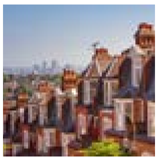
North American Professional Liability
An established leader in this sector, we provide cover on both an open market and binding authority basis. Clients range from small start-ups to the largest multinationals.

Property

Property Open Market

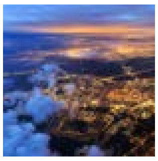
International Property
Our underwriting team offers significant breadth and depth of experience, and has access to our technical expertise in the areas such as catastrophe modelling and policy wordings. We offer a diverse range of market-leading property products throughout the world and insure a wide range of clients, diverse in size and occupancy.

North American Open Market Property
Our technical expertise in the areas of catastrophe modelling, pricing, policy wordings and claims has made our North American Open Market Property team a market of choice for both brokers and clients.



UK Property
We have a proven track record of writing and delivering flexible commercial solutions to address the precise nature of our customers' requirements, covering both commercial and residential property.

Political Risk and Violence

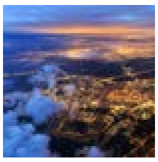


Political and Credit Risk
We cover financial losses as a result of non-payment or performance of counterparties and confiscation, expropriation, nationalisation, deprivation, sequestration or forced abandonment of fixed and mobile assets in foreign countries.

Political Violence/Terrorism
We offer a range of covers including physical damage, denial of access and business interruption losses arising from perils including terrorism, strikes, riots, civil commotion, malicious damage, insurrection, revolution, rebellion, mutiny, war and civil war.

Private Client and Specie

Private Client
Our team has over 25 years of underwriting experience in the high net worth market, specialising in tailoring products to clients' unique needs.

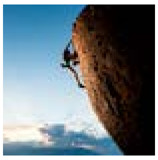


Fine Art and Specie
We offer broad flexible coverage on all risks of physical loss or damage basis. We have the ability to design bespoke policies in niche market areas.

Direct Underwriting

Programmes and Facilities

Accident and Health



Personal Accident and Medical Expenses

We are a leading Lloyd's market offering a broad range of specialist products in the Accident and Health market, concentrating on adding value to our clients and commercial partners. Our dynamic underwriting team is renowned for its diligence and responsiveness. We can structure bespoke coverage to a client's specific needs, and we have a proven track record of working with our clients to respond to complex claims in a timely and efficient manner.

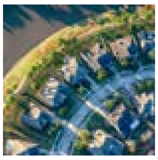
Contingency

A recognised lead market in Lloyd's, we are able to offer extensive knowledge and significant capacity. We offer three main products (event cancellation, non-appearance, and film and prize indemnity) and also offer specialist cover for diverse and esoteric risks.

Property Facilities

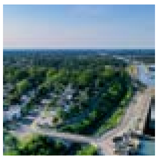
Commercial Property

Our long-established portfolio insures a variety of commercial risks throughout North America, including the Gulf and Atlantic coast territories.



Homeowners

We offer coverage for primary, secondary and vacant dwellings as well as condominium unit owners in the USA. We have the ability to include flood, earthquake and landslide, separately or as a package.



Flood

We offer primary and excess flood solutions for residential, condominium and commercial risks throughout the USA. Optional loss of rents and business interruption cover is also available.

Property Facilities

Financial Property

Where a financial institution forecloses on a property following loan default or an investor purchases a portfolio of properties, it can be covered under a real estate owned policy. We also offer mortgage impairment coverage, which protects a financial institution's owned and serviced loan portfolio against physical loss or damage where no other insurance exists and the loan is in default.

Transportation

Commercial transportation is the lifeblood of industry and commerce across North America and we understand what it takes to help clients move their business forward. We insure commercial Automobile Physical Damage and Motor Truck Cargo across the USA and Canada. We support all sizes of fleet through our network of Lloyd's brokers and coverholders.

Long Tail Facilities

Small North American Liability

We insure small and medium-sized (SMEs) enterprises in North America for errors and omissions liability through our dedicated team. Smaller enterprises are no less complex and we take the time to write risks that enable a small business to continue on their growth path.

Specialty

Marine

Cargo

Our experienced and respected team provide Cargo insurance for goods on land, sea, air and in storage in warehouses worldwide as well as project cargo for construction and pre-launch for satellites.

Marine Hull and War

An expert team providing market-leading Hull insurance across the Lloyd's platform. Brit insures a range of blue-water, in-land and war risks and specialist operations on a worldwide basis.

Marine and Energy Liability

We offer specialist Marine Liability cover through the Marine IGA programme. Our specialist Energy Liability portfolio focuses on Upstream, Midstream and Onshore and Offshore Renewables.

Direct Underwriting

Specialty

Energy

A highly technical class with an experienced and well-respected team offering coverage for all aspects of Upstream and Midstream Energy operations, including Renewables.

Specialist Liability

Our experienced team works with their clients to provide liability coverage to their specific market needs. Products include Public and Products Liability, Employers' Liability and Environmental Liability.

Ambridge Specialty Casualty

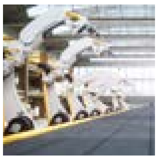
Through Ambridge we write the following: Financial and Professional Liability (Cyber and Technology; Small North American Liability) and Specialty (Excess Casualty; General Liability).

Ambridge Transactional

Ambridge is one of the world's leading managing general underwriters of transactional insurance products and a key trading partner of Brit for the previous nine years. Through Ambridge we write the following Transactional classes: Representations and Warranties/Warranties and Indemnities.

Reinsurance Underwriting

Casualty



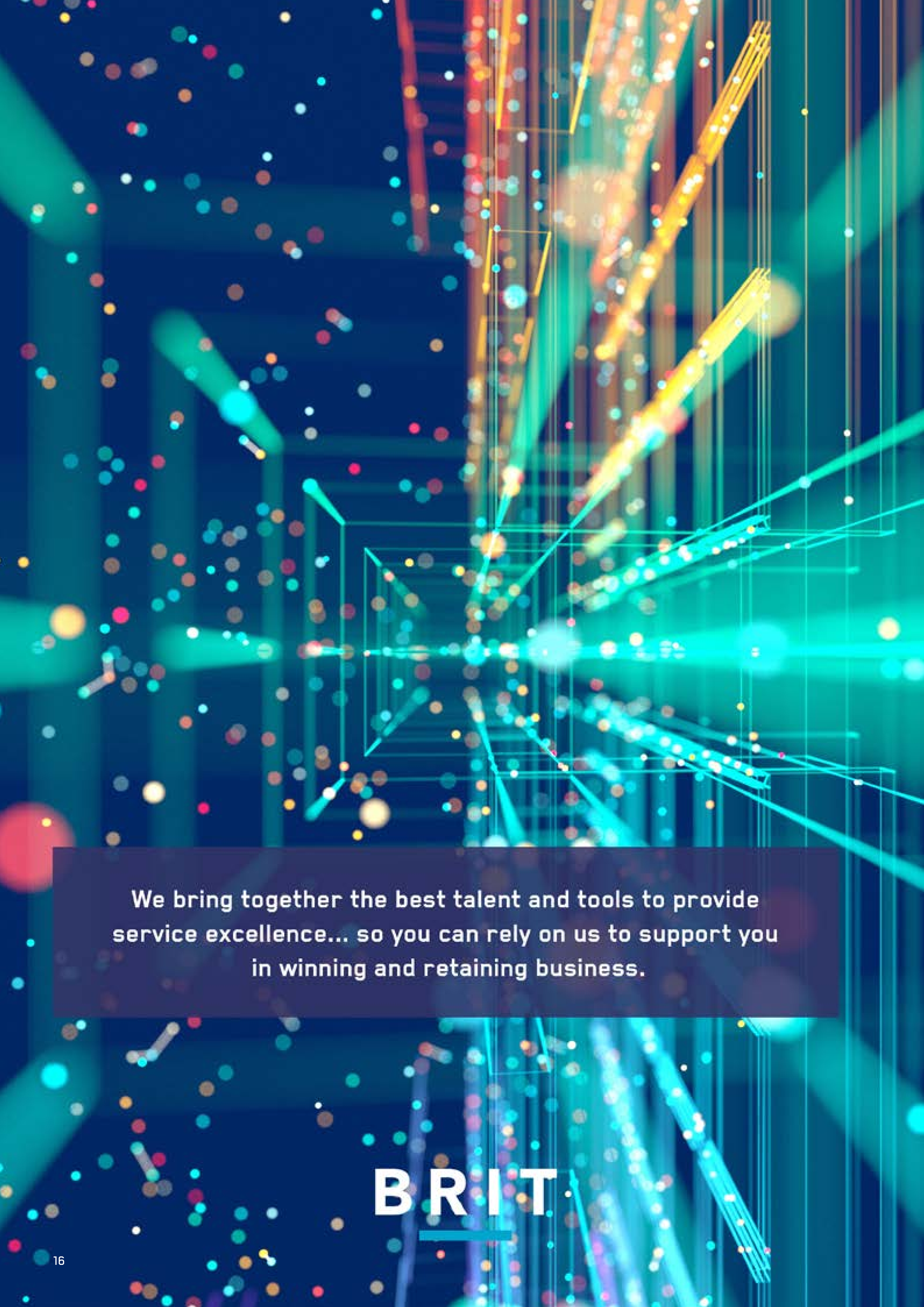
Casualty Treaty

We have dedicated teams for North America and International business based in London, offering our clients a considerable breadth of expertise. We underwrite on a Worldwide basis and are a recognised quoting market. We are a lead market on approximately half of our business, with capacity varying according to class and source of risk. Retrocessional risks are also actively considered.

Property Treaty

Property Treaty

Our teams of specialist underwriters in both London and Bermuda operate together to provide superior service and tailored solutions to brokers and clients utilising a blend of up-to-date technical expertise, embedded modelling capability and real-world market experience. Our client base represents a significant and established cross-section of carriers writing simple policies to complex risks. Our London office is focused on catastrophe excess of loss and risk excess of loss where significant capacity can be offered. The portfolio has global scope, focusing on US, Europe, Japan, and Australia. Our Bermuda office writes US Property catastrophe reinsurance.



We bring together the best talent and tools to provide service excellence… so you can rely on us to support you in winning and retaining business.

BRIT

Ki

Ki continues to drive innovation in the Lloyd's market

2023 saw another successful year for Ki, delivering a strong financial performance while simultaneously evolving its business model and offering to London brokers.

Having additional capacity from other syndicates on the Ki platform is a transformational change for the Lloyd's market. From 1 January 2024 brokers are now able to access this third-party digital capacity, directly through the Ki platform, made possible through multi-year partnerships with trusted Lloyd's syndicates. As a result, Ki has become the first algorithmic underwriting business in the market to be able to underwrite and bind follow capacity on behalf of syndicates across Property, Specialty, and Casualty classes. This is a major step towards a fully digital follow market in Lloyd's and provides a compelling proposition to Lloyd's brokers and clients.

In 2023, Ki[1] generated an undiscounted CoR of 89.4% (2022: 95.0%). 2023 saw steady growth in income, with insurance premium written increasing to $877.0m (+5.1%), despite heightened competition in Financial and Professional and Cyber, as well as reduced appetite for Property Facilities following Hurricane Ian in 2022'. This reflects continued support from the Lloyd's broking community for the Ki's unique offering, and the favourable trading conditions.

Underwriting profitability has increased during 2023. Ki's[1] undiscounted claims ratio decreased to 56.3% (2022: 61.2%). Ki benefitted from the relatively benign catastrophe year and recognised major losses in relation to the Hawaiian wildfires and Hurricane Idalia with net reserves established on an actuarial best estimate basis of $20.0m (2022 events: $48.9m). The net impact of these events was managed through the successful renewal of a catastrophe reinsurance programme and a whole account quota share. The combination of continued growth and profitability is an endorsement of Ki's digital, data driven model and validates our unique approach to underwriting and digital fast-follow.

Ki has built a platform that is unique in the Lloyd's market. In 2023, technology development focused on the readiness of the platform to launch Ki's ability to underwrite and bind risks on behalf of multiple syndicates, including Ki 1618 for risks incepting on 1 January 2024. Other initiatives included an increased focus on property, energy, and cyber class capabilities within the algorithm as well as building back-office supporting technology as the business has scaled. Our team of leading data scientists and engineers continues to prioritise developing new capabilities at pace with a spirit of continuous improvement that defines our business model.

Our technology is partnered with a strong underwriting culture, with a focus on sustainable profitability and discipline embedded in the business. The Portfolio Underwriting function at Ki is focused on managing our portfolio as well as servicing our brokers and clients to ensure we remain focused on the fundamentals of specialty insurance. Going forward our underwriting teams will act on behalf of Ki 1618 as well as the partner syndicates that provide capacity to the Ki platform.

Ki Financial Limited (KFL) has a sustainability linked 'Funds at Lloyd's' letter of credit agreement. The facility, which is structured to support the Syndicate as it grows, is linked to the ESG rating of Ki's 'Funds at Lloyd's' investment portfolios and Syndicate assets, with its pricing dependent on the compliance of the Syndicate's investment portfolios with ESG targets. We recognise that to fully integrate ESG into the investment strategy, it is important to understand the portfolio exposures. We have incorporated ESG into our regular monitoring, annual due diligence reviews of the investment managers and hold regular discussions on the managers' ESG capabilities, and their engagement with companies.

Ki has also continued to invest in its team, and the quality of talent attracted from both the tech and insurance industries is testament to Ki's exciting vision. We hired 95 people during 2023, including five interns in the summer under the Code First Girls initiative. We also supported three masters students from University College London over the course of the year.

We look forward to 2024, building on the successes and profitability achieved in 2023, along with the launch of our unique new business model and partnerships with capacity partners. We will continue to take advantage of the significant opportunities presented by our efficient operating model and look forward to releasing the further technological developments on our road-map, pushing forward the market's digital future.

Further information can be found at **www.ki-insurance.com**.

Note 1: Ki's result has been prepared for the purposes of Brit Limited segmental reporting and does not constitute stand-alone financials for Ki Syndicate 1618 or the Ki Financial Limited sub-group in whole or part.

business review

2023 underwriting review

Overview

For the twelve months to 31 December 2023, Brit returned a combined ratio (CoR) before discounting for continuing operations of 85.3% (2022: 96.2%) and an insurance operating result before discounting of $405.7m (2022: $93.9m).

Insurance premium written decreased by 5.5% to $3,753.5m (2022: $3,970.0m). This reflected an overall decrease in current year insurance premium reflecting market conditions in certain classes, the implementation of our catastrophe strategy, and our continued focus on improving our performance by exiting underperforming business. Prior year premium development continued to be favourable, but at lower levels than in 2022. This resulted in a year-on-year decrease of $102.7m.

Ki has continued to deliver its growth plans and has had a successful third year of trading. Further details are included on page 17.

Market conditions

The market has continued to benefit from premium rates during 2023. Brit achieved an overall risk adjusted rate increase of 7.1% (2022: 12.4%). Direct business premium rates increased by 5.3% (2022: 14.4%), while reinsurance business increased by 12.1% (2022: 7.1%). All Divisions, with the exceptions of Financial and Professional and Ambridge Transactional, achieved rate increases, with the largest increases achieved in Property Treaty, Property and Programmes and Facilities.

The compound risk adjusted rate increase since 1 January 2018 now totals a very strong +65.1%. Rating increases since 2020 by portfolio are as follows:

	2020 %	2021 %	2022 %	2023 %
Financial and Professional Liability	11.9	39.8	30.8	(10.1)
Programmes and Facilities	7.4	7.7	10.9	15.5
Property	13.7	8.4	7.6	17.5
Specialty	13.0	8.6	6.7	2.6
Ambridge Speciality	15.1	16.1	8.0	0.5
Ambridge Transactional	–	18.4	0.7	(1.8)
Direct portfolios	11.7	15.4	14.4	5.3
Casualty Treaty	5.1	6.3	3.5	1.3
Property Treaty	8.8	7.9	9.9	33.7
Ambridge Re	9.0	6.6	9.4	0.7
Reinsurance portfolios	8.5	7.8	7.1	12.1
Total	**10.6**	**12.9**	**12.4**	**7.1**

The economic environment and the impact of inflation

Brit has carefully considered the impact of the higher levels of inflation. Increased focus has been placed on ensuring Brit's pricing models adequately address current inflationary trends. Feeding into these models is an enhanced framework assessing the key drivers of claim settlement costs for each class of business.

Our reserves are set on a best estimate basis together with a risk adjustment. For 2023, this risk adjustment has been set at the 77th percentile (2022: 75th percentile) on a net basis. As part of the year-end reserving exercise, the impact of inflation was considered in detail by the Actuarial team to ensure that assumptions are consistent with our forward-looking expectations for claims inflation. Various techniques have been considered in line with guidance from Lloyd's and regulators.

2023 major loss activity

Worldwide natural disasters in 2023 resulted in economic losses of around $250.0bn (2022: $250.0bn), in line with the five-year average, while insured losses were in the region $95.0bn (2022: $125.0bn), below the five-year average of $105.0bn (Source: Munich Re).

The year's most costliest events included the tragic earthquakes in southeast Turkey and Syria (economic losses of c.$50.0bn, with insured losses of c.$5.5bn), Typhoon Doksuri (Philippines/ China) (economic losses of c.$25.0bn, with insured losses of c.$2.0bn), Hurricane Otis (the most severe storm ever to hit Mexico's Pacific coast) (economic losses of c.$12.0bn, with insured losses of c.$4.0bn). There were also a significant number of regional weather events, such as thunderstorms in the US and Europe, and wildfires in Canada.

Brit's undiscounted best estimate reserves established for major natural catastrophe losses in 2023, net of amounts recoverable from reinsurers, amounted to $69.6m (2022: $306.6m), driven by the Hawaiian wildfires ($51.7m) and Hurricane Idalia ($17.9m). Brit does not have material exposure to other catastrophe events which occurred during the year. While we anticipate that some claims will emerge, we expect these to be attritional in scale.

2022 and prior major loss activity

Net reserves held for 2022 and prior major losses were broadly unchanged, with increases in estimates in respect of claims arising from Winter Storm Elliott offset by reductions in estimates in respect of Hurricane Ian.

Russian invasion of Ukraine

During 2023, net loss estimates arising from the Russian invasion of Ukraine increased by $2.7m to $34.6m. This small net increase was primarily driven by the earning through of exposures on the Terrorism and Political Risk classes, partly offset by a reduction of specific loss estimates in the Political and Credit risks following better than expected experience.

COVID-19

The Group continues to monitor its exposure to losses arising from the COVID-19 pandemic. During 2023, there has been no material movement in overall net reserves held for COVID-19 related claims, as claims continue to close in line with expectations.

Supporting our customers

Our customers are our priority. When a customer has a claim, we understand they are likely to be facing difficult and unexpected challenges. We believe they expect the insurance they have purchased to respond and deliver when they need it most. We see each claim as an opportunity to deliver the claims service our customers need to move forward with their lives.

The Brit claims team have maintained a focus on responding to our customers and by pursuing opportunities to reduce claims lifecycle and bring claims to resolution at every opportunity through a high level of technical expertise supported by innovation and technology:

- **Claims response to Hawaiian Wildfires**

  Brit continues to lead the London Market in its use of geospatial technology to advance property claims adjusting capabilities, often after catastrophe events but also and in normal course claims response. In the immediate aftermath of the Hawaiian Wildfires, the Brit Claims team used our proprietary machine learning algorithm in tandem with our access to ultra-high-resolution aerial imagery to accelerate the accurate identification of US property damage. By doing so, the team was able to virtually adjust and approve claims payments directly from our offices in London. This enabled us to fast-track payments to over 75% of the impacted customers, in most cases before the general population was even permitted back into the devastated areas in Maui. This represents a lifecycle of natural catastrophe impact to payment that we believe is significantly quicker than the rest of the Lloyd's market.

- **Direct Pay solution**

  In March 2022, we launched the Direct Pay payment solution in the US, with very favourable feedback from customers, coverholders and brokers. In partnership with Visa, Mastercard and Vitesse, Direct Pay offers our customers the ability to receive claims payments securely and instantly to their bank cards. This follows the successful 2021 release of Direct Pay solution in the UK.

  Brit has co-developed several funding and payment innovations that aim to enhance customer experience and drive value for the business. Furthermore, the successful re-application of direct pay was initiated by Lloyd's for wider use by the Lloyd's market under the Future at Lloyd's initiative FCP, or Faster Claims Payments. FCP enables third party adjusters working on behalf of Lloyd's to expedite claims payments through direct access to Insurer's funds via Vitesse and their Payment Platform, eliminating the need for a traditional Loss Fund.

- **Market recognition**

  In May 2023, the Brit Claims Team won two prestigious Insurance Times Claims Excellence Awards, and in June 2023 the Team won the 'Best Use of Technology' award at the British Claims Awards. These awards recognised our outstanding work utilising Machine Learning, Aerial Imagery, and a faster claims payments service to deliver an unprecedented claims solution following Hurricane Ian.

Other underwriting developments

- **Execution of catastrophe strategy**

  In recent years the market has experienced a level of catastrophe activity significantly in excess of historical levels. In 2022, we reviewed the catastrophe strategy of our US Property portfolio, focusing on Property Treaty, Property Facilities and Property Open Market. As a result, we focused on achieving minimum rate requirements, have successfully increased inflationary guards and minimum valuations, and redistributed capacity away from catastrophe intensive regions. The changes were also expected to reduce reliance on reinsurance which is increasingly expensive given the scarcity of capacity in the current market.

  During 2023, we have continued to focus on the execution of this strategy. The actions have resulted in a gross exposure reduction for Property Treaty, Property Facilities and Property Open Market across our portfolio. The strategy continues to be reviewed on a quarterly basis.

- **Focus on underwriting capability development**

  In 2023, Brit made good progress with its investment in digital and data-enabled capabilities. North America Open Market (NAOM) Property was launched as the first product using Brit's new strategic pricing and rating engine, marking an important step in our strategy to use technology to facilitate greater underwriting capability. With the new platform NAOM underwriting team have been able to:

  - Increase efficiency, removing friction in the underwriting process;
  - Move towards a model which surfaces capability 'all in one place', within a streamlined, reimagined workflow that matches what we do and how we think as underwriters;
  - Ensure better service to our Brokers (e.g. same-day quoting); and
  - Increase collaboration across underwriters, pricing actuaries, technology, operations and data.

  Following this successful roll-out, we will expand the platform in 2024 to other classes as well as explore additional capabilities that can benefit multiple classes.

- **Senior underwriting and claims appointments**

  Group Chief Underwriting Officer (GCUO): On the 31 October 2023, we announced that after 17 years of service, Christiern Dart had decided to step down from his position as GCUO. We thank him for his contribution to Brit. Jon Sullivan, has been appointed Christiern's successor. Jon has been with Brit for over 12 years, being Deputy GCUO for the last five years and Active Underwriter of Syndicate 2987 since 2018.

  Head of Claims: On 4 April 2023, we announced that Marie Hill has been promoted to Group Head of Claims (formerly Deputy Head of Claims).

- **Continued portfolio management**

  Where classes remain challenging, we have continued to take action to improve our performance and maintained our rigorous risk selection criteria. For 2024, we have ceased writing Space and Nuclear, and refocused the Marine Liability account to concentrate on Energy Liability business.

- **2024 business planning**

  Brit is one of the largest managing agents in the market and, in 2024, Syndicate 2987 is the second largest Lloyd's syndicate by underwriting capacity, demonstrating the value and strength of Brit to the Lloyd's market.

  Syndicate 2987's capacity is planned to grow by c.2% (at comparable FX rates) over the 2023 year of account. As in previous years, we continue to actively manage the portfolios, growing where the market is strongest and where we see the best opportunities to deliver profit for our shareholders, and taking action on the weaker segments of the portfolio.

  Syndicate 2988's capacity is planned to reduce by c.18% (at comparable FX rates) over the 2023 year of account. For 2024 the Syndicate's portfolio will not include US Property business and so the stamp has been reduced accordingly. Whilst we continue to see this as an attractive segment, the strategy for 2024 is to reduce natural capacity volatility within the Syndicate's portfolio, offering a more stable return for investors.

  Syndicate 1618 has been on a high growth trajectory since its launch in 2021. Expectations for 2024 are for the rate of growth to slow as the portfolio stabilises and the Ki model expands to include partner lines being deployed through the platform.

  Brit's non-catastrophe reinsurance renewals at 1 January 2024 have been successfully completed, achieved within budget and with some improvements in coverage, and placed with a largely unchanged panel. Following the execution of new Property catastrophe strategy during 2023, Brit's focus was on reducing overall spend and reducing ceded profit.

  Brit's main catastrophe protections renew at 1 April and discussions are currently underway with our reinsurance partners. Currently, we do not foresee any material challenges in placing the required protections.

- **Launch of Ki's multiple capacity partner platform**

  In October 2023, Ki evolved its market first algorithmic underwriting platform and announced partnership agreements with two Lloyd's syndicates to offer brokers access to algorithmically driven digital follow capacity from those third-party syndicates. From November 2023, this capacity was available on the Ki platform, for risks incepting from 1 January 2024. This is not only a step change for Ki's business, with the additional capacity driving significant efficiency benefits for brokers and clients, but also for the Lloyd's follow market.

- **Renewal and planned expansion of our leading cyber consortium**

  In February 2023, we announced the renewal and planned expansion of our leading cyber consortium, Brit Cyber Attack Plus (BCAP) a cyber product designed to protect clients from the impact of physical damage arising from cyber-attacks. BCAP also offers a broad spectrum of cyber coverage including, business interruption, data privacy, breach response, cyber extortion, reputational harm and cyber liability coverage.

  Launched in 2014, the BCAP consortium offers limits of up to $140.0m and wrote in excess of $100.0m in premium in 2023, making it one of the largest cyber consortiums in the market by both premium and capacity.

- **Brit insurance named a winner of the Insurance Business UK five star Cyber award**

  In February 2023, Brit's Cyber product offering was selected once again by brokers, to receive five stars by Insurance Business UK. Our cyber team has been delivering for clients and customers for over 18 years now, and we're proud to provide cyber cover for 40% of the Fortune 500.

- **Closure of Sussex Diversified Fund**

  In October 2023, given the current challenges in the ILS market, Brit took the decision to close the Sussex Diversified Fund. The Diversified Fund was established for the 2018 underwriting year to encourage external investors to invest in a surplus of Property catastrophe risk. This decision will allow Brit to focus on its corporate strategy, to meet its combined ratio target under the four pillars of focus, simplification, capability and culture, and to focus its growth ambitions in Bermuda on its two well-established entities, Brit Global Specialty Bermuda Limited (which produces business for Syndicate 2987) and Brit Re (A rated by AM Best).

Review of other key business developments during 2023

Other key strategic developments during 2023 have included:

- **Ambridge sale completion**

  On 7 January 2023, Brit entered into an agreement to sell Ambridge Group to Amynta Group. This transaction closed on 10 May 2023. The Company received $379.0m on closing, comprising of cash of $265.8m and a promissory note with a fair value of $113.2m, resulting in a gain on disposal of $259.1m.

  Under the terms of the sale agreement, an additional $100.0m was receivable, subject to a clawback based on 2023 performance targets of Ambridge. The Directors believe that the 2023 performance targets will not be met and therefore have not recognised any of this additional amount.

  Ambridge is a leading global Managing General Underwriter, offering a broad range of transactional, specialty casualty, cyber, professional liability, and reinsurance coverages. Ambridge places over $600m of gross premium written on behalf of Brit and a number of highly rated global insurers.

Ambridge continues to be a strategic business partner of Brit.

- **Sutton sale agreement**

  On 17 November 2023, Brit entered into an agreement with Amynta Group and the other shareholders of Sutton, under which Amynta Group would acquire 100% of Sutton. Following the receipt of UK regulatory approval, this transaction closed on 8 March 2024. The sale proceeds for Brit's 49% holding were $31.0m.

  Sutton is a Canadian managing general underwriter of a range of specialised insurance products, including Accident and Health. Sutton will continue to be a strategic business partner of Brit after the sale completes.

- **Senior Corporate appointments**

  - **Brit Limited Board appointment**
    Simon Lee was appointed to the Board of Brit Limited on 8 May 2023. Simon remains Chairman of Brit Syndicates Limited, the board of which he was appointed to on 16 January 2016.

  - **Actuarial and Risk**
    In October, we announced the following changes:

    - Shane Kingston moved to a new position of Group Chief Risk Officer & Chief Actuary.
    - David Grant promoted to the role of Chief Risk Officer for Brit Syndicates Limited (BSL).
    - Richard Weston promoted to the role of Chief Actuary for Brit Syndicates Limited (BSL).

    These changes will facilitate stronger alignment between Underwriting and Actuarial, as we continue to improve our underwriting and portfolio management capabilities. They will also support delivery of our ever-increasing regulatory requirements.

  - **Senior Ki appointments**
    - **Ki CFO:** On 1 December 2023 Jan Christiansen joined Ki as CFO. Jan has two decades of leadership experience at Fairfax portfolio companies, and was most recently at Odyssey Group, where he was Group CFO after joining in 2010.
    - **Ki Commercial Director:** In June, Ki appointed Catherine Barton as Commercial Director. Catherine was most recently Chief Insurance Officer at Zego and prior to this Chief Financial Officer at Talbot Underwriting Limited. She has also held senior executive management roles at Bupa UK and been a Partner at both EY and Deloitte.
    - **Ki Director of Product:** In September, Anita Woods joined as Ki Director of Product. Anita was most recently Vice President of Product at fintech firm Cleo. She previously worked at Google, Amazon, and Bain & Company.

- **Digital, data and artificial intelligence (AI) strategy**

  We continue to advance our strategy to deliver a digital, data and AI driven platform that improves our underwriting performance and capabilities. We have made good progress in developing foundational data and technology capabilities and internal skills. Our primary area of focus and investment in 2023 has been the continued build out of our new cloud-native modern data platform and planned sunset of our legacy data warehouse. This will greatly improve the stability of our reporting foundation, provide a scalable platform for future value investments in data and analytics and help manage cloud computing costs in the long-term.

  The next phase of our strategy is focusing on leveraging acceleration brought by GenAI, large language models, no code/low-code platforms and related digital architecture. The strategy includes embedding modern ways of working to enable strong partnership across business functions to drive accelerated business adoption. Furthermore, we continue to mature our cyber security, privacy and ethics, and data quality strategies as key enablers of our technology and data strategies.

- **RiverStone Management Pension and Life Assurance Plan – bulk annuity contract**

  In October 2023, the Trustees of the Plan purchased a bulk annuity ('buy-in') policy with a specialist insurer for a premium of £94.9m ($121.0m). This policy, which replaces the majority of the Schemes investments, matches the benefits due to all scheme members and provides the income to the Plan to fund payments as they fall due. Following this transaction, the Plan retains a surplus of $10.7m ($7.0m net of deferred tax). This contract provides added security to members, while reducing the risk of Brit being required to provide further funding to support member benefits. No decision has been made as to whether the scheme will proceed to a full buy-out at some point in the future.

financial performance review

Adoption of IFRS 17 'Insurance Contracts'

During the year ended 31 December 2023 the Group adopted IFRS 17 'Insurance Contracts'. IFRS 17 replaces IFRS 4 'Insurance Contracts' for accounting periods beginning on or after 1 January 2023, with a transition date of 1 January 2022. The Group has applied IFRS 17 fully retrospectively and therefore the comparative period has been restated where applicable. The net impact of the transition has been recorded in in equity.

The adoption of IFRS 17 is set out in Note 2.4.2 on page 86. At the date of transition (1 January 2022), total equity increased under IFRS 17 by $61.9m or 2.9% from $2,146.6m to $2,208.5m.

The result after tax for the year ended 31 December 2022 increased from a loss of $96.3m under IFRS 4 to a profit of $308.9m under IFRS 17. This increase was primarily driven by the effects of discounting, partly offset by establishing the risk adjustment. Total equity at 31 December 2022 increased from $2,142.8m to $2,609.9m.

The introduction of IFRS 17 has had no impact on our group strategy or the way we manage the business.

Management continues to evaluate its underwriting performance on a non-discounted basis, with the combined ratio, the insurance service result, the insurance operating result and insurance premium written being used as underwriting performance measures.

Key Performance Indicators

At Brit we monitor and measure our performance by reference to certain key performance indicators (KPIs). These KPIs are used by us to manage our business and allow us to see, at a glance, how we are performing.

Our five KPIs show the returns that we are generating, the performance of our underwriting activities, our risk adjusted rate change, our investment portfolio, and our financial strength. The development of our KPIs over the five years (set out below) reflects our focus on underwriting performance and improving underwriting market conditions, together with the challenges presented by the increased frequency and severity of catastrophe events, COVID-19, and the increase in investment market volatility.

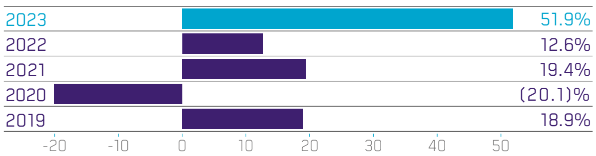
A reconciliation of each KPI to the amounts presented in the financial statements, where relevant, is included in the 'key performance indicators and alternative performance measures' section of the Annual Report starting on page 210 and definitions of each of our KPIs are included in the Glossary starting on page 217.

The figures for 2022, where applicable, have been restated and the figures for 2019 to 2021 are as previously reported under IFRS4 'Insurance Contracts', where relevant.

Overall performance

Return on net tangible assets (RoNTA)

51.9%



RoNTA shows the return generated by our operations for the owners of Brit Limited before foreign exchange movements, compared to the adjusted net tangible assets deployed in our business attributable to them. The impact of the Group's defined benefit pension schemes is excluded from both the return and the assets in the calculation.

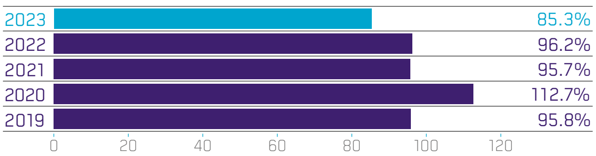
In 2023, our RoNTA in respect of continuing and discontinued operations combined was 51.9%, reflecting a positive underwriting result, a positive return on invested assets and a positive result generated by discontinued operations.

This return resulted in a five-year average RoNTA of 16.5%.

RoNTA in respect of continuing operations for 2023 was 41.7% (2022: 12.9%).

Underwriting
Combined ratio (undiscounted basis)

85.3%

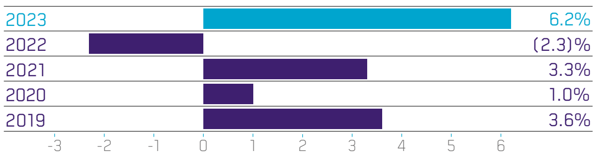


The combined ratio on an undiscounted basis in respect of continuing business is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every $1 of premium is spent in the total costs of sourcing and underwriting the business and settling claims. A combined ratio under 100% indicates underwriting profitability.

Our undiscounted combined ratio in 2023 was 85.3% (2022: 96.2%). Over the past five years, we have delivered an average combined ratio of 97.1% despite the impact of COVID-19. Excluding COVID-19 related claims, our five-year average combined ratio was 93.7%.

Investment management
Investment return

6.2%

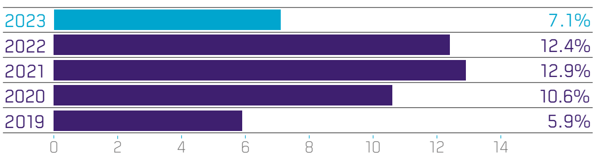


We assess the performance of our investment portfolio by comparing the return generated by our invested assets, net of external investment related expenses, against the average value of those invested assets.

Our investment strategy takes a long-term view of markets, which can lead to significant variations in our year-on-year return figures. Over the past five years, we have delivered an average investment return of 2.4%.

Underwriting
Risk adjusted rate change

7.1%

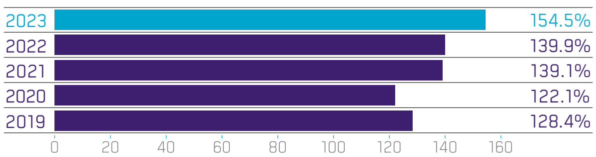


The risk adjusted rate change (RARC) shows whether premium rates are increasing, reflecting a hardening market, or decreasing, reflecting a softening market. A hardening market is one indicator of increasing profitability. The data reflects internal estimates by Brit's underwriters, based on available year-on-year underlying renewal data after allowing for changes to terms and conditions. Generally, no adjustment is made to the figures to reflect the impact of inflation beyond the level of inflation in the underlying exposure measure used in pricing.

We achieved a compound RARC of +7.1% in 2023 (2022: 12.4%), and a compound rate increased since 1 January 2018 of 65.1%.

Capital management
Capital ratio

154.5%



The capital ratio measures our financial strength position by comparing our available capital resources to the capital we need to hold to meet our management entity capital requirements.

Our financial position remains strong. At 31 December 2023, Group capital resources totalled $2,977.9m giving surplus management capital of $1,050.5m (2022: $709.8m), or 154.5% (2022: 139.9%) over our Group management capital requirement. During the period, our capital requirements increased from $1,777.7m to $1,927.4m, primarily reflecting increased requirements resulting from our 2024 underwriting plans.

Overview of Results

The Group's income statement, re-presented to show the key components of our result, is set out below:

	2023 $m	2022 $m
Insurance premium written[1]	**3,753.5**	3,970.0
Insurance revenue	**3,517.1**	3,340.1
Insurance service result	**649.5**	283.9
Net finance (expense)/income from insurance and reinsurance contracts	**(225.8)**	208.6
Insurance operating result	**423.7**	492.5
Other income, continuing operations	**65.6**	33.2
Other expenses, continuing operations	**(126.9)**	(90.4)
Losses on other financial liabilities	**(20.8)**	(1.3)
Return on invested assets, net of fees	**393.8**	(132.2)
Finance costs	**(17.8)**	(20.5)
Finance income	**2.7**	–
Profit on ordinary activities before tax and FX	**720.3**	281.3
FX movements	**(96.4)**	110.8
Profit on ordinary activities before tax	**623.9**	392.1
Tax	**5.3**	(104.9)
Profit on ordinary activities after tax and FX	**629.2**	287.2
Profit from discontinued operation, net of tax	**266.2**	21.7
Profit for the year	**895.4**	308.9

Note 1: 'Insurance premium written' is explained in the 'insurance revenue' section below, and is the equivalent to gross written premium as previously disclosed under IFRS 4.

Group performance

Our record 2023 result reflected both strong underwriting and investment results. The underwriting result reflected increased insurance revenue, a strong attritional performance, and reduced major loss activity, partly offset by increased commission costs and expenses.

Our 2022 result reflected premium growth, a positive and resilient underwriting result (a strong attritional performance, partly offset by major loss activity including losses arising from the Russian invasion of Ukraine), and a negative investment return.

The result on continuing ordinary activities for 2023 before tax, FX and the impact of discounting was a profit of $702.3m (2022: loss of $117.3m), after FX and the effects of discounting but before tax was a profit of $623.9m (2022: $392.1m) and after tax was a profit of $629.2m (2022: $287.2m).

Our overall profit for the year after tax was $895.4m (2022: $308.9m). This included profits arising from our discontinued operation, net of tax, of $266.2m (2022: $21.7m), including the gain on sale from the sale of Ambridge of $259.1m.

Return on adjusted net tangible assets (RoNTA) for all operations, excluding the effects of FX, was 51.9% (2022: 12.6%). RoNTA for continuing operations, after including FX movements, was 41.7% (2022: 12.9%).

Performance measures

In addition to our KPIs, we have other measures that offer further insight into the detail of our performance. These measures include:

- **Revenue related:** Insurance premium written;
- **Claims related:** Claims ratio; and
- **Underwriting expense related:** Expense ratio; Commission expense ratio; Operating expense ratio.

A reconciliation of each performance measure to the amounts presented in the financial statements is included in the Annual Report starting on page 210 and a definition of each measure is included in the Glossary starting on page 217.

The performance measures set out below are for continuing business, unless otherwise stated.

Underwriting

Overview

Our insurance operating result for the year, excluding the impact of discounting, was a profit of $405.7m (2022: $93.9m). Including the impact of discounting, the insurance operating result was a profit of $423.7m (2022: $492.5m). Our undiscounted combined ratio for continuing business was 85.3% (2022: 96.2%), and our discounted combined ratio for continuing business was 76.2% (2022: 88.5%).

Insurance operating result

	2023		2022	
	Undiscounted $m	**Discounted $m**	Undiscounted $m	Discounted $m
Insurance revenue	**3,575.6**	**3,517.1**	3,340.1	3,340.1
Insurance service expense	**(2,963.1)**	**(2,594.3)**	(3,148.9)	(2,874.1)
Net expenses from reinsurance contracts held	**(206.8)**	**(273.3)**	(97.3)	(182.1)
Insurance service result	**405.7**	**649.5**	93.9	283.9
Net finance (expense)/income from insurance and reinsurance contracts	**–**	**(225.8)**	–	208.6
Insurance operating result	**405.7**	**423.7**	93.9	492.5

Insurance service result

The Group's Insurance service result increased by 128.8% to $649.5m (2022: $283.9m). Before the effects of discounting, the result increased by 332.1% to 405.7m. The result was driven by a reduction in the insurance service expenses, partly offset by a reduction in insurance revenue and higher expenses from reinsurance contracts held.

(i) Insurance revenue

Brit's insurance revenue totalled $3,517.1m in 2023 (2022: $3,340.1m), an increase of 5.3%. The 2023 figure, before the impact of discounting and commission costs was $3,883.1m (2022: $3,594.2m), an increase of 8.0%. This primarily reflects a decrease in insurance premium written and increased commission expenses on assumed business, offset by a positive net impact of earning of premium written in previous years. Insurance premium written is analysed below.

Revenue recognised under the premium allocation approach (PAA) decreased by $482.7m or 14.5% to $2,857.4m (2022: $3,340.1m). In 2023, a number of Brit's inwards groups were measured under the general measurement model (GMM) for the first time. This contributed $697.7m to insurance revenue.

A further breakdown of insurance revenue, including the components arising from measuring groups under the GMM, is given in Note 6 to the financial statements.

Brit uses insurance premium written, which is equivalent to gross written premium as previously reported under IFRS 4, to measure and monitor levels of incoming business. A reconciliation of insurance premium written to insurance revenue is set out on page 214. Insurance premium written decrease by 5.3% at constant rates of exchange to $3,753.5m (2022: $3,970.0m). Core underwriting decreased by 8.1% at constant FX rates to $2,863.5m (2022: $3,116.8m), while Ki, in its third year of underwriting, continued to gain traction increasing by 5.2% at constant FX rates to $877.0m (2022: 834.1m). An analysis of insurance premium written by portfolio is given on page 116.

Overall current year insurance premium written decreased by $108.8m, primarily reflecting overall reductions in our core and other underwriting segments, driven by market conditions, the implementation of our catastrophe strategy, and our continued focus on improving our performance by exiting underperforming business and increasing lines on high performing accounts. 2023 also saw a continued positive rate environment, with an overall risk adjusted premium rate increase of 7.1% across the portfolio (2022: 12.4%), as discussed on page 37.

(ii) Insurance service expense

The Insurance service expense comprises the following:

	2023 $m	2022 $m
Expenses attributable to insurance acquisition cashflows		
Commissions	**(498.7)**	(428.7)
Other expenses	**(140.0)**	(162.9)
Insurance acquisition cashflows and other directly attributable expenses	**(638.7)**	(591.6)
Other directly attributable expenses	**(105.5)**	(101.1)
Incurred claims and changes to liabilities for incurred claims	**(1,850.1)**	(2,181.4)
Insurance service expense	**(2,594.3)**	(2,874.1)

The insurance service expense decreased by $279.8m or 9.7% to $2,594.3m (2022: $2,874.1m). The drivers of this were lower incurred claims and changes to liabilities for incurred claims (down by $326.9m or 14.3% from $2,282.5m to $1,955.6m), primarily reflecting lower major loss activity, partly offset by higher insurance acquisition cashflows (increased $47.1m or 8.0% from $591.6m to $638.7m).

Insurance acquisition cashflows and other directly attributable expenses

Our undiscounted expense ratio for ongoing business was 26.9% (2022: 27.9%). On a discounted basis, our expense ratio was 27.2% (2022: 27.9%).

Commission costs were $498.7m and the commission expense ratio was 18.0% (2022: $428.7m/17.3%). This $70.0m increase reflects the increase in undiscounted insurance revenue, our evolving in business mix and our continued drive to reduce overall acquisition costs in the current strong market.

Other expenses attributable to insurance acquisition cashflows and Other directly attributable expenses included within the operating expense ratio were $245.5m (2022: $264.0m), with the decrease primarily reflecting updated cost allocations following annual discussion with our cost centre managers. The operating expense ratio was 8.9% (2022: 10.6%), with the reduction in the ratio partly reflect an increase in undiscounted insurance revenue. Total Group expenses are discussed below.

Incurred claims and changes to liabilities for incurred claims

We continue to see strong underlying performance across our portfolios, with strong pricing and targeted growth in our high-performing segments. Incurred claims and changes to liabilities for incurred claims, before amounts recoverable from reinsurers reduced by 15.2% to $1,850.1m (2022: $2,181.4m).

This was predominantly driven by a reduction in major losses, partly offset by an increase in attritional claims.

Best estimates for major losses, net of net of amounts recoverable from reinsurers, are discussed in the claims section below.

The increase in net attritional claims was primarily driven by the increase in insurance revenue, together with the impact of market conditions in certain classes and ongoing economic uncertainty, including the impact of inflation. Underlying claims primarily increased in Ambridge Transactional, Property Treaty and other underwriting, partly offset by improvements in most other classes.

(iii) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held increased by $91.2m or 50.1% to $273.3m (2022: $182.1m). This reflects lower allocation of reinsurance premiums (down by $77.9m or 9.0% from $863.8m to $785.9m) and lower amounts recoverable from reinsurers for incurred claims (down by $169.1m or 24.8% from $671.7m to $512.6m).

Outwards reinsurance premiums in 2023 were $808.4m or 22.6% of undiscounted insurance revenue (2022: $857.1m or 25.7%), a decrease of $48.7m. This reflected a reduction in our catastrophe aggregate protections (driven by our change in risk appetite following the implementation of our updated catastrophe strategy) and reduced expenditure on adjustable excess of loss contracts and proportional reinsurance treaties (driven by lower insurance premium written). The 2022 figure included a return premium of $37.2m following an endorsement to a 2021 loss portfolio reinsurance contract.

Amounts recoverable from reinsurers reduced by 20.8% from $759.8m to $601.6m. This primarily reflected the reduced level of major losses experienced in 2023.

(iv) Claims ratio

Our claims ratio on an undiscounted basis for 2023 was 58.4%, a reduction of 9.9 percentage points (2022: 68.3%). On a discounted basis, our claims ratio was 49.0% (2022: 60.6%).

Incurred claims and changes to liabilities for incurred claims, net of amounts recoverable from reinsurers analysed by current year and prior year development is as follows:

	2023			2022		
	Current year $m	**PYD $m**	**Total $m**	Current year $m	PYD $m	Total $m
Net incurred claims	**(1,303.7)**	**(41.7)**	**(1,345.4)**	(1,432.8)	(48.6)	(1,481.4)
Net risk adjustment	**(50.1)**	**58.0**	**7.9**	(77.2)	58.9	(18.3)
Total	**(1,353.8)**	**16.3**	**(1,337.5)**	(1,510.0)	10.3	(1,499.7)

Brit's undiscounted best estimate reserves for major losses, net of amounts recoverable from reinsurers, totalled $69.6m (2022: $338.5m). The events to which Brit had material exposure were as follows:

Event	**2023 $m**	2022 $m
Hawaiian wildfires	**51.7**	–
Hurricane Idalia	**17.9**	–
Australian Floods	**–**	16.9
Hurricane Ian	**–**	280.2
Winter Storm Elliott	**–**	9.5
Total before Russia/Ukraine and COVID-19 relate losses	**69.6**	306.6
Claims arising from the Russian invasion of Ukraine	**–**	31.9
Total	**69.6**	338.5

Net prior year releases totalled $16.3m (2022: $10.3m), after the movements in the risk adjustment and after the impact of discounting. The 2023 figure includes releases across Financial and Professional Liability, Property Treaty, Programmes and Facilities, and Specialty, partly offset by strengthening in Ambridge Transactional, Casualty Treaty and Ambridge Re. The 2022 figure includes releases across Property, Specialty, Property Treaty and Ambridge Transactional, partly offset by strengthening in Programs and Facilities, Financial and Professional Liability and Casualty Treaty, and Ki.

Our financial position remains strong, and we continue to operate a robust reserving process. The process has not changed following the adoption of IFRS 17.

Net finance (expense)/income from insurance and reinsurance contracts

	2023 $m	2022 $m
Net finance (expense)/income from insurance contracts	**(322.7)**	307.1
Net finance income/(expense) from reinsurance contracts held	**96.9**	(98.5)
Net finance (expense)/income from insurance and reinsurance contracts	**(225.8)**	208.6

The analysis between interest accreted and the effect of changes in interest rates is as follows:

	2023 $m			2022 $m		
	Insurance contracts	**Reinsurance contracts**	**Total**	Insurance contracts	Reinsurance contracts	Total
Interest accreted	**(293.7)**	**97.3**	**(196.4)**	(28.2)	15.0	(13.2)
Effect of changes in interest rates	**(29.0)**	**(0.4)**	**(29.4)**	335.3	(113.5)	221.8
	(322.7)	**96.9**	**(225.8)**	307.1	(98.5)	208.6

Interest accreted, the unwind of prior year discount, is based on the opening yield curves of the period. 2022 interest accretion was based on the year ended 2021 yields, which were materially lower than those at year ended 2022 (on which the 2023 interest accretion is based), due to the marked increase in risk free rates across all Brit's core currencies, throughout 2022.

The effect of changes in interest rates and other financial assumptions is driven by the movement in yield curves during the year. The yields over 2023 have decreased, resulting in a loss of $225.8m in the period given Brit's net insurance contract liability (2022: increase in yields resulting in a gain of $208.6m).

Group expenses

Operating expenses were classified as follows:

	2023 $m	2022 $m
Insurance acquisition cashflows – expenses	**(139.9)**	(162.9)
Other directly attributable expenses, excluding claims	**(105.6)**	(101.1)
Other operating expenses	**(118.2)**	(83.1)
Corporate expenses	**(8.7)**	(7.3)
Operating expenses – continuing operations	**(372.4)**	(354.4)
Expenses – discontinued operations	**(9.1)**	(22.7)
Total operating expenses	**(381.5)**	(377.1)

Total expenses for continuing operations during 2023 increased by 5.1% to $372.4m (2022: $354.4m). The main contributors to this increase were the bonus accrual, and regulatory charges and levies. These increases also include the costs resulting from the growth of Ki.

At 31 December 2023, Group headcount was 911 (2022: 815 in respect of continuing operations). The increase was primarily due to the growth of Ki, targeted underwriting expansion in favourable market conditions and the related growth of support functions. These were partly offset by reductions resulting from the withdrawal from certain classes of business.

Other income

Other income totalled $82.4m (2022: $63.8m), as set out below:

Other income	2023 $m	2022 $m
Fee and commission income – continuing operations	**21.3**	12.3
Change in value of ultimate parent company shares	**44.3**	20.9
Total other income – continuing operations	**65.6**	33.2
Fee and commission income – discontinued operations	**16.8**	30.6
Total other income	**82.4**	63.8

Fees and commissions generated by the Group's underwriting management activities in respect of continuing operations increased in 2023 by 73.2% to $21.3m (2022: $12.3m). The increase primarily reflects increased fees from consortia.

Fees and commissions generated by the Group's discontinued operations decreased in 2023 by 45.1% to $16.8m (2022: $30.6m), following the sale of Ambridge in May 2023.

Losses on other financial liabilities

The statement of financial position of the Group includes liabilities representing third party investors' share in structured undertakings consolidated by the Group, namely Sussex Capital. Changes in the value of these liabilities during the year are recorded in the Group's consolidated income statement as 'losses on other financial liabilities'.

In 2023, the income statement impact was a loss of $20.8m (2022: $1.3m), which represents the underwriting result in Brit's consolidated income statement attributable to third party capital providers.

Return on invested assets

The investment portfolio is managed, for the most part, by Hamblin Watsa Investment Counsel Limited, a Fairfax subsidiary with an excellent long-term track record, whose sole business is managing investment portfolios of Fairfax group companies. They are supported by a number of external managers covering core fixed income and specialised credit mandates.

The return on our invested assets was a positive $394.4m or 6.2% (2022: a negative $132.1m or (2.3)%). This result is analysed below:

Investment return	2023 $m	2022 $m
Income	**234.4**	86.1
Realised gains	**(80.2)**	(75.2)
Unrealised gains/(losses)	**265.4**	(131.5)
Investment return before fees	**419.6**	(120.6)
Investment management fees	**(19.6)**	(13.8)
Investment return, net of fees	**400.0**	(134.4)
Investment related derivative return	**(7.2)**	0.8
Return on associated undertakings	**1.6**	1.5
Total return	**394.4**	(132.1)
Total return	**6.2%**	(2.3)%

Of the investment return, $0.6m (2022: $0.1m) related to discontinued operations.

Equity markets performed positively during 2023, as global growth remained resilient, inflation started to moderate and markets increasingly priced in interest rate reductions in 2024. Our equity portfolio outperformed the market and generated a positive return of $59.1m (2022: $12.7m), benefiting from a value focused approach. Our return on fund investments was $72.2m (2022: negative $11.3m).

The fixed income portfolio generated a return of $232.6m (2022: loss of $139.0m), driven by income and capital gains, while mortgages and loans generated $6.7m (2022: 1.3m). The US Government bond yield curve rose up to 140bps at the shorter tenors, but tenors over one year ended the year relatively unchanged (up to 20bps falls or rises depending on the tenor) as the Federal Reserve Bank increased rates by 100bps over the first half of the year, then paused and at the December meeting pivoted to signal potential rate reductions in 2024. Over 2023, the two-year yield fell from 4.43% to 4.25%, the five-year yield fell from 4.00% to 3.85%. The ten-year yield was flat at 3.88%. Investment grade spreads in the US narrowed from 0.90% to 0.77% and in Europe narrowed from 1.56% to 1.28%, while high yield spreads in the US narrowed from 4.68% to 3.23% and in Europe narrowed from 4.90% to 3.83%.

Cash and cash equivalents generated interest of $46.9m (2022: $14.9m). Our approach to cash management during the year has, and continues to be, to limit the amount of operational cash and to maximise amounts held within short-term government bills, stepping into the higher yields.

The amount attributable to trade and other receivables was $2.1m (2022: $0.8m).

At 31 December 2023, the running yield (expressed as yield as a percentage of invested assets) of our total portfolio was 4.0% (2022: 4.0%).

In 2023, our share of the net profit of our associated undertaking, Sutton Special Risk Inc., was $1.6m (2022: $1.5m). Sutton Special Risk Inc. is a leading Canada-based managing general underwriter specialising in Accident & Health. On 17 November 2023, the Group entered into a signed securities purchase agreement with Amynta Group, for the sale of its 49% shareholding. Since that date, Brit's investment in Sutton has been reclassified as an asset classified as held for sale.

Foreign exchange

As explained on page 34, we manage our currency exposures to mitigate the impact on solvency rather than to achieve a short-term impact on earnings. We experienced a foreign exchange loss of $97.4m in 2023 (2022: gain of $112.6m), reflecting the movement of the US dollar against other currencies in which we trade and hold assets, and the impact of FX related derivatives purchased by the Group.

The allocation of the FX result within the Consolidated Income Statement is as follows:

Foreign exchange gains and (losses)	2023 $m	2022 $m
Net foreign exchange (losses)/gains – continuing operations	**(94.2)**	97.3
Net foreign exchange (losses)/gains – discontinued operations	**(1.0)**	1.8
(Losses)/gains on derivative contracts – FX related instruments	**(2.2)**	13.5
	(97.4)	112.6

Finance costs and finance income

Finance costs totalled $17.5m (2022: $20.1m) and represented cost of the revolving credit facility and other bank borrowings, the cost of the subordinate debt and interest payable on lease liabilities.

Finance income was $2.7m (2022: $nil) and represented the gain of repurchasing £8.0m of subordinated debt.

Tax

Tax credited to the income statement totalled $4.8m (2022: tax charge of $93.4m). Our tax on ordinary activities for 2023 resulted in a tax credit of $5.3m (2022: tax charge of $104.9m), based on a Group profit on ordinary activities before tax of $623.9m (2022: profit before tax of $392.1m). In addition to this, discontinued operations attracted a tax charge of $0.5m (2022: credit of $11.5m).

This credit of $4.8m comprised a deferred tax credit of $22.2m, partly offset by a current tax charge of $17.4m. The deferred tax credit reflects the change in the UK tax rate from 19% to 25% from 1 April 2023 which was substantially enacted on 24 May 2021.

The Group is liable to taxes on its corporate income in a number of jurisdictions where its companies carry on business, most notably the UK, Germany, and the US. Corporate profits and losses in Bermuda are exempt from tax. The tax charge is calculated in each legal entity across the Group and then consolidated. Therefore, the Group effective rate is sensitive to the location of taxable profits and is a composite tax rate reflecting the mix of tax rates in those jurisdictions.

The 2023 Group rate varies from the weighted average rate in those jurisdictions due to a number of factors. The principal factors are the adoption of IFRS 17 at Group level, profit arising on the disposal of the Ambridge subsidiaries which is not subject to tax and the impact of the decrease is unrecognised deferred tax losses. The rate is further influenced by the impact of prior year adjustments, exempt income such as dividend income, disallowable expenses and by non-UK taxes arising in our Lloyd’s syndicates.

Profit from discontinued operation

On 10 May 2023, the Group completed the sale of Ambridge Group to Amynta Group. Ambridge was presented as a disposal group held for sale in the 2022 financial statements of the Group and the results of the Ambridge business have been reported as a discontinued operation in the current and prior periods.

Profit from this discontinued operation, net of tax, totalled $266.2m (2022: $21.7m). The 2023 figure includes $259.1m (2022: $nil) which represents the gain on sale of the Ambridge Group, net of tax.

BRIT

financial position and capital strength

Financial position

At 31 December 2023, our adjusted net tangible assets totalled $2,516.0m (2022: $2,025.1m).

Summary consolidated statement of financial position

	2023 $m	2022 $m
Assets		
Intangible assets	**122.7**	120.0
Reinsurance contract assets	**1,942.8**	1,824.1
Insurance and other receivables	**923.6**	603.1
Financial investments, investments in associated undertakings and cash	**6,729.2**	5,868.9
Assets classified as held for sale	**15.8**	331.6
Investment related derivatives	**6.8**	4.3
FX related derivatives	**13.4**	6.5
Other assets	**73.2**	119.7
Total assets	**9,827.5**	8,878.2
Liabilities		
Insurance contract liabilities	**5,869.7**	5,411.5
Deferred tax on intangible assets	**21.5**	20.6
Borrowings	**161.9**	172.4
Investment related derivatives	**7.0**	–
FX related derivatives	**16.7**	10.1
Insurance and other payables	**539.3**	454.4
Liabilities directly associated with assets classified as held for sale	**–**	49.6
Other liabilities	**127.9**	149.7
Total liabilities	**6,744.0**	6,268.3
Net assets	**3,083.5**	2,609.9
Adjusted net tangible assets (Note 1)	**2,516.0**	2,025.1

Note 1: A reconciliation of adjusted net tangible assets to the amounts presented in the financial statements is included in the Annual Report on page 211.

Of our net assets of $3,083.5m at 31 December 2023, $2,617.2m (2022: $2,208.8m) were attributable to the owners of Brit Limited, while $466.3m (2022: $407.1m) were attributable to non-controlling interests.

On 7 January 2023, the sale of Ambridge to Amynta Group was agreed, subject to regulatory approval. At 31 December 2022, Ambridge was classified as an asset held for sale. This transaction completed on 10 May 2023.

On 17 November 2023, the sale of Sutton to Amynta Group was agreed. The transaction closed on 8 March 2024. At 31 December 2023, Sutton was classified as an asset held for sale.

In addition to the result recognised through the consolidated income statement, the other movements in our net assets as recognised in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity included defined benefit pension scheme related gains and charges (2023: $15.3m net loss; 2022: $26.6m net loss); changes in unrealised foreign currency translation gains on foreign operations (2023: $7.1m net gain; 2022: $17.4m net loss); contribution from parent in relation to the acquisition of the RiverStone pension plan (2023: $nil; 2022: $3.7m); dividends paid (2023: $413.6m; 2022: $18.7m); transactions with non-controlling interests (2023: $nil; 2022: $151.5m).

At 31 December 2023, we had $15.8m (2022: $331.6m) of assets classified as held for sale and no (2022: $49.6m) of liabilities directly associated with assets classified as held for sale. In 2023, these related to Sutton (2022: Ambridge) and are further explained in Notes 10 and 17 to the financial statements.

Capital re-organisation

On 1 November 2023, following a review of the construct of shareholder funds, the Board approved a capital re-organisation. Under this re-organisation, $500.0m was transferred from the share premium account to the retained earnings account.

Capital strength

Our financial position remains strong, with our capital surplus increasing by $340.7m in the year. At 31 December 2023, Group capital resources totalled $2,977.9m (2022: $2,487.5m), giving surplus management capital of $1,050.5m (2022: $709.8m), or 54.5% (2022: 39.9%) over our Group management capital requirement of $1,927.4m (2022: $1,777.7m).

Dividends

During 2023, dividends totalling of $413.6m (2022: $18.7m) were paid. Of this, $40.6m (2022: $18.7m) was paid to class A shareholders in accordance with the Brit Limited shareholders' agreement, and $373.0m (2022: $nil) was paid to the class B shareholders.

Reserving policy

Preserving a strong financial position is critical to the long-term success of an insurance business. The Group maintains appropriate loss reserves to cover its estimated future liabilities. Reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The reserving process is robust and managed by the Chief Risk Officer and Chief Actuary and under the oversight of the Reserving Committee. Reserving estimates are prepared quarterly and are based on facts and circumstances then known, predictions of future developments, estimates of future trends in claims frequency and severity and other variable factors such as inflation. Movement in these reserves forms an integral element of our operating result.

Maintaining reserves is critical to safeguard future obligations to policyholders and our approach provides a secure foundation. It also provides a secure foundation for the pricing of new business which is particularly critical in a soft rating environment.

Our reserving policy is to reserve to a best estimate and carry an explicit risk adjustment, as required under IFRS17 (Insurance Contracts) above that best estimate. Under the requirements of IFRS17, we also apply discounting to our reserves.

Asset allocation

Brit's invested assets (financial investments, investments in associates, cash and cash equivalents and derivative contracts) at 31 December 2023 were $6,744.8m (31 December 2022: $6,011.3m).

Our asset allocation, on both a look-through basis and statutory disclosure basis, is set out in the tables below:

	Statutory basis								
31 December 2023	Equity securities $m	Debt securities $m	Loan instruments $m	Specialised investment funds $m	Cash and cash equivalents $m	Associated undertakings $m	Investment Derivatives (net) $m	Assets held for sale $m	Total invested assets (look-through) $m
Look-through basis									
Government debt securities	**–**	**3,199.2**	**–**	**20.7**	**–**	**–**	**–**	**–**	**3,219.9**
Corporate debt securities	**–**	**1,605.2**	**–**	**8.7**	**–**	**–**	**–**	**–**	**1,613.9**
Structured products	**–**	**–**	**–**	**23.2**	**–**	**–**	**–**	**–**	**23.2**
Loan instruments	**–**	**–**	**82.2**	**12.7**	**–**	**–**	**–**	**–**	**94.9**
Equity securities	**509.2**	**–**	**–**	**417.4**	**–**	**–**	**–**	**15.8**	**942.4**
Cash and cash equivalents	**–**	**–**	**–**	**1.5**	**853.8**	**–**	**–**	**–**	**855.3**
Investment related derivatives	**–**	**–**	**–**	**(4.6)**	**–**	**–**	**(0.2)**	**–**	**(4.8)**
Total invested assets (statutory)	**509.2**	**4,804.4**	**82.2**	**479.6**	**853.8**	**–**	**(0.2)**	**15.8**	**6,744.8**

31 December 2022	Equity securities $m	Debt securities $m	Loan instruments $m	Specialised investment funds $m	Cash and cash equivalents $m	Associated undertakings $m	Investment Derivatives (net) $m	Assets held for sale $m	Total invested assets (look-through) $m
Look-through basis									
Government debt securities	–	2,644.5	–	29.8	–	–	–	–	2,674.3
Corporate debt securities	–	1,301.0	–	14.4	–	–	–	–	1,315.4
Structured products	–	–	–	18.7	–	–	–	–	18.7
Loan instruments	–	–	34.6	8.8	–	–	–	–	43.4
Equity securities	544.1	–	–	313.4	–	15.2	–	–	872.7
Cash and cash equivalents	–	–	–	4.8	941.3	–	–	138.1	1,084.2
Investment related derivatives	–	–	–	(1.7)	–	–	4.3	–	2.6
Total invested assets (statutory)	544.1	3,945.5	34.6	388.2	941.3	15.2	4.3	138.1	6,011.3

Brit's asset duration position increased over the year, locking in the higher yields and moved to a broadly neutral position as at 31 December 2023.

The assets remain primarily invested in cash and fixed income securities (2023: $5,784.0m or 85.8% of the portfolio; 2022: $5,117.3m or 85.1%). The fixed income portfolio is short dated, with a majority allocation to government bills. Corporate bonds and other loan instruments represent 25.3% (2022: 22.6%) of the total portfolio with 1.4pps (2022: 2.6pps) of this figure being below investment grade.

The allocation to credit remained broadly unchanged over the year. The allocation to credit risk, is primarily defensive, focused on high quality, investment grade non-cyclical companies. Equity allocations are invested in a portfolio of both listed and private (non-listed) equities and funds.

The exposure to equities, funds and structured products has remained materially consistent over 2023 (2023: $965.6m or 14.3% of the portfolio; 2022: $891.4m or 14.8% of the portfolio), but grew in absolute terms, driven by market movements.

The duration is broadly neutral compared to the duration of our liabilities. The US Government bond yield curve rose up to 140bps at the shorter tenors, but tenors over one year ended the year relatively unchanged (up to 20bps falls or rises depending on the tenor) as the Federal Reserve Bank increased rates by 100bps over the first half of the year, then held them steady before signalling potential reductions cuts in 2024 at its December meeting.

At 31 December 2023, 82.3% of our invested assets were investment grade quality (2022: 82.2%). An analysis of the credit quality of our invested assets is set out below:

Invested assets by rating	2023 %	2022 %
AAA	**53.7**	48.5
AA	**5.4**	7.4
A	**13.5**	10.0
BBB and below	**8.9**	10.7
P-1 and P-2	**0.8**	5.6
Other	**17.7**	17.8
Total	**100.0**	100.0

Other includes equities, funds and investment related derivatives

Gearing

At 31 December 2023, our gearing ratio was 7.1% (2022: 13.6%).

Brit has in place a $550.0m (2022: $550.0m) revolving credit facility (RCF), the expiration date of which was extended by two years in 2023 to 31 December 2027. Under our capital policy we have identified a maximum of $300.0m (2022: $300.0m) of this facility to form part of our capital resources, with the balance available for liquidity funding.

At 31 December 2023, the cash drawings on the facility were $nil (2022: $10.0m) and a $10.0m uncollateralised letter of credit (LoC) was in place (2022: $100.0m uncollateralised) to support our underwriting activities. At the date of this report, these borrowings were unchanged.

At 31 December 2023, Ki Financial Ltd, together with Sussex Re and Ki Member Ltd, has a $180.0m LoC facility (2022: $180.0m) to provide a proportion of the Funds at Lloyd's for Syndicate 1618 through a segregated account of Sussex Re. The facility was $150.0m utilised at 31 December 2023 and collateralised by $63.0m (2022: $180.0m fully utilised and uncollateralised).

In addition, we have in issue £127.0m of 3.6757% subordinated debt with a carrying value of £127.0m/$161.9m (31 December 2022: £135.0m/$162.4m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005, matures on 9 December 2030. The reduction in the year was following the repurchase and cancellation of £8.0m notes on 14 December 2023.

Foreign exchange management

At 31 December 2023, our US-dollar denominated net assets were 95.1% of our total net assets (2022: 91.8%), reflecting the currency denomination of the majority of the business we write. Our net assets, analysed by currency, are as follows:

Net assets/(liabilities) by currency	2023 %	2022 %
US dollar	**95.1**	91.8
Sterling	**(0.3)**	2.9
Canadian dollar	**2.3**	2.1
Euro	**0.3**	(0.2)
Australian dollar	**2.6**	3.4
Total	**100.0**	100.0

The reporting currency for the Group's consolidated Financial Statements is US dollars, as are the functional and reporting currencies of a number of our subsidiaries, including all of our underwriting subsidiaries. A portion of our revenues and expenses, and assets and liabilities, are denominated in currencies other than US dollars, hence we are exposed to fluctuations in the values of those currencies against the US dollar. These fluctuations impact our reported operating results and our assets and liabilities.

Our strategic approach to managing FX risk is to match the currencies of our liabilities and capital requirements with the assets we hold. As a consequence of this, because we report our results in US dollars, we import some exchange rate volatility into the income statement through the revaluation of our net tangible assets. The Group's net tangible assets are, however, largely matched against our capital requirement, protecting our shareholders against the risk of additional capital being required as a result of FX volatility. Any excess is held in US dollars.

risk management, principal risks and uncertainties

Risk Management Framework

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Risk management at Brit is a continuous process that links directly to the organisation's business and risk management strategies and the associated Board risk tolerances.

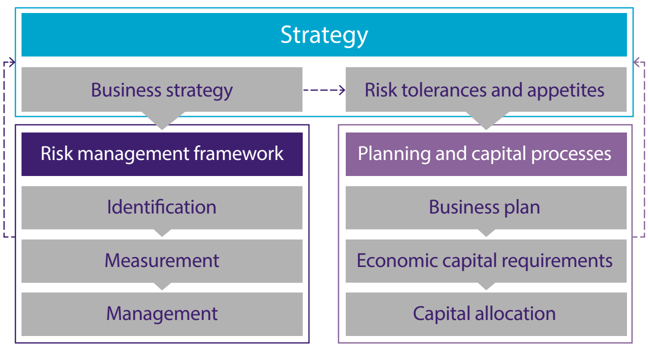
Brit's Risk Management Framework (RMF) applies a consistent methodology and structure to how risks are identified, measured, managed and monitored. This process enables us to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood.

The RMF has the following key elements:

- **Identification:** Risk events, risks and relevant controls are identified and classified. This is a continuous process which considers any emerging and existing risks. The risk register sets out the significant risks faced by the business and identifies the potential impact and likelihood of each risk.
- **Measurement:** Risks are assessed and quantified and controls are evaluated. This is done through a combination of stochastic modelling techniques, stress and scenario analysis, reverse stress testing and qualitative assessment using relevant internal and external data.
- **Management:** The information resulting from risk identification and measurement is used to improve how the business is managed.

A key part of the RMF is the setting of risk tolerances and risk appetite. Risk tolerances are set by the relevant Board and represent the maximum amount of risk Brit is willing to accept to meet its strategic objectives. Risk appetite is set by management and reflects the maximum amount of risk that Brit wishes to take in the current market environment. The actual amount of risk taken is monitored against the tolerances and appetites on an ongoing basis.

The RMF, including the risk tolerances and appetite, reflects Brit's strategy and seeks to ensure that risk is accepted in the areas which are expected to maximise shareholder value whilst continuing to protect policyholders against extreme events. The process applies to both the Brit Group and to the individual underwriting entities (such as the Lloyd's syndicates).



The Risk Management function, led by the Group Chief Risk Officer & Chief Actuary, monitors whether Brit is operating within the risk tolerance levels approved by the relevant Boards. This includes assessments of any new strategic initiatives and the principal risks and uncertainties faced by the business as detailed below.

All Brit staff are involved in ensuring there is an appropriate risk culture which promotes the identification and management of risk. Brit's risk culture aims to ensure the risk and capital implications of decisions are understood and there is open communication about risks and issues in all areas of the business.

Brit's approach to risk management is designed to encourage clear decision-making as to which risks Brit takes and how these are managed based on the potential strategic, commercial, financial, compliance and legal implications of these risks.

The sections below set out the approach to risk governance, and the key risks identified, measured and managed under the RMF.

Risk Governance

The Board is responsible for overseeing our risk management and internal control systems, which management is responsible for implementing.

Brit maintains a strong risk governance framework using Risk Oversight Committees and Audit Committees whose membership consists of independent non-executive Directors. Board, Risk and Audit Committee agendas are designed to ensure all significant areas of risk are reported on and discussed. The Risk Oversight Committees monitor and review the risk profile and the effectiveness of all risk management activities and, in particular, monitor adherence to agreed risk limits.

Brit operates a three lines of defence model for governing risk. Within the first line of defence individual risk committees monitor day-to-day risk control activities. The risk management function, as a second line of defence, provides oversight over business processes and sets out policies and procedures. Internal Audit, as a third line of defence, provides independent assurance and monitors the effectiveness of the risk management processes.

Our Internal Audit function provides assurance to the Risk Oversight Committees, Audit Committees and Boards, while external experts are regularly used for independent assessments.

Key risks

The RMF categorises the risks to Brit as follows:

- Overarching risk: strategic, earnings and solvency; and
- Individual risk categories: insurance, market, liquidity, credit, and operational and group.

Insurance risk is the key driver of our Group capital requirements.

The key risks and uncertainties are set out in the following table and the principal risks in the current environment are further described below.

Risk category	Risk	Description	Principal risks
Overarching	Strategic	Risk that Brit's strategy is not appropriate or is not implemented effectively.	
	Earnings	Unexpected earnings volatility leads to unexpected losses.	
	Solvency	Capital ratio falls below the level targeted by management.	
Insurance	Underwriting – pricing	Emerging experience is inconsistent with the assumptions (e.g. inflation) and pricing models used.	✓
	Underwriting – natural catastrophe	Natural catastrophe events, including the impact of climate risk, impacting Brit's (re)insureds, leading to large volumes of claims.	✓
	Underwriting – man made catastrophe	Extreme man-made events, such as terrorist attacks, impacting Brit's (re) insureds, leading to large volumes of claims.	
	Underwriting – reinsurance	Failure to obtain reinsurance on attractive terms, or failure to recover under reinsurance arrangements.	
	Reserving	Prior year reserves are insufficient to cover claims (net of reinsurance) e.g. due to higher than anticipated inflation.	✓
Market	Investment market risk	Invested assets adversely affected by changes in economic variables, such as interest rates, inflation, bond yields, equity returns, credit spreads and credit ratings.	✓
	Currency	Exchange rate fluctuations materially impact our financial performance.	
Liquidity	Liquidity	Insufficient financial resources available to meet liabilities as they fall due.	
Credit	Counterparty risk	Deterioration in the creditworthiness of, defaults by, or reputational issues related to, premium debtors, reinsurers or other third parties with whom we transact business.	
Operational and group	People	Failure to attract, motivate and retain key Directors, senior underwriters, senior management, and other key personnel, on whom our future success is substantially dependent.	✓
	Systems and processes	Failure of our systems or processes, impacting our ability to conduct business and our ability to provide continuity of service to our clients.	
	Information security	Failure to properly protect information could compromise the confidentiality, integrity or availability of our information and data, potentially resulting in financial loss and legal, regulatory, and reputational consequences.	
	Outsourcing arrangements	Failure on the part of any third-party to perform agreed outsourced services, on which we are heavily reliant.	
	Reputational	Damage to reputation due to actions taken by Brit or related parties and the impact this has on Brit's business and operations.	
	Regulatory & legal	Legislation or regulation adversely affects Brit's operations.	
	Conduct	Failure to ensure Group's products and services deliver the right outcomes for consumers.	
	Change management	Major projects or other key changes are not implemented effectively.	

Principal risks

The table below provides additional information on the principal risks in the current environment and how we manage them.

Principal risk	Mitigation tools	Metrics	Status
Underwriting – pricing			
Inadequate pricing could have a material adverse effect on our results for underwriting operations and financial condition.	• Strategic focus on underwriting performance rather than on top line growth. • Strong governance processes around strategy and planning. • Pricing discipline is maintained through strict underwriting guidelines, monitoring of the delegated authorities and enforcement of the technical pricing framework. • Efficient use of the outwards reinsurance programme. • Monitoring of risk adjusted rate change.	Risk adjusted rate change (2023: increase of 7.1%; 2022: increase of 12.4%).	We have seen positive rate rises since 2018, following four years of rate reductions. Active rebalancing of the portfolio remains a key focus for management. Follow business only follows lead syndicates with a proven profitable track record.
Underwriting – natural catastrophe			
A catastrophic event or catastrophic events could result in large insured losses that adversely impact our financial results and potentially our capital position.	• Diverse portfolio of risks written between lines of business and geographic location. • Regular modelling and monitoring against catastrophe risk appetite by our exposure management team. • Effective outwards reinsurance programme in place, with particular emphasis on managing accumulation of risks. • Clear limits set for key accumulations and conservative use of line size by our underwriters. • Identification and monitoring of emerging risks such as climate change.	Largest realistic disaster scenarios (1 October 2023 estimated loss in $m): see table below	Management has focused on actively rebalancing the portfolio to ensure gross exposure is in line with appetite, reinsurance protection is adequate, and that catastrophe exposed business is appropriately priced to ensure that the Group is more resilient to the heightened activity. Climate risk is a key consideration and Brit continues to develop its assessment, mitigation, and management of this risk.

Event	Gross	Net
Gulf of Mexico windstorm	979	429
Florida Miami windstorm	609	240
US North East windstorm	944	311
San Francisco earthquake	1,499	586
Japan earthquake	299	198
Japan windstorm	100	64
European windstorm	132	91

Reserving			
Estimating insurance reserves is inherently uncertain and, if insufficient, may have a material adverse effect on our results and financial condition.	• Brit's reserving philosophy has resulted in a track record of prior year reserve releases. • Actuarial team recommend reserves independently from underwriting division using established actuarial techniques.	Reserve releases on an IFRS 17 basis in 2023 of $16.3m (2022: $10.3m).	Reserves are held at a best estimate, with an additional risk adjustment. Our reserves are discounted per the provisions of IFRS17. No change in underlying approach from prior years.
Investment risk			
Invested assets are susceptible to changes in economic conditions. A decrease in the value of our invested assets may have a material adverse effect on our results, financial condition and liquidity.	• Strong governance processes around investment strategy. • Regular monitoring against investment risk appetite which includes defined limits for solvency, earnings risk and liquidity risk. • Investment guidelines in place for individual asset classes and monitored regularly.	Return on invested assets, net of fees (2023: 6.2%; 2022: -2.3%). Running yield (2023: 4.0%; 2022: 4.0%).	Financial markets remain volatile reflecting geopolitical and general economic uncertainty. Our portfolio remains highly liquid, and was primarily invested in cash and investment grade fixed income securities as at 31 December 2023.
People			
The loss of key employees or by an inability to attract and retain qualified personnel, could adversely affect Brit.	• Our remuneration strategy (including share-based remuneration) is designed to reward talent and success. We have a proven track record in being able to retain high-performing staff. • Succession and contingency plans are in place in the event of the loss of a key employee. • Regular monitoring of employee turnover and morale. • Our culture of openness, inclusiveness and collaboration.	Staff turnover (2023: 12.0%; 2022: 14.0%).	The Group's key functions continued to operate effectively. The current environment remains competitive with a number of our peers actively seeking talented staff. We actively manage our remuneration and HR policies to ensure we continue to retain and attract the best staff. Current turnover rates remain well within our appetite.

Climate change financial risks and emerging risks

To the extent that climate change related financial risks and emerging risks are contained within the above principal risks they are managed as set out above. In addition, climate change related financial risks are discussed on page 43. Emerging risks, geopolitical risks and global economic risks (including inflation risk) are discussed in Note 4.7 to the financial statements, starting on page 133.


BRIT

our people, culture, social, community and environmental matters

Introduction

To generate value, we recognise that our people, culture, social and community strategies must be both sustainable and aligned to the long-term interests of all our stakeholders. We seek to make both a positive contribution to society and to be aware of the long-term consequences of our actions. We also seek to generate new commercial opportunities by developing strong stakeholder relationships and by recruiting and retaining a highly skilled, engaged and motivated workforce.

Our people and culture

Overview

Our people are our greatest asset and managing our talent appropriately contributes significantly to our success.

During 2023 we continued to strengthen our highly committed team. Through the attraction and recruitment of new talent and the ongoing development of existing expertise, we continued to live our culture and increase performance. In 2023 we had 210 new joiners, 113 of which joined Ki. A number of these strengthened Ki team at a senior management level including Catherine Barton (Commercial Director), Jan Christiansen (Chief Financial Officer) and Anita Woods (Director of Product).

We are committed to developing the technical, behavioural, management and leadership skills required for our teams to outperform, both individually and collectively. We continue to invest in the future of Brit through our leadership, graduate and intern programmes and succession and talent mapping exercises, all of which aim to grow expertise from within and ensure robust succession plans.

In 2023, we continued to invest in updating our behavioural and management courses to strengthen our focus on driving performance whilst ensuring a strong cultural environment to work in.

Health and wellbeing has continued to be a focus throughout 2023. We are committed to embedding a long-term positive culture across the organisation, where employees recognise that their mental health and physical health are equally supported. This focus reduces stigma, builds confidence and encourages open conversations. It also raises awareness of mental health matters, including the ability for employees and managers to recognise the signs of common mental health issues, while empowering people with long-term mental health issues to thrive in the workplace.

Brit Syndicates Limited continues to have Chartered Insurer status through the Chartered Insurance Institute. This prestigious designation signifies to our customers – and the market – that we are committed to the pursuit of the highest standards and demonstrates our adherence to ethical good practice.

Brit's cross-functional Social Committee has continued to organise a range of social, sports, community and charitable events for employees during the year. We have an active football and netball team who regularly play friendly and competitive matches as well as running and cycling clubs.

The 2023 staff turnover rate excluding retirements and redundancies was 12.0% (2022: 14.0%).

At 31 December 2023, 20.1% (2022: 29.8%) of staff had completed at least five years of service and 13.0% (2022: 12.0%) had served at least ten years.

Details of Brit's employment policies are given in the 'Employment' section of the Directors' Report on page 57.

Inclusion and Diversity (I&D)

In 2023 Brit has continued to focus on I&D and have run a number of successful initiatives.

We have four Employee Resource Groups (ERGs), covering Race and Belonging, LGBTQ+, Gender, and Disabilities. We also have a Mental Health and Wellbeing Group which sits alongside the ERGs. These groups are an opportunity for colleagues to come together in a safe-space and discuss issues of importance to them, including successes and challenges, and share ideas for events and initiatives. Our ERGs are empowered to produce informative comms and events.

- Our LGBTQ+ ERG has delivered several impactful pieces of work including presentations from The Naz and Matt Foundation, a talk on International LGBTQ+ rights in partnership with Howden and our continued sponsorship of LINK, with whom we marched at UK Pride.
- Our Disabilities ERG hosted our first-ever internal panel event on visible and non-visible disabilities, and we organised two Deaf Awareness workshops, working with Palm Deaf training. We also partnered with Howden during 2023's Lloyd's 'Dive In' Festival on a talk from Jamie Alexander, around overcoming disabilities.
- Our Race and Belonging ERG organised several events including two cinema screenings for Black History Month, the installation of a Lunar New Year Wishing Tree and a poetry competition for Diwali. We also commenced a new partnership with the Insurance Cultural Awareness Network (iCAN).
- Our Gender ERG hosted a speed networking event for International Women's Day and continued our partnerships with Code First Girls and TWIN. The ERG also organised a podcast with two new fathers sharing their experience of Shared Parental Leave.
- Our Mental Health and Wellbeing Group organised several events including an 'Anxious to Calm' webinar, mental health first aider drop-in sessions, as well as supportive communications around significant mental health days. Some members of the group also attended the annual 'Wellbeing at Work' conference.

Staff engagement

Engagement with our staff allows us to assess the extent to which they are motivated and helps us identify where we need to focus. High engagement results have a positive impact on our team performance and employee retention, our service quality and our overall business performance, ultimately benefitting all stakeholders.

Following the bi-annual Employee Engagement Survey that was undertaken in the fourth quarter of 2022. The Group and teams have been focusing on their results and implementing actions to improve on specific areas.

At Brit, we believe that good communication is an essential part of empowering our teams to be able to perform at their best. The Board engages with employees via the executive Directors. The executive Directors use a suite of internal communication methods to foster a two-way conversation with colleagues, cascading information, ensuring alignment, and understanding of our strategic priorities and goals, and inviting feedback:

- Our Intranet (The Hub) provides colleagues with the latest news and evergreen information from around the Group. An internal podcast hosted on the Hub helps people to hear from differing voices throughout the business.
- Email Communications using an email marketing platform, key messages are shared with colleagues in an engaging format. Spotlight articles are shared on a monthly basis and offer a closer look into aspects of the business.
- Our regular all-Company Town Hall updates help to bring all the company together to hear directly from the executive committee and others about important company news. We were pleased to have a mix of in person and online attendees at this hybrid meeting format.
- Sharing video content is also a popular channel with our colleagues. It enables people to watch meetings they may have missed, listen again to all-Company Town Hall meetings, and follow video instructions for using new tools or systems.

Social and community

We are committed to supporting the communities in which we operate and charities that are meaningful to employees. Our objective is to select charitable giving and community projects based on three criteria: projects should be for a good cause and operate in an area relevant to us, financial involvement should be for the benefit of the good cause, and projects should offer alignment with our strategic priorities.

During 2023, Brit:

- Donated $1.7m (2022: $1.8m) under its charitable initiatives. In addition to this, Brit employees completed 99.5 volunteering days (2022: 66 days);
- Supported ten charities chosen by employees. We donated a sum of money to each charity at the start of the year and continued with fundraising activities through the year;
- Further promote staff involvement in the community by granting every employee two additional days of paid leave a year to volunteer their time to a registered local charity;
- Continued our support for a school that educates boys and girls from the age of five to 18 in Kibera, the largest slum in Africa;
- Donated $125.0k to the Red Cross supporting the Libya Floods Appeal, Morocco Earthquake appeal and Syria/Turkey Earthquake appeal;
- Supported Team BRIT, a team of disabled motor racing drivers, since 2017. In 2023, we continued our contract with Team BRIT, as title sponsor, to support their racing academy and success on the racetrack; and
- Continued to run a payroll giving scheme and match any money raised by employees participating in charitable events. In 2023 we paid out over $670k through payroll and gave $500k through sponsorship matching.

Environmental responsibility

Overview

Climate change will have a major impact on our business and on all our stakeholders. Brit actively considers the potential implications of climate change and sustainability on its investment and underwriting strategies, how it should engage more widely on environmental and ethical issues, and its own sustainability initiatives.

We remain committed to responsible business practices and aim to act in unison with our regulator and the rest of our industry. We are active members of ClimateWise, submitting our third report in 2023, and we participate in ESG initiatives within the Lloyd's market and the wider Fairfax group. Brit has also worked to incorporate guidance issued by the Taskforce of Climate Change-Related Financial Disclosures (TCFD) into its reporting. In late 2022, an external consultancy was commissioned to spearhead the faster implementation of measurable ESG targets and to assist us develop our ESG strategy and framework.

Governance

Board oversight

Since 2014, climate change has been on our Board's agenda. From this point, the Board has focused on developing its understanding of the uncertainty associated with climate change and climate-related risks and opportunities.

While retaining direct oversight of climate change and ESG-related matters, the Board has delegated responsibility to subsidiary boards and committees.

From Q4 2023, the BSL Board will receive quarterly ESG updates. BSL has also made one of its non-executive Directors (and chair of the BSL Risk Oversight Committee) responsible for driving forward Brit's ESG roadmap. BSL's Chief Risk Officer is responsible for overseeing Brit's response to managing financial risks arising from climate change.

The BSL Board is supported by the following committees:

- **BSL Audit Committee:** The Audit Committee is responsible for overseeing internal control, adherence to reporting requirements, and approval of climate-related disclosures.
- **BSL Investment Committee:** ESG/Climate risk has been a standing agenda item since 2021. Climate risk metrics are provided on a monthly basis which are considered in strategic decisions as relevant.
- **BSL Underwriting Committee:** Receives management information on natural catastrophe risk including regions

and perils impacted by climate change. It is responsible for managing this risk in line with business appetite, and for reviewing the Brit View of Risk.

- **BSL Risk Oversight Committee (ROC):** Oversees the financial risks to Brit's syndicates arising from climate change, focusing on natural catastrophe, liability and transition risk. It oversees key initiatives where necessary, recommends risk to the BSL Board.

Management oversight
Brit has implemented the following climate-related Committees and Working Groups:

- **Executive Committee (EC):** The EC has overall responsibility for ESG matters.
- **Climate Change Risk Working Party (CCRWP):** The multidisciplinary CCRWP is responsible for managing financial risks arising from climate change and it provides a forum for identifying and escalating any material risks that require further investigation. It reports to the BSL Risk Oversight Committee (ROC).
- **ESG Steering Committee (ESGSC):** The ESGSC reports to the Executive Committee and has responsibility for delivering the ESG strategy. It is chaired by the Chief Engagement Officer and includes senior representation from Underwriting, Investments, Finance, Risk, Operations, Facilities and Communications.
- **ESG Data Working Group:** The ESG Data Working Group is a sub-group on the ESGSC, and ensures that all requests for ESG-related information are adequality and consistently responded to.
- **Responsible Underwriting Working Group** is a sub-committee of the ESGSC, with specific focus on ESG related underwriting activities, including embedding climate-related processes into Brit's policies and operations.

Strategy

In 2023 we refreshed our ESG Strategy, which is closely linked to our business strategy, and in January 2024, we appointed our first Head of ESG. Our vision centres on 'Writing the future', responsibly – leveraging our culture and products to help deliver positive outcomes for people, the planet and our business. Our strategy has four key pillars as defined through a materiality assessment:

- Reducing our Environmental Footprint
- Enabling the Net Zero Transition
- Responsible Product Deployment
- An inclusive culture for our people

Climate change has the potential to create more vulnerable geographies, policyholders and investment sectors. Care needs to be taken when underwriting risks in areas potentially exposed to climate change to ensure they are priced appropriately and overexposure to these areas is avoided. Brit recognises the potential for increased frequency and severity of natural catastrophes due to climate change, and our underwriting and exposure management teams work together to identify and quantify the potential impact of increasingly frequent events. Our investment strategy takes a long-term view focusing on identifying sustainable businesses.

Underwriting strategy

Brit's underwriting guidelines encourage an appropriate level of due diligence within the underwriting process at a product level, reducing exposure to businesses with poor sustainability practices. In the longer term, these will form part of a referral framework which will influence our business appetite and growth strategy. In addition, underwriters are actively encouraged to consider and assess ethical, sustainable and governance approach of insureds within their portfolio. We review our ESG appetite and underwriting criteria on an annual basis.

Across the business, we have undertaken various initiatives to align ourselves to the broader Lloyd's market, and have implemented products that promote improvements in ESG standards across our client base. These include:

- **Renewable Energy:** In Specialty, we identified opportunities to provide insurance cover for climate-transitioning business (e.g. the renewable energy sector). Brit continues to provide coverage for renewable energy producers, a planned growth area in 2024;
- **Cargo:** We insure an increasing number of green energy power plants, including solar, wind and hydro plants; and
- **Financial Institutions and D&O:** We are using external data platforms for financial and ESG information about prospective clients. ESG scores are factored into the underwriting decision process.

Brit has been progressing the integration of externally sourced ESG scores into the underwriting process. The work to date has allowed Brit to better understand the composition of its portfolio and to better understand the drivers of these scores. In the longer term these insights will shape a key input to the Brit Underwriting Strategy, helping to optimise risk selection and business mix. Brit is participating in a Moody's and Lloyd's pilot in using these scores.

Investment strategy

ESG considerations are integrated across our investment strategy to ensure we fully understand the portfolio exposure.

We regularly review the sector exposure of our portfolios to ensure we monitor and fully understand the portfolio exposures to climate exposed sectors, and supplement this with detailed reports from external managers on the ESG positioning of the portfolios managed on our behalf along with the engagement they have with investee companies on our behalf. These reports include details on the carbon intensity of the portfolios and exposure to carbon sensitive sectors. We also undertake annual ESG reviews of the equity positions in our portfolios.

When undertaking manager selection exercises, we ensure selected managers have strong ESG credentials and integrate ESG into their security selection processes. We include ESG guidelines in our external manager mandates, including having an average minimum BBB MSCI ESG rating restriction, revenue screens on specific ESG concerns such as oil sands, thermal coal and controversial weapons as well as the aim of having a lower carbon intensity index and to reduce carbon intensity through time. We have incorporated ESG into our annual due diligence reviews of the investment managers since 2019 and hold regular discussions on the managers' ESG capabilities, and their engagement with companies.

With regards to asset classes, we focus on asset classes where ESG considerations can be most impactful, such as equity and corporate bonds. Where we select comingled funds or exchange traded funds, we assess the ESG restrictions in the funds, and invest in funds with specific ESG criteria meeting our ESG approach.

Risk management

Risk Management Framework

Climate change has been recognised as an emerging risk in Brit's ORSAs since 2014 and has been an area of focus since having been identified as a high priority in the 2018 emerging risks analysis.

Brit's Risk Management Framework (RMF) (page 35) sets out the methodology by which Brit identifies, measures, and manages risks associated with climate change. Brit considers natural catastrophe risk, liability risk and investment risks to be the most material risks. Using Board tolerances and management metrics, exposure to the above risk types is managed and monitored on an ongoing basis.

The RMF is reviewed annually, and regulatory developments are monitored on an ongoing basis. All Brit syndicates have been compliant with PRA Supervisory Statement SS3/19 since 2021 which sets expectations for firms regarding their consideration of climate risk.

Climate risk management

Natural catastrophe risk

Natural catastrophe risk relates to the physical risks of increased frequency and severity of weather-related natural catastrophes. This could result in additional claims. Climate change to date may already be affecting present-day weather events and therefore claims.

Natural catastrophe modelling is leveraged in pricing and outwards reinsurance purchasing decisions. Brit seeks to ensure a balanced and well diversified portfolio (including exposure to weather perils), Brit has reviewed its property underwriting strategy in recent years and has sought to reduce exposure in peak catastrophe regions.

Natural Catastrophe risk is assessed using software provided by Verisk (developed by scientists and specialists) for the most material and established perils. The modelling is supplemented using the 'Brit View of Risk' which is a set of in-house adjustments used to apply Brit's view of risk to vendor model output. We continuously monitor scientific studies, and regularly review both the completeness of existing models and the application of the Brit view of risk.

Brit's exposure to natural catastrophe risks at an overall and peril-region level at key return periods is monitored on an ongoing basis by the Risk Management Function. Board limits are in place to ensure Brit is not over-exposed to natural catastrophe risk, and reinsurance is purchased to manage tail risk.

Liability risk

Climate change could result in liability claims arising from litigation against Brit's clients. For example, claims could arise from firms being held responsible for directly contributing to climate change, not taking climate change into account in business decisions or inadequate disclosures.

Brit's exposure is managed by use of limits on gross underwriting exposure, contract wording and through the purchase of reinsurance. There is uncertainty over whether courts rule against insurers and if so, over what time horizon. The number of climate change litigation related claims notifications is monitored to enable early identification of any material increase.

Market risk

Investment losses have the potential to arise from exposure to industries contributing to climate change whose market value could reduce as the economy transitions away from fossil fuels. This transition risk could occur over the short or long-term depending on government policies and financial market movements.

Brit has a diversified investment portfolio, with limits on exposure to individual issuers. Additionally, Brit has developed metrics to monitor investment exposure to potentially 'at-risk' industries such as oil and gas or transport. An annual review of equity holdings is conducted which includes a review of the ESG strategy of the underlying companies.

Other risks

There may be reputational risk to firms if customers deem they are insufficiently responsive to concerns about climate change. Brit has developed an ESG strategy, as discussed above, which seeks to address this.

Climate scenario analysis and understanding climate risk

Climate scenario analysis is key to understanding the potential impact of climate-related risks. Analysis performed to date has identified physical risks arising from natural catastrophes as having the highest potential for losses therefore this is an area of greater focus.

PRA stress tests

Brit Syndicate 2987 participated in the PRA Climate Change Biennial Exploratory Stress Test (CBES) in 2021. The exercise was designed to assess the impact of climate change on physical and asset risks over a 30-year time horizon in three policy action scenarios. It also required general insurance participants to consider the impact of seven PRA-designed litigation scenarios on liability classes as well as articulation of Brit's current and future risk management actions.

Internal scenario analysis
In addition to the above, Brit performs climate change related scenario analysis in each syndicate's ORSA which encompasses natural catastrophe, market and lability risk.

Building on CBES, a more detailed climate change related litigation risk scenario analysis was also performed in 2022. This considered the potential gross and net impact of climate change related litigation under three hypothetical scenarios.

The findings from the scenarios have been integrated into:

- The internally developed 'Brit View of Risk' which is used to supplement natural catastrophe modelling software;
- Brit's Property catastrophe underwriting strategy, identifying the regions and perils most sensitive to climate change;
- Industry level exposure monitoring for Brit's asset portfolio for 'high risk' sectors;
- Clarity on potential losses to be accounted for in underwriting and business planning decisions; and
- The ORSA process, to ensure climate change related risks are considered across relevant areas of the business.

Risk is further discussed in Note 4 to the financial statements.

Metrics: Climate and Environment

Energy management and Greenhouse Gas reduction:
As part of our dedication to our environmental responsibilities we continually seek to improve the sustainability of our business. In 2023 we have continued to focus on greenhouse gas (GHG) reduction, carbon management, staff engagement and data collection for our scope 3 financed emissions.

Carbon management
We have continued with our initiative to offset our carbon emissions through ClimateCare (www.climatecare.org). For every tonne of carbon generated we fund the equivalent reduction through ClimateCare's carbon reduction projects. At 31 December 2023 we remained fully Energy Saving Opportunities Scheme (ESOS) compliant.

We measure and monitor our carbon footprint. In 2023 our carbon emissions per employee before offset were 3.2 tonnes (2022: 2.1 tonnes; 2021: 0.7 tonnes; 2020: 2.4 tonnes), all of which has been offset (2022: all offset).

The sources of our emissions were as follows:

Emission source	**2023 CO2 (tonnes)**	2022 CO2 (tonnes)
Gas (Note1)	**196**	203
Electricity (Note1)	**222**	254
Business travel – air (Note2)	**2,455**	1,498
Business travel – hotels (Note2)	**45**	39
Business travel – other (Note2)	**17**	2
Total carbon footprint before offset	**2,935**	1,996
Offset	**(2,935)**	(1,996)
Total carbon footprint after offset	**–**	–

Emissions per employee were as follows:

	2023 CO2 (tonnes)	2022 CO2 (tonnes)
Number of employees at 31 December, excluding NEDs	**911**	947
Carbon footprint per employee before offset	**3.2**	2.1
Carbon footprint per employee after offset	**–**	–

Note 1: Where Brit operates from offices which form part of a larger commercial development, usage and emission data has been supplied by the building manager. Where data was unavailable, estimates have been used. Where Brit operates out of serviced office suites, it has no control over the management of utilities, with that responsibility falling to the landlord. Such serviced accommodation is considered out of scope for this purpose.

Note 2: For all travel including air, hotels and rail, data has been provided from our travel agent partner, through whom travel is arranged.

In 2023 there was a decrease in gas and electricity consumption and related carbon emissions, reflecting the disposal of the Ambridge Group in May 2023.

The increase in travel related emissions for 2023, reflects a return to normal travel pattern following COVID-19 and a strong desire for employees to resume face to face interactions with key internal and external stakeholders.

Brit's Streamlined Energy and Carbon Reporting (SECR) as follows:

	2023		2022	
	kWh	**GHG (CO2 tonnes)**	kWh	GHG (CO2 tonnes)
Scope 1	**1,072,927**	**196**	1,113,902	203
Scope 2	**1,106,717**	**222**	965,285	197

Note 1: The scope of table differs from the carbon emissions reported above, in that it only covers UK based operations, in accordance with SECR requirements for unlisted companies.

Note 2: Gas and Electricity values for the fourth quarter were estimated by using the values from the first quarter as the seasonality of the data for those quarters are closely aligned.

Note 3: Brit utilised the GHG conversion factors published by the UK Government on 10 June 2023 for these calculations.

Note 4: For all travel including air, hotels and rail, data has been provided from our travel agent partner, through whom travel is arranged.

Note 5: In the UK, Brit operates out of an office which forms part of a larger commercial development. Usage and emission data has been supplied by the building manager.

Note 6: Includes gas purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

Note 7: Includes electricity purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

Brit had de-minimis Scope 3 emissions from business travel in rental or employee-owned vehicles in both 2023 and 2022.

- **Net-zero:** We are on our own journey to net-zero. We are reviewing our operations to actively reduce our emissions, waste and water consumption. We currently offset our carbon emissions through ClimateCare.
- **Supply chain:** Work continues to streamline our supply chain, as we seek to minimise our carbon footprint, through analysis of our business activities, waste management and energy consumption.
- **Travel:** Brit's travel policy encourages booking lower carbon-intensive flights. Brit has heavily invested in transforming the way it works by introducing flexible working and by upgrading its digital and video conferencing systems.
- **Waste management:** During 2023, we recycled 12.1 tonnes of paper waste (2022: 0.0 tonnes) and we sent 19.0 tonnes of general waste to energy recycling (2022: 7.1 tonnes). In 2023, we also recycled 3.2 tonnes of glass (2022: 1.3 tonnes), 3.1 tonnes of cardboard (2022: 2.0 tonnes) and 10.2 tonnes of food waste (2022: 4.0 tonnes).
- **Internal hospitality:** We continue to use an internal hospitality provider that is committed to sustainable food procurement.
- **Staff engagement:** During 2023, Brit provided detailed ESG training to all members of the ESG Steering Committee as well as training on the ESG strategy to all of Brit's employees.

Metrics in Brit's operations

The setting of risk tolerances and risk appetite is a key part of risk management. We are focused on developing a metrics and targets framework to manage climate-related risks and opportunities. We are in the process of identifying a suitable 'ESG scorecard' for our underwriting portfolio and have set climate risk metrics for our investment portfolio. At the end of 2022, we appointed a consultancy to support us in defining our measurement framework.

Brit has been working on integrating ESG scores from an external data provider into its underwriting processes. In 2023, Brit has been trailing these scores across its Open Market portfolio and will continue its portfolio baseline assessment during 2024.

non-financial and sustainability information statement (NFSIS)

Brit continues to develop aspects of its non-financial and sustainability information reporting, such as non-financial performance indicators and targets by which to manage climate-related risks. Brit's NFSIS statement, as required by section 414CA and 414CB of the Companies Act 2006, is set out below:

Non-financial reporting information	Section and page reference
A description of Brit's business model.	An overview of the business and strategy is presented per 'Brit at a Glance' (pages 8 to 9).
Principal risks relating to the non-financial matters set out in section 414CB (1) (a) to (e), arising in connection with Brit's operations, likely impacts from any such principal risks, and how they are managed.	Risk management, principal risks and uncertainties (pages 35 to 38). Environmental responsibility (pages 41 to 45).
Non-financial performance indicators.	Brit continues to develop its ESG related non-financial performance indicators and will report on these in future periods. Key performance indicators (pages 22 to 23). Metrics: Climate and Environment (pages 44 to 45).

Sustainability and climate-related financial information	Section and page reference
The governance arrangements in relation to assessing and managing climate-related risks.	The governance arrangements to assess and manage climate-related risks and opportunities is outlined in the Governance section of the Environmental responsibility disclosure on page 41.
How Brit identifies, assesses, and manages climate-related risks and opportunities.	Brit's approach to identifying, assessing, and managing climate-related risks and opportunities is presented in the Risk management section of the Environmental responsibility disclosure on page 43.
How processes for identifying, assessing, and managing climate-related risks are integrated into Brit's overall risk management process.	Brit's approach to identifying, assessing, and managing climate-related risks and opportunities is presented in the Risk management section of the Environmental responsibility disclosure on page 43. Overall risk management process is presented in the Risk management, principal risks, and uncertainties disclosure on page 35.
A description of the principal climate-related risks and opportunities arising in connection with Brit's operations; and the time periods by reference to which those risks and opportunities are assessed. A description of the actual and potential impacts of the climate-related risks and opportunities on Brit's business model and strategy. An analysis of the resilience of Brit's business model and strategy, taking into consideration different climate-related scenarios.	Brit's approach to identifying, assessing, and managing climate-related risks and opportunities is presented in the Risk management section of the Environmental responsibility disclosure on page 43.
Targets used by Brit to manage climate-related risks and to realise climate-related opportunities and performance against those targets.	Brit continues to develop targets by which to manage climate-related risks and will report on these in future periods.
Brit's key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	Brit continues to develop its ESG related non-financial performance indicators and will report on these in future periods. Key performance indicators (pages 22 to 23). Metrics: Climate and Environment (pages 40 to 41).


BRIT

stakeholder engagement

The Board recognises the importance of engaging with its broader stakeholder base. The Company's key stakeholders, as identified by the Board, are set out below, together with why and how we engage with them and the outcomes of that engagement.

Clients and Intermediaries

Why we engage	Form of engagement	Impact of engagement
We work with brokers and partners to share expertise and deliver a seamless service for our clients. As a specialty insurer, almost 100% of Brit's business is distributed via intermediaries. Engagement and building strong relationships with them are crucial for us to source business and to deliver the best service and products for our insureds. Intermediaries also provide a range of services to Brit, for which we remunerate them via brokerage and commissions.	Any new intermediary is subject to a robust on-boarding process. Brit underwriters engage with intermediaries in a number of ways, including in person and by electronic means. To maximise our intermediary relationships, Brit has entered into Board-approved strategic partnership agreements with seven of our largest brokers, covering over 63% of our premium income. Under these agreements Brit pays an annual fee, which gives access to a range of services.	Broker surveys consistently highlight Brit's efficient client engagement, and proactive communications. By engaging with clients and intermediaries we provide a risk service that helps clients not only prepare for but manage and mitigate the risks they face. By building stronger and deeper relationships with our intermediaries, we believe we put ourselves in a stronger position to quickly take advantage of new opportunities and understand and satisfy changing customer needs.
When a client has a claim, their life or business has been disrupted, or even put in peril, they expect their insurance to deliver. It is our responsibility to fulfil that commitment. At Brit, we see every claim as an opportunity to help our clients move forward.	When a client has a claim we engage directly with them or their intermediary to ensure their needs are met. Following a major loss event, we instigate additional measures including 24/7 contact with claims administrators, and swiftly establishing dedicated loss funds.	Engagement with our clients, intermediaries and other service providers after an event reinforces our provision of a risk service that helps people not only move on from an event but helps them to move forward rapidly with confidence.

Reinsurers

Why we engage	Form of engagement	Impact of engagement
Brit purchases reinsurance to help manage risk, reduce volatility, enhance earnings, control aggregations and create capital efficiency. We also engage when we make recoveries.	Brit uses its appointed brokers for the majority of reinsurer interactions, allowing us to benefit from their expertise. Brit also engages directly with reinsurers. These tend to be with our largest reinsurance counterparties.	This engagement allows Brit to access up to date market information and a broad range of reinsurance counterparties and products, thereby effectively managing its risk appetite. When we make recoveries, such engagement helps to expedite the process.

Investment managers

Why we engage	Form of engagement	Impact of engagement
We manage the assets which support our underwriting and ensure that clients' claims can be paid. We manage those assets with a long-term view and aim to maximise return while controlling the level of market risk. We implement our investment strategy using the expertise of investment managers and we engage with them to monitor their performance, to ensure terms of the investment management agreements are met and to gain additional insights.	We have regular discussions with our managers to monitor performance and assess the outlook for investment markets. We also receive regular written investment reports. We have regular and ad-hoc discussions to review new investment opportunities. We also perform annual due diligence on their operational processes. Investment managers regularly present to Investment Committee.	Engaging with our investment managers allows us to ensure that assets are managed within our risk tolerances and guidelines and that any changes are implemented in a timely fashion. Insights from our investment managers enhance our strategy and performance. Engagement allows us to discuss new opportunities, helps us understand their approach to ESG issues, validates the sustainability of our portfolio and helps us confirm assets are managed robustly and with effective controls in place.

Capital providers

Why we engage	Form of engagement	Impact of engagement
Working with third-party capital providers, primarily on Ki and Syndicate 2988, creates the opportunity to increase Brit's footprint and proposition to clients. Engagement with third-party capital providers also supports our growth strategy for those vehicles.	Brit regularly engages with the third-party capital providers on Ki. It also engages with current and prospective providers ahead of an underwriting year, to market Syndicate 2988, and to understand investor appetite. After an underwriting year incepts, Brit formally meets each provider regularly to discuss performance, outlook and any other relevant matter.	The successful implementation of the Ki and Syndicate 2988 strategies is dependent on developing strong relationships with third-party investors. Such engagement helps facilitate this. The insight we gain from interactions and feedback helps us ensure that our propositions can continuously evolve in line with investor appetite.

Members

Why we engage	Form of engagement	Impact of engagement
Our aim is to provide long term sustainable value for our shareholders, Fairfax (86.2%) and OMERS (13.8%). Engagement ensures that our objectives are aligned and that our strategy, operating environment and performance are clearly understood.	Both of Brit's ultimate shareholders are represented on the Brit Limited Board and there is regular contact between Brit executives and senior management and those of our majority shareholder.	This engagement helps ensure that Brit's strategy is aligned to and supported by our shareholders. It also presents us with underwriting and investment opportunities, including collaboration with other members of the Fairfax group.

Regulators

Why we engage	Form of engagement	Impact of engagement
Regulators are key stakeholders and Brit's relevant Boards are pro-active in ensuring that Brit meets regulators' expectations around compliance, transparency and aligning the business with regulators' objectives. Brit engages with regulators to ensure that: • We understand their regulatory objectives and how they apply to Brit; • Regulators have a proper understanding of Brit's business model, strategy and risk appetite, and how they align to regulatory objectives.	Brit engages with its principal regulators through: • Regular meetings between supervisory teams, key decision-makers and authorised persons at Brit, including Directors; • Sharing of key business updates and internal documents to ensure regulators have a thorough understanding of Brit's business • Responding to thematic reviews and information requests; • Engaging with Lloyd's across the business including around business planning and compliance; • Ensuring the relevant Boards are kept up-to-date on regulatory matters as communicated by regulators.	Engagement with regulators impacts Brit through: • The Periodic Summary and Close and Continuous supervision approach by the PRA enables Brit to respond promptly on any concerns or focus areas; • Engagement on thematic reviews and information requests enables Brit to contribute to regulators' understanding of the market; • Brit's regular engagement enables it to pro-actively plan its response to areas of regulatory focus, e.g. operational resilience; • Engagement assists Brit to meet the prudential and conduct standards required by regulators; • Directors and employees understand their regulatory responsibilities.

Key suppliers

Why we engage	Form of engagement	Impact of engagement
Supply chain integrity is critical as we rely on a number of key suppliers of goods and services to help us meet the needs of our customers and other stakeholders. On-going engagement helps us ensure that those needs are met and ensures that the standards set by those suppliers meet Brit's criteria. Such suppliers include providers of IT systems, claims management, professional services, facilities and travel providers.	Brit determines the risk of the potential engagement by investigating the potential spend value, criticality of the services to be provided. Brit has a rigorous on-boarding process for new suppliers. Brit has strong partnerships with a number of critical suppliers, fostered by a range of activities including ongoing dialogue and meetings. We also engage with key suppliers in areas such as technical and product roadmaps, integration planning and disaster recovery.	Such supplier engagement enables us to: • Provide a better service to, and satisfy the needs of, our stakeholders; • Enhance current operational processes, leading to better efficiencies and increased competitive advantage; • Comply with appropriate laws and regulations; • Improve the Company's technological resilience; and • Ensure the robustness and integrity of our suppliers, such as their compliance with the Modern Slavery Act 2015.

section 172(1) statement

Introduction

The Brit Limited Directors' key responsibility is to promote the success of the Company, and the broader Brit Group. This principle is embodied in the Board's terms of reference and is the cornerstone of their discussions and decision making. Each Director is cognisant that in discharging this key responsibility, they must have regard to:

- The likely consequences of any decisions in the long-term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders of the Company.

The Directors of Brit Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act).

The Board's approach to section 172(1) and decision making

The Board's terms of reference, which are reviewed annually, clearly articulate the Board's responsibilities, the role of the Chair and matters reserved for the Board. They also set out which of the Board's powers and responsibilities may be delegated to other committees and the governance mechanisms by which the Board monitors those committees' activities and performance. The Chair ensures that these terms of reference are adhered to and, by doing so, ensures that Directors have due regard for all appropriate factors during the decision-making process.

Our strategy

The Board is responsible for a number of key strategic decisions, including approving the business plans, objectives and strategy of the Group. It is also responsible for managing Group capital, including the setting of Group Capital Policy and the recommendation of dividends to shareholders.

The Group's strategy and business plans are approved annually by the Board. The Board also assesses how the strategy underpins long-term value creation, and on-going performance is discussed and monitored at Board meetings.

The Directors' assessment of long-term value creation also considers the Group's resilience. Directors monitor relevant underwriting, reserving, business, operational, credit, market and liquidity risk appetites and tolerances, and ensure the Group has an effective risk management framework in place.

Board information

The Board receives regular information on a range of relevant topics, and receives information on other areas as requested by the Directors from time to time.

The Board receives regular formal reports on the operations and performance of the Company from the Group Chief Executive Officer and the Group Chief Financial Officer. The Board also receives regular reports from the chairs of the committees of the Board such as the Audit Committee, Remuneration Committee and Nomination Committee, and from the managers of its principal subsidiaries' boards including those of Brit Syndicates Limited, Brit Reinsurance (Bermuda) Limited and Ki Financial Limited. Each of these reports provides an update on areas necessary to help the Directors promote the success of Brit Limited.

In addition, the Board receives and considers a number of annual reports, such as the 'Whistleblowing Annual Report'.

Our policies and practices

All relevant factors are appropriately addressed by the Board when considering matters reserved for it, as set out in its terms of reference.

The Board also ensures that appropriate consideration is given to relevant factors by the committees to which it delegates responsibilities. The Board reviews the terms of reference of such committees on an annual basis, and receives regular updates and reports from those committees' chairs.

The Board also reviews the Company's key policies on an annual basis, ensuring that all relevant considerations to assist it discharge its responsibilities are embedded in the key operations of the business. These policies help to promote the long-term success of the Company by focusing on areas such as the key operations of the Company.

The Board reviews its key stakeholder map on an annual basis. New key stakeholder relationships are identified through information received and considered by the Board on a regular basis, or through the Board's consideration and approval of substantial contracts and commitments.

Training

To assist the Directors discharge their responsibilities, they are provided with on-going training and development opportunities. They have received a number of in-depth briefings on specific relevant issues.

For the wider workforce, there is a comprehensive staff development programme tailored to meet individual needs. Elements of this training are mandatory, with all staff required to successfully complete e-learning modules on key areas such as money laundering, bribery and corruption, data protection, fraud and cyber risk.

section 172(1) statement

Our culture

Building and maintaining the Company's reputation and its high standards of business conduct are essential to the future success of the Company. This is embedded in our culture.

Our brand purpose informs everything we do, from how we communicate, to how we develop and deliver our services, to how we work together.

The Company also maintains a 'Code of Conduct' setting out the standard we expect from all of our staff. This is regularly reviewed and updated, and compliance is attested to by each employee on an annual basis.

Our people

Our people are key to our success. How we engage with them and how we invest in them is set out on pages 40 to 41.

Our stakeholders

The Board recognises the importance of engaging with its broader stakeholder base. The Company's key stakeholders, as identified by the Board, are set out on pages 48 to 50, together with why and how we engage with them and the outcomes of that engagement.

Community and environment

The Board recognises the importance of not only generating value for shareholders but also to contribute to wider society. We do this through a number of initiatives, as set out on page 41. We also monitor and manage our environmental impact, as set out on page 41.

Key decisions made by the Directors during the year

IFRS17 results

During 2023, the Board has approved the Group's results on an IFRS17 basis. It approved the Brit Group opening balance sheet, and balance sheet at 31 December 2022. It also approved the Group's 2023 Interim Report, which was prepared on an IFRS17 basis for the six months ended 30 June 2023 and included the results for the comparative period. As part of this process, it also approved a number of key IFRS17 metrics such as the amount and confidence level of the risk adjustment. For purposes of reporting into its parent, Fairfax, the Board also approved IFRS17 submissions on a quarterly basis throughout 2023.

The Board considered the Company's statutory financial reporting obligations and those of its primary shareholder. It considered and approved the policy decisions taken by the Company and ensured they were aligned to its primary shareholder's expectations. The Board also ensured it had adequate training on IFRS17, and ensured it received periodic briefings throughout the implementation programme.

Capital re-organisation

On 1 November 2023, the Board approved a capital re-organisation. Under this re-organisation, $500.0m was transferred from the share premium account to the retained earnings account. This had various benefits for the Company and its key stakeholders, including increasing the level of distributable reserves.

The directors carefully considered current structure of shareholders' funds on the Company balance sheet and how they could be re-organised for the benefit of key stakeholders. The financial position of the Company and the effect of the re-organisation of capital before approving it. They considered the solvency of the Company, taking into account all of the Company's liabilities, including any contingent or prospective liabilities, at the date of the re-organisation and for the following 12 months. They also consulted with the Company's two shareholders, considered the needs of those shareholders, and its obligations under the shareholders' agreement. It also considered the interests of other stakeholders, including its banking partners and sub-debt holders.

Dividends
During 2023, the Board considered and approved dividends of $40.6m in respect of its class A shares, held by Brit's minority shareholder, OMERS, and dividends of $373.0m in respect of its class B shares, held by Brit's majority shareholder, Fairfax.

In considering this decision, the Directors assessed Brit's ongoing underwriting strategy and capital requirements, its capital policy, the Shareholder Agreement, and its obligation to act fairly between members. It was mindful of its agreed obligations to both its minority shareholder and to its majority shareholder. Brit also liaised closely with its principal shareholder with regard to the dividend payments.

Ki Financial Limited
In September 2023, the Board approved the launch of the evolution of Ki's business model and a transformational change for the Lloyd's market, allowing brokers to access third-party digital capacity directly through the Ki platform from 1 January 2024.

The Board considered Brit's immediate and longer-term strategic priorities, as well as the interests of its shareholders, and other stakeholders, including Lloyd's and the wider market. It concluded that opportunities presented by this initiative would position the Group and other stakeholders well for the longer term. Brit also liaised closely with its principal shareholder, with Ki management, Ki's other investor, Lloyd's and Ki's strategic partners.

2023 financial statements and reserving position
The Directors approved the financial statements for the year ended 31 December 2022, on 23 February 2023. As part of this process, the Directors considered and approved the claims reserves held by the Group's underwriting entities.

In considering these key factors and in approving the final reserving position, the Directors were mindful of the importance of maintaining the Group's policy of reserving on a best estimate basis with a specific risk margin. This policy provides robust security to our policyholders, while ensuring the long-term financial strength of the Group, thereby protecting the interests of our key stakeholders including our clients, members and employees.

2024 business plan and capital requirements
The Directors reviewed and approved the 2024 business plan. The plan included the Group's underwriting and investment strategy, together with the capital needed to support the plan.

The Directors considered the Company's immediate and longer-term strategic priorities, together with the risks facing the business. They also considered the needs and expectations of the Company's shareholders, the interest of its clients and employees, and those of the wider stakeholder group. After due discussion, the Directors concluded that the plans and attaching capital positioned the Company well for 2024 and the longer term.

Tax strategy and tax policy
In November, the Board reviewed and approved the Group's tax strategy and approved its publication on the Brit limited website. The Board also reviewed and approved an updated tax policy, which sets out responsibilities for specific activities, defined a clear escalation process for tax related matters, and sets out the rationale for making tax decisions.

In reviewing and approving the tax strategy and tax policy, the Board considered the statutory obligations. It also ensured the strategy and policy enabled the Company to meet expectations around tax governance and risk management, and ensured they facilitated an appropriate framework for managing the Group's tax risks. In addition, the Board considered the interests of its stakeholders, primarily those of its majority and minority shareholders.

Revolving credit facility
In May 2023, the Board considered and approved an extension to the Group's $550.0m revolving credit facility, from 31 December 2025 to 31 December 2027.

The Board discussed the terms of the revised facility. They concluded that it the facility appropriately supported the Group's future plans and was in the interests of its members, employees and wider stakeholder base.

governance

Directors' Report
This report sets out other information of interest to shareholders. It includes information on our shareholders, the Directors' responsibility statement and the Directors' statement on going concern.

Corporate Governance Report
This report explains our governance framework.

Modern Slavery and Human Trafficking Statement
This statement sets out the steps taken by us to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business.

directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities, review of business and other disclosures

Details of the Company's principal activities and a review of the business, including how the business environment is likely to affect its future development and performance, are included in the Strategic Report.

Directors

The following Directors held office during the financial year:

Mr Gordon Campbell – Chair

Mr Martin Thompson – Group Chief Executive Officer

Mr Gavin Wilkinson – Group Chief Financial Officer

Mr Mark Allan – Executive Director

Mr Aviral Goel – Non-executive Director
(appointed 1 January 2024)

Mr Simon Lee – Non-executive Director
(appointed 8 May 2023)

Mr Michael Wallace – Non-executive Director
(appointed 2 November 2023)

Ms Andrea Welsch – Non-executive Director

Mr Andrew Barnard – Non-executive Director
(resigned 31 October 2023)

Mr Ken Miner – Non-executive Director
(resigned 1 January 2024)

Statement of Directors' responsibilities

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business;
- The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities;
- The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006;
- The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that, to the best of their knowledge:

- The consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group;
- The Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of assets, liabilities and financial position of the Company; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Dividends

A $28.6m dividend was paid to the class A shareholders on 3 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.31 per share. A further dividend of $12.0m was paid to the class A shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.13 per share. Total dividends paid to class A shareholders in 2022 were $18.7m.

A $275.0m dividend was paid to the class B shareholders on 25 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.48 per share. A further dividend of $98.0m was paid to the class B shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.17 per share. No dividends paid to class B shareholders in 2022.

Share capital

The Company's ordinary issued share capital at 31 December 2023 comprised two classes of ordinary shares, class A ordinary and class B ordinary, which are fully paid.

Voting rights
The Company's articles of association provide that a resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

The Company's articles of association may only be amended by the unanimous approval of the Company's shareholders.

Shareholders
The Company's shareholder at the time of this report is as follows:

Shareholder	Units	Class	% of total ordinary shares
FFHL Group Limited	577,137,562	B Ordinary	86.2
OMERS Administration Corporation	92,364,532	A Ordinary	13.8

Significant agreements
The following agreement, which was in force at 31 December 2023, may be terminated on a change of control of the Company.

Revolving Credit Facility
The Group has a syndicated revolving credit facility (RCF) which provides for $550.0m of committed multi-currency financing. Amounts under the RCF can be drawn until 30 November 2027, and the RCF terminates on 31 December 2027, on which date all outstanding facilities must be repaid.

The RCF also contains a change of control provision under which, upon the occurrence of a change of control, the lenders may refuse to fund utilisation requests under the RCF, cancel their commitments and demand immediate repayment of all outstanding amounts.

At 31 December 2023, there were no cash drawings on the facility (2022: $10.0m), while a $10.0m uncollateralised letter of credit (LoC) was in place (2022: $100.0m/uncollateralised), to support our underwriting activities. At the date of this report, these borrowings were unchanged.

Employment
We employ a truly diverse, genuinely inclusive work environment. We comfortably and confidently bring our whole selves to work, because we know we'll be respected, valued and accepted, whoever we are. Our Employee Resource Groups are safe spaces for people to share their experiences, aspirations and suggestions about how we do things. Our People Forum encourages open, meaningful conversations, which helps us get to know each other – our different lives and perspectives.

We have four pillars which represent our vision for inclusion and diversity at Brit:

- Our colleagues consider us to be a progressive organisation which demonstrates its commitment to inclusion and diversity both across the business and in our sector.
- We have a robust recruitment process to ensure we attract and recruit the best talent from a diverse talent pool and we make sure candidates are given an equitable playing field regardless of their identity or characteristic.
- We are an organisation that accepts, recognises, encourages, celebrates and promotes diversity in all its forms and adopts a zero-tolerance approach to all forms of discriminatory and non-inclusive behaviour.
- Our leadership and management populations act as role models and allies, actively raising awareness, challenging prejudice and demonstrating best practice approach regarding inclusion and diversity at Brit

We encourage employees to speak up on any matters that concern them and have policies and processes to support and encourage this.

We provide a competitive remuneration and benefits package. This is kept under constant review to make sure it stays relevant. We also understand the power of 'thank you', so we make a point of acknowledging and rewarding extraordinary effort and achievement by teams or individuals. Our Employee Share Ownership Plan provides an opportunity for employees to be involved in the Company's performance.

Energy consumption and greenhouse gas emissions
Brit's energy consumption and greenhouse gas emissions, and its related strategy, are discussed on page 44 to 45.

Political donations
Neither the Company nor any of its subsidiaries made any political donations during the year.

Disclosure of information to the Group's and Company's auditor
In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Group and Company at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's and Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Group's and Company's auditor is aware of that information.

Auditor
PricewaterhouseCoopers LLP remain in office as the Group's and Company's auditor.

Events occurring after the reporting date
On 8 March 2024, the transaction entered into in November 2023 to sell Sutton to the Amynta Group successfully closed.

Going concern

As part of its going concern assessment, the Board considered:

- **Brit's baseline 2024 financial plan and 2024 outlook:** Syndicate capacity has increased for 2024, for both Syndicate 2987 and Ki. Within Syndicate 2987, growth is being targeted across the Open Market Property classes as this is where conditions are most favourable. Other main areas of growth include Terrorism, Personal Accident and Flood. This is offset to an extent by planned reductions in Casualty Treaty. For Ki, growth is being seen across several areas of the portfolio as the business continues to scale up. In assessing the plan, the Board considered, amongst other factors:
  - **Brit's recent underwriting performance:** During 2023, Brit demonstrated the strength of its business with a combined ratio before the effects of discounting of 85.3%. This strong ratio is partly driven by market conditions, together with Brit's management of its underwriting portfolio. Brit's comparable 2022 combined ratio of 96.2% also reflected a robust underwriting performance, against a backdrop of significant catastrophe activity. In considering underwriting performance, the Directors were able to assess the underlying quality of the underwriting portfolio and its reflection in the 2024 plan.
  - **Execution of catastrophe strategy:** The Director's considered the changes to the Group's catastrophe strategy implemented in 2022 and 2023 and how this was reflected in the 2024 plan. The Board noted the Group's focus on achieving minimum rate requirements, increasing inflationary guards and minimum valuations, and redistributing capacity away from catastrophe intensive regions.
  - **Strong market conditions:** In 2023, Brit achieved an overall risk adjusted rate increase of 7.1%, giving a compound increase since 1 January 2018 of 65.1%.
  - **Brit's reserving policy and track record:** Brit has a policy of reserving on a best estimate basis and, under IFRS 17, carrying an explicit risk adjustment above that estimate. This policy has led to a track record of modest annual best estimate reserve releases. This reserving approach, which has been adopted unchanged for the 2024 plan, has demonstrated the robustness of Brit's approach.
  - **Investment market conditions and outlook:** The Directors considered the current economic environment, and concluded it was appropriately reflected in the 2024 plan.
  - **Liquidity:** The Directors considered the liquidity position of the Group. The Group ended 2023 in a strong position, with cash and cash equivalents of $855.3m on a look through basis. The Directors also considered the duration of the investment portfolio and the forecast yields for 2024. The Directors also noted the extension of the $550.0m Revolving Credit Facility during 2023 to 31 December 2027. Brit's 2023 plan envisages the Group's liquidity position of the Group continuing in 2024.
  - **Risk and risk management:** The Board considered the risks faced by Brit, and the management of those risks, including emerging risks such as those arising from climate change, geopolitical events such as Russia's invasion of Ukraine, and the global economic environment including the current inflationary environment. These risks are discussed in more detail on pages 37 to 38 and in Note 4 to the financial statements.

A review of the financial performance of the Group is set out on pages 22 to 30. The financial position of the Group, its cash flows and borrowing facilities are set out on pages 32 to 34.

After assessing the evidence from the reviews performed, the Directors concluded they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Information included in the Strategic Report

The information below is not shown in the Directors' report because it is shown in the Strategic Report instead under s414C(11).

- **Future developments of the business**
  Disclosures regarding future developments of the business can be found on pages 18 to 20.
- **Employee engagement**
  Disclosures regarding employee engagement can be found on pages 40 to 41.
- **Stakeholder engagement**
  Disclosures regarding stakeholder engagement can be found on pages 48 to 50.
- **Charitable donations**
  Disclosures regarding charitable donations can be found on page 41.
- **Financial instruments**
  Details of the Group's risk management framework supporting our investment in financial instruments is set out on pages 35 to 38.
- **Environmental related disclosures**
  Disclosures regarding environmental matters can be found on pages 41 to 45.
- **Non-Financial and sustainability information statement (NFSIS)**
  Disclosures regarding NFSIS can be found on page 46.

By order of the Board

Joe Marinelli
Company Secretary

26 March 2024

Brit Limited – 08821629

corporate governance report

Introduction

The Company has in place a corporate governance framework that is reviewed regularly and tailored to its needs. The governance structure of the Company and the wider Group is depicted below.

Board of Directors

The Board currently comprises:

Gordon Campbell – Non-Executive Director and Chair of the Board
Aviral Goel – Non-Executive Director
Simon Lee – Non-Executive Director
Michael Wallace – Non-Executive Director
Andrea Welsch – Non-Executive Director
Martin Thompson – Group Chief Executive Officer
Mark Allan – Executive Director
Gavin Wilkinson – Group Chief Financial Officer

The Board considers Gordon Campbell, Simon Lee and Andre Welsch to be independent.

The primary responsibilities of the Board include the setting of Group strategy, the management of Group capital and, via the Boards of the various operating subsidiaries, overseeing the Risk Management Framework. As outlined within the Strategic Report, the Risk Management Framework considers the identification, measurement and management of risk and is supported by the setting of risk tolerances and risk appetite.

The Board meets quarterly and at such other times as required.

Chair

The Chair is responsible for leadership of the Board ensuring its effectiveness on all aspects of its role and setting its agenda. Those agendas are primarily focused on strategy, performance, value creation and accountability. Issues relevant to these areas are reserved for Board decision. The Chair, in conjunction with the Company Secretary, ensures that the Board members receive accurate and timely information.

Group Chief Executive Officer

The Group Chief Executive Officer is responsible for implementing and executing the strategy of the Group and for the executive management of the Group's business.

Conflicts of Interest

Pursuant to the Companies Act 2006, all Directors are required to avoid a situation that conflicts or may conflict with the interests of the Company unless that situation had been approved by the Board. Directors are also required to notify the Board of an interest in any existing or proposed transaction or arrangement with the Company, unless that interest is already known by the Board. For these purposes, a register of actual and potential conflicts of interests for Directors is maintained and presented for approval or affirmation at each quarterly meeting of the Board.

Committees of the Board

The Board has delegated specific responsibilities to Board committees, notably the Company's Audit, Nomination and Remuneration Committees.

Audit Committee

The Audit Committee currently comprises:

Gordon Campbell – Chair
Andrea Welsch – member
Caroline Ramsay – member

The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, the effectiveness of the Internal Control and Internal Audit frameworks and the relationship with the Group's External Auditor. The Internal Control framework comprises robust and reliable controls which are supported by evidence, continuous monitoring, management oversight and the culture of the workforce.

The Audit Committee meets quarterly and at such other times as required. The committee reports into the Board after each meeting.

Remuneration Committee

The Remuneration Committee currently comprises:

Gordon Campbell – Chair
Martin Thompson – member

The Remuneration Committee is responsible for setting the Group's remuneration policy and executive Director remuneration. Remuneration is designed to be fair and to promote the achievement of Group objectives. No director is involved in setting their own remuneration.

The Remuneration Committee meets biannually and at such other times as required. The committee reports into the Board after each meeting.

Nomination Committee

The Nomination Committee currently comprises:

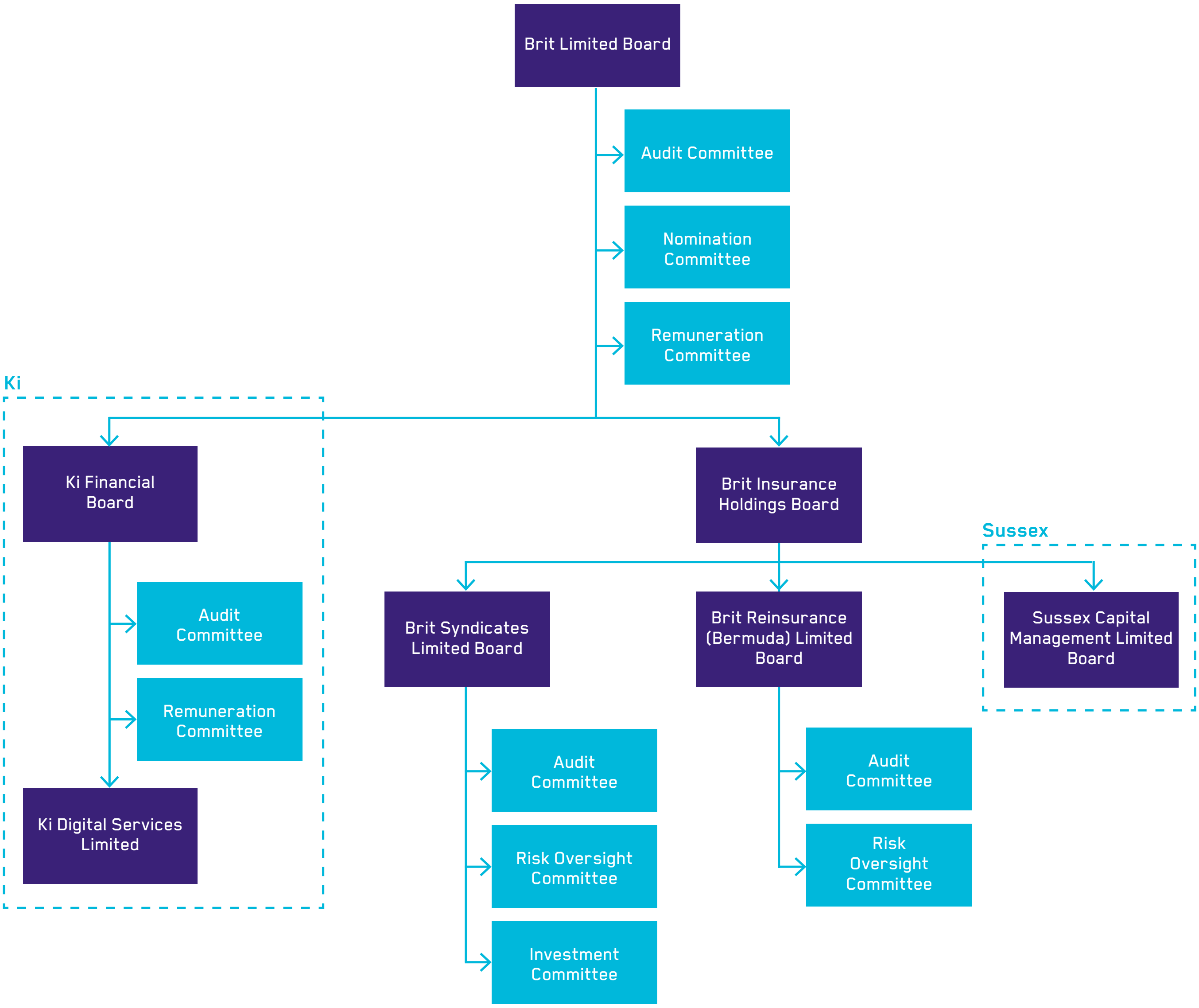
Gordon Campbell – Chair
Martin Thompson – member
Simon Lee – member
Mike Wallace – member

The Nomination Committee leads the appointment of Directors and keeps under review Director succession, having regard to the skills, knowledge and experience required to achieve the Group's objectives.

The Nomination Committee meets biannually and at such other times as required. The committee reports into the Board after each meeting.

corporate governance report

Governance structure



By order of the Board

Joe Marinelli
Company Secretary

26 March 2024

modern slavery and human trafficking statement

This statement sets out the steps taken by Brit Limited to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business. Slavery and human trafficking can occur in many forms, such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. Given the nature of the work that we do, we believe that there is a low risk of slavery or human trafficking having any connection with our business. We must, however, not be complacent, and all staff have a responsibility to be aware of any risks in our business and in our wider supply chains and report any concerns to senior management.

Our business

At Brit, we provide highly specialised insurance products to support our clients across a broad range of complex risks. We have a major presence in Lloyd's of London (Lloyd's), the world's specialist insurance market provider, and a significant US and international reach. We have local offices in Bermuda, South Africa and Japan.

We operate globally via our own international distribution network and broker partners. The average number of employees working at Brit during 2023, including non-executive Directors, was 959 and the result after tax in 2023 was a profit of $895.4m.

Our supply chains

We source our business through trading relationships with Lloyd's brokers, wholesale brokers, retail agents and reinsurance intermediaries. Most of our reinsurance business is sourced through global reinsurance brokers.

We require that contractual agreements with third-party suppliers contain obligations to ensure compliance with the Modern Slavery Act 2015.

Our Global Procurement and Outsourcing Policy ensures that information around our requirements is detailed and available to our wider business.

Our policies on slavery and human trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We believe in paying people fairly and properly for their work. This policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due diligence processes for slavery and human trafficking

As part of our initiative to identify and mitigate risk we have in place systems to:

- Identify and assess potential risk areas in our supply chains. We give all suppliers a copy of this statement and request a copy of their statement (if they are required to have one).
- Mitigate the risk of slavery and human trafficking occurring in our supply chains. We set clear expectations for our suppliers by informing them of our Code of Conduct, which states 'Brit does not tolerate modern slavery or any form of human trafficking within its business or supply chains. Brit does not allow harsh or inhumane treatment and we expect our suppliers to share our values.
- Monitor potential risk areas in our supply chains. Staff are encouraged to report any concerns to senior management and there is a risk register operated by the Head of Operational Risk to record any such concerns.
- Ensure appropriate recruitment practices are carried out, using reputable employment agencies. We verify the practices of any new recruitment agency as part of our terms of business with them and before accepting any candidates and temporary workers from that agency. We also request a copy of the agency's modern slavery statement (if it is required to have one). We ask any agency supplying us with candidates to conduct verification checks on those individuals (including verification of identity, references, evidence of qualifications and criminal and financial checks). We also carry out more detailed pre-employment screening which include criminal and credit checks, media searches and regulatory checks as required for all future joiners.
- Protect whistleblowers. At Brit, workers, customers and suppliers are encouraged to report any concerns related to our activities or supply chains. This includes circumstances which may give rise to increased risk of slavery or human trafficking. Our whistleblowing procedure is designed to make it easy for people to make disclosures without fear of retaliation.

Key Performance Indicators

Several key performance indicators are collated from across the business to measure the effectiveness of existing processes and controls and performance against specific appetites as set by the Board and/or management. These KPIs are proportionate to the risk profile of the Group and where applicable, include Modern Slavery and Human Trafficking considerations. i.e. the completion rate of staff mandatory training measures the completeness of all new starter training modules, of which Modern Slavery and Human Trafficking is one.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide appropriate training to members of staff.

Our commitment

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our Group's slavery and human trafficking statement for the financial year ending 31 December 2023.

This Modern Slavery and Human Trafficking Statement is reviewed by Brit's Board of Directors at least annually and may be amended from time to time.

By order of the Board

Joe Marinelli
Company Secretary

26 March 2024

financial statements

Independent Auditors' Report to the Members of Brit Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Brit Limited'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 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Statement of Financial Position as at 31 December 2023; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Parent Statement of Changes in Equity for the year then ended; and the notes to the financial statements comprising material accounting policy information and other explanatory information.

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 listed 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 16, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items. We performed full scope audit procedures over four of the group's components, namely, Brit Syndicates Limited – Syndicate No. 2987, Brit Syndicates Limited – Syndicate No. 2988, Brit Syndicates Limited – Syndicate No. 1618, and the Brit Limited group's consolidation adjustments.
- For certain other components, we performed audit procedures over specified financial statement line item balances; and
- For the remaining components that were not inconsequential, analytical procedures were performed by the group engagement team.

Key audit matters

- Determination of the measurement model to be applied to the valuation of insurance and reinsurance contracts; (group)
- Valuation of the liability for incurred claims and the corresponding asset for incurred claims; (group)
- Valuation of expected future ultimate premium fulfilment cash flows included within the insurance contract liabilities for remaining coverage – including fraud risk (group)
- Valuation of financial investments with valuations modelled using unobservable inputs; (group)
- Valuation of the deferred tax asset related to carried forward losses; (group)
- Valuation of shares in group undertakings (parent)

Materiality

- Overall group materiality: $35.10m based on 1% of insurance revenue (rounded down).
- Overall company materiality: $11.50m based on 1% of total assets (net of intercompany assets) (rounded down).
- Performance materiality: $26.33m (group) and $8.63m (company).

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 'Determination of the measurement model to be applied to the valuation of insurance and reinsurance contracts (group)' is a new key audit matter this year.

We have re-presented two of our prior year key audit matters to reflect them in accordance with IFRS 17. The 'Valuation of the gross claims incurred but not reported (IBNR) component of insurance contracts, and the associated reinsurers' share (group)' and the 'Risk of inappropriate revenue recognition (including fraud risk) (group)' are reflected respectively as the 'Valuation of the liability for incurred claims and the corresponding asset for incurred claims' and the 'Valuation of expected future ultimate premium fulfilment cash flows included within the insurance contract liabilities for remaining coverage – including fraud risk (group)'.

'IAS 8 presentation and disclosure in relation to the adoption of IFRS 17 (group)', which was a key audit matter last year, is no longer included because this was a specific risk relevant to the prior year financial statements and the upcoming adoption of IFRS 17. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Determination of the measurement model to be applied to the valuation of insurance and reinsurance contracts; (group) *See notes 2.4.2, 2.5.1 (j), 3.2.2 and 23 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* IFRS 17 establishes principles for the recognition and measurement of insurance contracts and reinsurance contracts. Under the General Measurement Model (GMM), contracts are measured using the building blocks of discounted probability-weighted fulfilment cash flows, including an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. A simplification, the Premium Allocation Approach (PAA), can be applied if certain eligibility criteria are met. Annually, management must apply judgement to assess whether applying the PAA to groups of contracts would produce a measurement of the Liability for Remaining Coverage (LRC) that would not differ materially from the one that would be produced by applying the GMM. Management has concluded that the majority of the group's insurance contracts issued and reinsurance contracts held are PAA eligible and therefore the PAA is applied to measure them. Certain other of the group's insurance contracts and reinsurance contracts are measured under the GMM. The eligibility of whether certain books of business meet the criteria of the PAA approach was a matter of key significance for our audit as it is the key determinant in the subsequent accounting of insurance and reinsurance contracts under IFRS 17.	We audited the PAA eligibility assessment conducted by management in the year by undertaking the following procedures: • We understood and evaluated management's methodology for assessing PAA eligibility against the requirements of the accounting standard; • We understood, assessed and tested the design and operating effectiveness of key controls over the group's annual PAA eligibility test; • We tested the level of aggregation to determine how individual contracts are grouped for recognition and measurement purposes within the PAA eligibility testing; • We tested a sample of policies back to contract documents to assess the qualitative characteristics of each group of contracts identified by management to ensure that the grouping utilised was appropriate; • We evaluated the reasonableness of management's conclusions in applying the PAA to each group of contracts by performing a quantitative assessment of the difference in measurement between the GMM and PAA. This included evaluating the appropriateness of a range of reasonably expected scenarios and determining whether the significant assumptions used to develop them were appropriate in the context of IFRS 17; and • Where the difference in measurement between the GMM and PAA was material we ensured that management applied the GMM. Based on the work performed, the measurement models selected by management for insurance and reinsurance contracts were consistent with the evidence received.

Independent Auditors' Report to the members of Brit Limited

Key audit matter	How our audit addressed the key audit matter

Valuation of the liability for incurred claims and the corresponding asset for incurred claims; (group)

See notes 2.4.2, 2.5.1(l & n), 3.3.1 and 23 of the group financial statements for disclosures of related accounting policies, judgements and estimates.

The group estimates the Liability for Incurred Claims (the 'LIC') and the corresponding Asset for Incurred Claims (the 'AIC') based on the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available. They reflect current estimates from the perspective of the entity, include an explicit adjustment for non-financial risk (the risk adjustment) and are discounted for the time value of money.

The valuation of the LIC and the AIC involve complex and subjective judgements about future events. We focussed particularly on the following two components of the LIC and the AIC given the level of judgement involved in their determination, and the sensitivity of the valuation of the LIC and the AIC to these underlying assumptions:

Best estimate of the LIC and the corresponding best estimate of the AIC (Methodology and Assumptions)

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The group relies on actuarial analysis to estimate the settlement cost of future claims and the associated fulfilment cashflows. Estimation and judgement is greatest where claims have been incurred but not yet reported. The ultimate reinsurance recoveries, and the associated fulfilment cashflows, represent the ultimate recovery against the ultimate cost of outstanding claims. Relatively small changes in the assumptions used to derive the ultimate cost of outstanding claims and the ultimate reinsurance recoveries can lead to material movements in the LIC and AIC that are recognised and as such this was an area of focus for our audit.

Best estimate of the LIC and the corresponding best estimate of the AIC (Methodology and Assumptions)

We tested the group's best estimates of the LIC and the AIC with the assistance of our actuarial specialists, by performing the following work:

- We understood, assessed and tested the design and operating effectiveness of key controls over the group's estimation of ultimate claims and the associated reinsurance recoveries. This included controls over the extraction of source data supporting management's calculations from the underlying systems, and the review and approval of the ultimate claims and the associated reinsurance recoveries;
- We tested the underlying source data including claims incurred, claims payments, reinsurance purchases and reinsurance recoveries to supporting documentation;
- We developed a point estimate of ultimate claims and the associated reinsurance recoveries related to non-catastrophe claims. We used our point estimates to challenge management's estimates;
- We understood the approach used to establish the ultimate claims and the associated reinsurance recoveries in relation to catastrophe events and the consistency of its application across the group. We tested the process by which management identified exposed insurance contracts and assessed key assumptions used by management. For catastrophe events that occurred in prior years we tested notifications received, payments made and assessed the assumptions made by management supporting the remaining best estimate liability and associated reinsurance recoveries.
  In concluding on the reasonableness of management's estimates in this area, we also considered PwC's market view for major events;
- We tested the application of the premium receipt patterns and claims payment patterns which are used to convert the ultimate claims and the associated reinsurance recoveries into the incurred best estimate liability/asset fulfilment cashflows; and
- We assessed the reasonableness of discount rates used to discount the undiscounted LIC and AIC fulfilment cashflows, their compatibility with IFRS 17 and the mathematical accuracy of their application.

Based on the work performed, the valuation of the best estimate LIC and the AIC were consistent with the evidence obtained.

Independent Auditors' Report to the members of Brit Limited

LIC and AIC risk adjustment – net of discounting (Methodology and Assumptions)

The adjustment for non-financial risk ('the risk adjustment') is determined to reflect the compensation that an insurer would require for bearing non-financial risk. Judgement is required to determine the appropriate methodology for estimating the risk adjustment.

The group has calculated the risk adjustment via a confidence level approach, with a distribution estimated using a Bootstrap method. The risk adjustment is calculated on a gross and net basis with the risk adjustment allocated to the reinsurance contract AIC being calculated as the difference between the two results.

In light of the fact that IFRS 17 does not specify the estimation technique to be used to determine the risk adjustment for non-financial risk there is significant judgement inherent in valuing the adjustment to apply to the best estimates for the LIC and the AIC and as such this was an area of focus for our audit.

LIC and AIC risk adjustment – net of discounting (Methodology and Assumptions)

We tested the group's risk adjustment in respect of the LIC and the AIC with the assistance of our actuarial specialists, by performing the following work:

- We understood, assessed and tested the design and operating effectiveness of key controls over the group's calculation of the risk adjustment;
- We tested the completeness and accuracy of the data inputs into the bootstrap model utilised by management to determine the risk adjustment;
- We utilised our own, independent, bootstrap model to calculate the group's risk adjustment and used this to challenge management's model and final risk adjustment;
- We inspected the evidence of management's governance of the selection of the risk adjustment and challenged the rationale of it being an appropriate compensation for bearing non-financial risk; and
- We audited management's disclosures relating to the risk adjustment and reperformed the calculation of the disclosed confidence interval.

Based on the work performed, the valuation of the LIC and the AIC risk adjustment was consistent with the evidence obtained.

Valuation of expected future ultimate premium fulfilment cash flows included within the insurance contract liabilities for remaining coverage – including fraud risk (group)

See notes 2.4.2, 2.5.1(k), 2.5.1(p), 3.2.5, 3.3.1, 6 and 23 of the group financial statements for disclosures of related accounting policies, judgements and estimates.

For both PAA and GMM business, the group estimates the amount, timing and probability of future ultimate premium fulfilment cash flows to be included within the Liability for Remaining Coverage (LRC). Estimates are formed by applying assumptions about past events, current conditions and forecasts of future conditions and these are inherently judgemental and as such this was an area which required our focus during the audit. These estimates are particularly uncertain where business is conducted through a delegated authority arrangement ('DUA').

Insurance revenue in each reporting period represents the changes in the LRC that relate to services for which the group expects to receive consideration, and an allocation of premiums that relates to the recovery of insurance acquisition cash flows. Premium fulfilment cash flows could be adjusted to alter the recognition of insurance revenue over time leading us to focus on this area in our audit.

We tested the group's estimated future ultimate premium fulfilment cash flows included within the LRC by undertaking the following work:

- We understood, assessed and tested the design and operating effectiveness of the governance and controls over the monitoring of estimated ultimate premium amounts;
- Assisted by our actuarial specialists, we reprojected ultimate premiums by class of business and by underwriting year for the 2022 and prior underwriting years, challenging management to provide explanations where differences were identified. For premium estimates on the 2023 underwriting year, we understood how management derived them and challenged them accordingly based on our understanding of the business;
- We tested the current calendar year data used in the actuarial projections noted above to source systems, and tested that historical data was consistent year-on-year;
- We tested the conversion of the ultimate premiums to fulfilment cashflows and tested the change in the LRC over the period, including amounts recognised within insurance revenue.

Based on the above procedures the future ultimate premium fulfilment cash flows and the change in LRC over the period were found to be consistent with the evidence obtained.

Independent Auditors' Report to the members of Brit Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of financial investments with valuations modelled using unobservable inputs; (group) *See notes 2.5.3(c)(xiii), 3.6, and 25 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* The group investment portfolio contains $453.6m of level 3 investments measured at fair value and whose fair value is determined using unobservable inputs. Fair values for these investments can only be calculated using estimates and judgements and accordingly these investments required additional audit focus.	We coordinated with our internal valuation specialists based in Canada who centrally tested the valuation of level 3 investments. We assessed and tested management's controls over the valuation of level 3 investments, including management's review of the models and key inputs. For a sample of level 3 investments we performed the following: • We obtained management's valuation memos and/or models, and developed an understanding of the investment and valuation methodology used; • We engaged our specialists (and experts, where applicable) to review the appropriateness of the valuation methodology/models applied and key inputs/assumptions used in the valuations; and in certain instances developed an independent point estimate to challenge management's valuation; • We corroborated key inputs/ assumptions in the valuation model to third party support (where possible), and where applicable, inquired with management; and • For investment fund assets, we performed back-testing (reconciliation between the latest audited and unaudited fund financial statements) and investigated significant differences identified. We used this work to assess the reasonableness of the current year end investment fund asset valuations. Based on the above procedures, the valuation of the level 3 investments was consistent with the evidence obtained.
Valuation of the deferred tax asset (DTA) related to carried forward losses; (group) *See notes 2.5.8 (b), 3.9, and 22 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* At 31 December 2023, the group has recognised a DTA of $132.5m (net of deferred tax liabilities this equates to an overall deferred tax liability of $42.3m). A DTA is recognised to the extent that future profits are considered likely to be available to utilise the asset. The extent of future profits is subject to a number of significant assumptions relating to the future performance of the group and as such was a focus for our audit.	With the assistance of our tax specialists, we performed the following procedures in order to assess the valuation of the DTA: • We assessed management's calculation of the DTA to test whether it was calculated in accordance with current tax legislation and reflected enacted corporation tax rates; • We agreed inputs to management's calculation to audited financial information, submitted tax computations, and approved business forecasts as appropriate; • We reviewed management's assessment of historic forecasts to determine the robustness of management's forecasting process, and therefore the reliability of forecasts used in the calculation of the DTA; • We assessed the reasonableness of assumptions relating to future forecasts and considered the impact of alternative scenarios in the future forecasts; and • We read and assessed the appropriateness of management's disclosures in relation to the recognised DTA. Based on these procedures, the valuation of the DTA was consistent with the evidence obtained.

Independent Auditors' Report to the members of Brit Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of shares in group undertakings (parent) *See notes 1.2 (a) and 3 of the parent company financial statements for disclosures of related accounting policies, judgements and estimates.* In the company's statement of financial position, the shares in group undertakings are reported at cost less impairment. Management carry out an impairment assessment on an annual basis which requires judgement and the application of underpinning assumptions and as such this was a focus for our audit.	We performed the following audit procedures to assess the valuation of the shares in group undertakings: • Assessed the shares in group undertakings for an indication of impairment considering our understanding of the business; • Where there was an indicator of impairment we tested the value-in-use (VIU) calculations and impairment analyses performed by management which included validating the accuracy of the input data and testing the key assumptions used. We used experts to assist us in challenging the discount rate applied in the VIU calculations; and • Performed sensitivity testing to support our final conclusions. Based on these procedures, the valuation of the shares in group undertakings was found to be consistent with the evidence obtained.

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.

Brit is a global specialty insurer and reinsurer, present in Lloyd's of London and has operations in Bermuda, and writes insurance business internationally. The group is structured into five segments (see Note 5 to the consolidated financial statements) and is a consolidation of a number of separate legal entities. A full scope audit was performed for four significant components located in the United Kingdom. The four significant components were: (i) Brit Syndicates Limited – Syndicate No. 2987, (ii) Brit Syndicates Limited – Syndicate No. 2988, (iii) Brit Syndicates Limited – Syndicate No. 1618, and (iv) the Brit Limited group's consolidation adjustments.

For certain other components, we identified account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the consolidated financial statements, and performed financial statement line item audit procedures over these specified balances. Analytical procedures over the remaining components that were not inconsequential were performed by the group engagement team.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the components by us, as the group engagement team, or by the component audit team, being PwC Canada, who operated under our instruction. Where the work was performed by a component audit team, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained. The group engagement team had regular interaction with the component team during the audit process. The engagement leader and senior members of the group engagement team reviewed in detail all reports with regards to the audit approach and findings submitted by the component auditor. This together with additional procedures performed at the group level, as described above, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. We assessed the consistency of the disclosures related to climate risk within the Annual Report against the knowledge obtained from our work. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

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
Overall materiality	$35.10m	$11.50m
How we determined it	1% of insurance revenue (rounded down)	1% of total assets (net of intercompany assets) (rounded down)
Rationale for benchmark applied	In determining our materiality, we have considered financial metrics which we believe to be relevant to the primary users of the consolidated financial statements. We concluded a revenue based metric was relevant to the users. A revenue based metric provides a good representation of the size and complexity of the business and it is not distorted by insured catastrophe events to which the group is exposed or to the levels of external reinsurance purchased by the group.	Due to the nature of the parent company's operations (a holding company) total assets (net of intercompany assets) is an appropriate and generally accepted benchmark.

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 $1.50m to $33.30m. 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% of overall materiality, amounting to $26.33m for the group financial statements and $8.63m 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 $1.75m (group audit) and $0.58m (company audit) 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:

- Reading management's analysis and supporting documentation as it related to the group and company's going concern;
- Validating management's going concern analysis based on audit work performed, considering the group's and company's capital, solvency and liquidity positions; and
- Assessing the disclosures made in the financial statements in respect of going concern.

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 2023 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.

Independent Auditors' Report to the members of Brit Limited

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 regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority and those regulations set by the Council of Lloyd's, 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 the Companies Act 2006 and UK tax legislation. 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 posting of inappropriate journals and management bias in accounting estimates. 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 and the compliance function, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Assessment of matters reported on the whistleblowing helpline and management's investigation of such matters;
- Reviewing relevant meeting minutes, including those of the Board, the Audit Committee, the Reserving Committee, the Risk Oversight Committee and correspondence with regulatory authorities, including the Council of Lloyd's, the Financial Conduct Authority and the Prudential Regulation Authority;
- Testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, for example, in relation to the Valuation of the liability for incurred claims and the corresponding asset for incurred claims, the Valuation of expected future ultimate premium fulfilment cash flows included within the insurance contract liabilities for remaining coverage and the Valuation of the deferred tax asset related to carried forward losses;
- Identifying and testing journal entries identified as potential indicators of fraud, in particular, consolidation journals, those with unexpected account combinations, those posted by unexpected users or with unusual words, and post close or backdated journal entries; 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. 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 members on 14 June 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2016 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Paul Pannell
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 March 2024

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Index to the Consolidated Financial Statements

contents

Introduction to the Primary Statements

Consolidated Income Statement

The income statement shows income earned and expenses incurred by all the companies of Brit. Other items are shown in the statement of comprehensive income. The numbers in brackets are costs or losses incurred.

Consolidated Statement of Comprehensive Income

As well as the profit or loss reported in the income statement, there are a number of other items not reported in the income statement which are instead shown here. These are gains and losses in the Group's pension scheme, any tax associated with these gains or losses and foreign exchange gains and losses on the translation of foreign operations into US dollars. The statement starts from profit or loss reported in the income statement and adjusts for any gains and losses arising as a result of the pension scheme and foreign operations to show the overall result.

Consolidated Statement of Financial Position

The statement of financial position is a summary of assets and how the assets have been funded through liabilities and equity investment by shareholders.

Consolidated Statement of Cash Flows

The cash flow statement shows how we generate cash through our operating activities, how we have spent cash (investing activities) and how we have borrowed or spent cash to fund our business for all the companies in the Group.

Consolidated Statement of Changes in Equity

The statement of changes in equity shows how the various lines in the equity section of the Group's statement of financial position have moved during the year.

consolidated income statement

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Continuing Operations			
Insurance revenue	5, 6, 23	**3,517.1**	3,340.1
Insurance service expenses	5, 13, 23	**(2,594.3)**	(2,874.1)
Net expenses from reinsurance contracts held	5, 23	**(273.3)**	(182.1)
Insurance service result		**649.5**	283.9
Net finance (expenses)/income from insurance contracts	5, 8, 23	**(322.7)**	307.1
Net finance income/(expenses) from reinsurance contracts held	5, 8, 23	**96.9**	(98.5)
Net insurance finance expenses		**(225.8)**	208.6
Interest revenue from financial assets not measured at FVTPL	7	**48.4**	15.7
Other investment return	7	**351.0**	(150.2)
Return on derivative contracts	9	**(9.4)**	14.3
Other income	11	**65.6**	33.2
Losses on other financial liabilities	11	**(20.8)**	(1.3)
Net foreign exchange gains	12	**–**	97.3
Investment return and other income		**434.8**	9.0
Other operating expenses	13	**(126.9)**	(90.4)
Net foreign exchange losses	12	**(94.2)**	–
Other expenses		**(221.1)**	(90.4)
Operating profit		**637.4**	411.1
Finance costs	15	**(17.8)**	(20.5)
Finance income	15	**2.7**	–
Share of net profit of associates	17	**1.6**	1.5
Profit on ordinary activities before tax		**623.9**	392.1
Tax credit/(expense)	19(a)	**5.3**	(104.9)
Profit from continuing operations		**629.2**	287.2
Discontinued operation			
Profit from discontinued operation, net of tax	10	**266.2**	21.7
Profit for the year		**895.4**	308.9
Profit attributable to:			
Owners of the parent		**836.2**	292.8
Non-controlling interests		**59.2**	16.1
Profit for the year		**895.4**	308.9

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements.

consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Profit for the year		**895.4**	308.9
Other comprehensive (expense)/income			
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	24	**(23.7)**	(40.9)
Deferred tax gain relating to remeasurements of post-employment benefit obligations	19(b)	**8.4**	14.3
Items that may be reclassified to profit or loss in subsequent periods:			
Change in unrealised foreign currency translation losses on foreign operations		**7.1**	(17.4)
Total other comprehensive expense		**(8.2)**	(44.0)
Total comprehensive income for the year		**887.2**	264.9
Total comprehensive income for the year attributable to:			
Owners of the parent		**828.0**	248.8
Non-controlling interests	18	**59.2**	16.1
Total comprehensive income for the year		**887.2**	264.9

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements.

consolidated statement of financial position

At 31 December 2023

	Note	31 December 2023 $m	(Restated) 31 December 2022 $m	(Restated) 1 January 2022 $m
Assets				
Intangible assets	20	**122.7**	120.0	205.3
Property, plant and equipment	21	**32.8**	41.8	57.6
Investment in associated undertaking	17	**–**	15.2	15.0
Reinsurance contract assets	23	**1,942.8**	1,824.1	1,772.5
Employee benefits	24	**37.1**	62.4	113.8
Deferred taxation	22	**–**	–	30.3
Current taxation		**3.3**	15.5	10.6
Financial investments	25	**5,875.4**	4,912.4	4,015.0
Derivative contracts	26	**20.2**	10.8	15.1
Insurance and other receivables	27	**923.6**	603.1	610.9
Assets classified as held for sale	17, 10(d)	**15.8**	331.6	–
Cash and cash equivalents	29	**853.8**	941.3	1,510.3
Total assets		**9,827.5**	8,878.2	8,356.4
Liabilities and Equity				
Liabilities				
Insurance contract liabilities	23	**5,869.7**	5,411.5	5,066.8
Borrowings	30	**161.9**	172.4	227.9
Other financial liabilities	31	**104.0**	92.7	95.8
Provisions		**2.9**	2.2	2.4
Deferred taxation	22	**42.3**	74.9	10.4
Current taxation		**0.2**	0.5	3.8
Derivative contracts	26	**23.7**	10.1	12.5
Insurance and other payables	32	**539.3**	454.4	728.3
Liabilities directly associated with assets classified as held for sale	10(d)	**–**	49.6	–
Total liabilities		**6,744.0**	6,268.3	6,147.9
Equity				
Called up share capital	33	**10.0**	10.0	10.0
Share premium		**932.6**	1,432.6	1,432.6
Capital redemption reserve		**1.0**	1.0	1.0
Capital contribution reserve		**32.2**	32.2	28.5
Foreign currency translation reserve		**(95.5)**	(102.6)	(85.2)
Retained earnings		**1,736.9**	829.6	582.0
Total equity attributable to owners of the parent		**2,617.2**	2,202.8	1,968.9
Non-controlling interests	18	**466.3**	407.1	239.6
Total equity		**3,083.5**	2,609.9	2,208.5
Total liabilities and equity		**9,827.5**	8,878.2	8,356.4

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Martin Thompson
Group Chief Executive Officer

Gavin Wilkinson
Group Chief Financial Officer

Registered number: 08821629

consolidated statement of cash flows

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Cash flows from operating activities			
Cash used in operations	35	**(59.5)**	(571.3)
Tax paid		**(6.0)**	(5.1)
Interest received		**163.4**	81.1
Dividends received		**8.6**	8.3
Purchase of shares for share-based payment schemes		**(4.9)**	(0.4)
Net cash inflows/(outflows) from operating activities		**101.6**	(487.4)
Cash flows from investing activities			
Purchase of intangible assets	20	**(12.4)**	(9.2)
Purchase of property, plant and equipment	21	**(2.4)**	(2.1)
Disposal of subsidiary undertakings, net of cash disposed	10	**128.7**	–
Dividends from associated undertakings		**1.2**	1.1
Net cash inflows/(outflows) from investing activities		**115.1**	(10.2)
Cash flows from financing activities			
Proceeds from issue of shares and other capital contributions	24, 33	**–**	3.7
Repayment on revolving credit facility		**(10.0)**	(35.0)
Repurchase of subordinated debt	30	**(7.3)**	–
Interest paid		**(19.9)**	(11.8)
Transactions with non-controlling interests	18	**–**	151.5
Dividends paid	34	**(413.6)**	(18.7)
Net cash (outflows)/inflows from financing activities		**(450.8)**	89.7
Net decrease in cash and cash equivalents		**(234.1)**	(407.9)
Cash and cash equivalents at the beginning of the year		**1,079.4**	1,510.3
Effect of exchange rate fluctuations on cash and cash equivalents		**8.5**	(23.0)
Cash and cash equivalents at the end of the year	29	**853.8**	1,079.4

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2023

	Note	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2023, as previously reported		**10.0**	**1,432.6**	**1.0**	**32.2**	**(102.6)**	**395.1**	**1,768.3**	**374.5**	**2,142.8**
Impact of retrospective application of new accounting policies		**–**	**–**	**–**	**–**	**–**	**434.5**	**434.5**	**32.6**	**467.1**
Restated balance at 1 January 2023		**10.0**	**1,432.6**	**1.0**	**32.2**	**(102.6)**	**829.6**	**2,202.8**	**407.1**	**2,609.9**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**836.2**	**836.2**	**59.2**	**895.4**
Other comprehensive income/(expense)		**–**	**–**	**–**	**–**	**7.1**	**(15.3)**	**(8.2)**	**–**	**(8.2)**
Total comprehensive income recognised		**–**	**–**	**–**	**–**	**7.1**	**820.9**	**828.0**	**59.2**	**887.2**
Dividends	34	**–**	**–**	**–**	**–**	**–**	**(413.6)**	**(413.6)**	**–**	**(413.6)**
Capital reduction[1]		**–**	**(500.0)**	**–**	**–**	**–**	**500.0**	**–**	**–**	**–**
At 31 December 2023		**10.0**	**932.6**	**1.0**	**32.2**	**(95.5)**	**1,736.9**	**2,617.2**	**466.3**	**3,083.5**

1. On 1 November 2023, Brit Limited effected a capital reduction, without the cancellation of any shares, which resulted in a $500.0m reduction to share premium and a corresponding increase in retained earnings. Accordingly, there was no impact on total equity.

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2022

	Note	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2022, as previously reported		10.0	1,432.6	1.0	28.5	(85.2)	525.5	1,912.4	234.2	2,146.6
Impact of retrospective application of new accounting policies		–	–	–	–	–	56.5	56.5	5.4	61.9
Restated balance at 1 January 2022		10.0	1,432.6	1.0	28.5	(85.2)	582.0	1,968.9	239.6	2,208.5
Profit for the year (restated)		–	–	–	–	–	292.8	292.8	16.1	308.9
Other comprehensive expense		–	–	–	–	(17.4)	(26.6)	(44.0)	–	(44.0)
Total comprehensive (expense)/income recognised (restated)		–	–	–	–	(17.4)	266.2	248.8	16.1	264.9
Dividends	34	–	–	–	–	–	(18.7)	(18.7)	–	(18.7)
Contribution from parent in relation to the acquisition of the Riverstone pension plan	24	–	–	–	3.7	–	–	3.7	–	3.7
Transactions with non-controlling interests	18	–	–	–	–	–	0.1	0.1	151.4	151.5
At 31 December 2022 (restated)		10.0	1,432.6	1.0	32.2	(102.6)	829.6	2,202.8	407.1	2,609.9

Nature and Purpose of Group Reserves

Share premium: The balance represents the difference between the price at which shares are issued and their nominal value, less any distributions made from this account.

Capital redemption reserve: The balance represents the amount by which share capital is diminished in the event of a share cancellation and is required to be recognised in a legal reserve to maintain the Group's capital.

Capital contribution reserve: The balance represents the amount by which the Group has benefited from asset transfers or contributions from the owners of the parent company, for which no shares have been issued in exchange.

Foreign currency translation reserve: The balance on this reserve represents the foreign exchange differences arising from the translation of financial statement information of entities within the Group from functional currencies to the presentational currency of the Group.

Retained earnings: Retained earnings represents the cumulative comprehensive income retained by the Group after taxation and after any distributions made from this account.

The accompanying Notes on pages 82 to 199 are an integral part of the consolidated financial statements.

notes to the consolidated financial statements

The first three Notes provide details of the basis of preparation and accounting policies applied in producing these financial statements and the critical accounting estimates and judgements therein.

1 General information

The consolidated financial statements of Brit Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 26 March 2024. The Group's principal activity is the underwriting of general insurance and reinsurance business.

Brit Limited (the Company) is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom. The address of the registered office is The Leadenhall Building, 122 Leadenhall Street, London, England, EC3V 4AB.

2 Accounting policies and basis of preparation

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies of the Group have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements have been compiled on a going concern basis and prepared on a historical cost basis, except for financial investments, other assets (as defined in Note 2.5.3(c)), derivative contracts and other financial liabilities which have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest $0.1m except where otherwise indicated.

Certain amounts recorded in the financial information include estimates and assumptions made by management, particularly about (re)insurance assets and liabilities, investment valuations, interest rates and other factors. Actual results may differ from the estimates made. Further details on estimates, judgements and assumptions are included within Note 3 to the consolidated financial statements.

The Directors have reviewed the principal risks and uncertainties faced by the Group as summarised in Note 4.7. Brit manages such emerging risks in line with its risk management framework.

The Directors have considered various factors in order to be satisfied that a going concern basis of preparation is appropriate. Such factors include, but are not limited to, the reserving policy and track record of the Group, including recent underwriting performance, improving market conditions, and the financial plans of the Group. More detail on these considerations can be found on page 58 of the Strategic Report.

After assessing evidence in respect of these considerations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they consider it appropriate to continue to adopt the going concern basis for the preparation of its consolidated financial statements.

The consolidated financial statements include the results of the Company and all its subsidiary undertakings (collectively, the Group) made up to the same accounting date.

2.1.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- IFRS 9 Financial Instruments
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

The impact of applying IFRS 17 has brought about significant changes to the accounting for the Group's insurance and reinsurance contracts. The impact of applying IFRS 9 is minimal for the Group's financial instruments, albeit it has resulted in updated terminology and presentation. As a result of applying IFRS 17 and IFRS 9, the Group has restated certain comparative amounts.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 17 are summarised per Note 2.4.

2 Accounting policies and basis of preparation (continued)

2.1 Basis of preparation (continued)

2.1.1 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following amendments to standards were in issue but not yet effective:

Amendment	Effective for periods commencing on or after
Non-current Liabilities with Covenants (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2024
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21)*	1 January 2025

* Subject to adoption in the UK by the UK Endorsement Board.

These amendments, which have not been early adopted, are not expected to have a material impact on the Group in future reporting periods.

2.2 Basis of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the Group's participation in Lloyd's syndicates' assets, liabilities, revenues and expenses. Subsidiaries are those entities (including structured entities) that an investor controls, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests in the results are shown separately in the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and statement of financial position respectively.

The financial statements of the subsidiaries are prepared up to 31 December each year. Consolidation adjustments are made to convert subsidiary financial statements from local GAAP into IFRS to remove any dissimilar accounting policies that may exist. Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred from the Group. All inter-company balances, profits and transactions are eliminated. The acquisition method of accounting is used to account for business combinations by the Group.

Included within the financial statements of the Group are structured entities where under the requirements of IFRS 10 Consolidated Financial Statements it has been determined that control exists. The third-party investment in these entities is recognised as a financial liability in accordance with IAS 32.

Underwriting members at Lloyd's have several but not joint liability for the transactions of the syndicates in which they participate. Therefore, for each managed syndicate on which the Group participates, only the relevant proportion of the transactions, assets and liabilities of those syndicates are reflected in the consolidated financial statements. Syndicate assets are held subject to trust deeds for the benefit of the syndicate's insurance creditors. As at 31 December 2023:

- Brit UW Limited, a subsidiary of the Group, provided 100% of the capital for Syndicate 2987 and therefore all transactions, assets and liabilities of Syndicate 2987 have been included in the Group's financial statements.

  Subsidiaries of the Group participated as members of Syndicate 2988, providing 57.67%, 67.98% and 75.86% of the capital for the 2021, 2022, and 2023 years of account respectively. Consequently, the proportionate shares of the transactions, assets and liabilities of Syndicate 2988 have been included in the Group's financial statements.

- Ki Member Limited, a subsidiary of the Group, provided 100% of the capital for Syndicate 1618 and therefore all transactions, assets and liabilities of Syndicate 1618 have been included in the Group's financial statements.

If control of a subsidiary (including a structured entity) is lost during the reporting period, the assets and liabilities of that entity will be derecognised from the consolidated statement of financial position. The revenues and expenses of the entity will no longer be consolidated following the date that control is lost. The difference between the fair value of the consideration received, if any, from the transaction resulting in a loss of control and the fair value of the subsidiary's net assets will be recognised as a gain or loss in the income statement.

Associates are those entities over which the Group has the power to exercise significant influence but not control. The Group's investment in associated undertaking is accounted for under the equity method of accounting, whereby associated undertakings are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the post-acquisition results of operations of the associated undertaking, and the consolidated statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertaking. The financial statements of the associated undertaking are prepared up to 31 December each year.

2 Accounting policies and basis of preparation (continued)

2.3 Business combinations

The acquisition method of accounting is used for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree, where relevant. Acquisition-related costs are expensed as incurred. Where goodwill or a bargain purchase arises, this is accounted for in accordance with the policy set out in Note 2.5.4(a).

When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed, measured initially at their fair values at the acquisition date, for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its fair value at the acquisition date, and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration will be recognised at fair value at the acquisition date and, where relevant, remeasured at subsequent reporting dates. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability within or outside the scope of IFRS 9 is measured at fair value through profit or loss (FVTPL).

2.4 New accounting standards adopted in the year

2.4.1 IFRS 9 Financial Instruments

During the year ended 31 December 2023, the Group adopted IFRS 9 'Financial Instruments'. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' for accounting periods beginning on or after 1 January 2018, but the Group took advantage of a temporary exemption whereby companies, whose activities are predominantly connected with insurance, could defer application of IFRS 9 until initial application of IFRS 17 'Insurance Contracts'. Accordingly, for the Group, IFRS 9 was effective for accounting periods beginning on or after 1 January 2023.

(a) Classification

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument, as a whole, is assessed for classification.

The classification categories for financial liabilities have remained the same under IAS 39: amortised cost and FVTPL.

For an explanation of how the Group classifies and measures financial assets and financial liabilities, see Note 2.4.1(e).

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI, IFRS 15 contract assets, and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. See Note 2.5.3(c) (viii) for further detail.

(c) Hedge accounting

IFRS 9 introduces a new general hedge accounting model which requires hedging relationships to be aligned with risk management objectives and strategy, and the application of a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group did not elect to adopt hedge accounting under IAS 39 and has not elected to do so under IFRS 9.

2 Accounting policies and basis of preparation (continued)

2.4 New accounting standards adopted in the year (continued)

2.4.1 IFRS 9 Financial Instruments (continued)

(d) Transition

The Group has complied with transition provisions of IFRS 9 where applicable. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The Group has determined the business model within which a financial asset is held and assessed the classification of its financial assets on the basis of the facts and circumstances existing at 1 January 2023. The resulting classification has been applied retrospectively irrespective of the Group's business model in prior reporting periods.
- If a financial asset had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.
- Comparatives have been restated for all prior periods presented and the classification overlay, as permitted by IFRS 17, has been applied to all financial assets derecognised in the prior period. For financial assets that would be subject to the impairment requirements of IFRS 9 in the prior period, and for which the classification overlay has been applied, Brit has continued to present any amount recognised in respect of impairment in the prior period in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

As permitted by IFRS 7, the Group has not disclosed information about amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those which would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

There was no impact on equity during 2022 and prior periods as a result of adopting IFRS 9.

(e) Effect of initial application

(i) Classification of financial assets and financial liabilities

The following table outlines the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2023:

	Original classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 and under IFRS 9 $m
Financial investments			
Equity securities	FVTPL (designated)	FVTPL (mandatory)	544.1
Debt securities	FVTPL (designated)	FVTPL (mandatory)	3,945.5
Mortgages and loans	FVTPL (designated)	FVTPL (mandatory)	34.6
Specialised investment funds	FVTPL (designated)	FVTPL (mandatory)	388.2
Other			
Trade and other receivables[1]	Loans and receivables	Amortised cost	598.7
Other assets	FVTPL (designated)	FVTPL (mandatory)	89.0
Derivative contracts	FVTPL (held for trading)	FVTPL (mandatory)	10.8
Cash and cash equivalents	Loans and receivables	Amortised cost	1,079.4
Total Financial assets			**6,690.3**
Derivative contracts	FVTPL (held for trading)	FVTPL (mandatory)	10.1
Borrowings	Amortised cost	Amortised cost	172.4
Other financial liabilities	FVTPL (designated)	FVTPL (designated)	92.7
Trade and other payables[1]	Amortised cost	Amortised cost	425.2
Total Financial liabilities			**700.4**

1. Please refer to Note 2.5.3(c) for a definition of these classes of financial instruments.

2 Accounting policies and basis of preparation (continued)

2.4 New accounting standards adopted in the year (continued)

2.4.1 IFRS 9 Financial Instruments (continued)

(e) Effect of initial application (continued)

(i) Classification of financial assets and financial liabilities (continued)

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.5.3 (c)(i). Overall, there was no significant impact on the subsequent measurement or carrying amounts of financial assets and financial liabilities as a result of applying IFRS 9.

Only financial assets that were classified as loans and receivables under IAS 39 have been reclassified to the amortised cost category as a result of the transition to IFRS 9. The fair value of such financial assets as at 31 December 2023 was $1,642.6m. Accordingly, there was no impact on profit or loss, or other comprehensive income in respect of reclassifying these financial assets.

No financial assets that were classified as FVTPL under IAS 39 have been reclassified to the FVOCI category as a result of the transition to IFRS 9.

(ii) Impairment of financial assets

As at 31 December 2022, the Group reported a closing impairment allowance under IAS 39/IFRS 7 of $8.5m, relating to items classified as loans and receivables under IAS 39. No allowance was recorded in respect of finance lease receivables or receivables from contracts with customers. As at 1 January 2023, under IFRS 9, the forward-looking expected credit loss model gives rise to earlier recognition of impairment losses but, given the nature and aging of the items subject to the requirements, the amount recorded within the impairment allowance is materially the same as under IAS 39 ($8.5m).

2.4.2 IFRS 17 Insurance Contracts

During the year ended 31 December 2023 the Group adopted IFRS 17 'Insurance Contracts'. IFRS 17 replaces IFRS 4 'Insurance Contracts' for accounting periods beginning on or after 1 January 2023, with a transition date of 1 January 2022. The Group has applied IFRS 17 fully retrospectively and therefore the comparative period has been restated. The net impact of the transition has been recorded in in equity.

The nature of the changes in accounting policies is summarised below. The new accounting policies that have been applied by the Group are explained in Note 2.5.1.

(a) Classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance and reinsurance contracts.

IFRS 17 establishes principles for the recognition and measurement of insurance contracts and reinsurance contracts. IFRS 17 introduces new measurement models, of which two have been applied by the Group being the General Measurement Model (GMM) and the Premium Allocation Approach (PAA).

Under the two measurement models, (re)insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the Group's obligation to pay for future insured events. The LIC represents the Group's obligation to pay for insured events that have occurred. Each component can either be in an asset position or a liability position – where there is an asset position at the reporting date, the Group would record an asset for remaining coverage (ARC) and/or an asset for incurred claims (AIC).

The measurement of the LIC under GMM and PAA is the same; however, it differs from the way the Group previously calculated outstanding claims on an IFRS 4 basis. The main differences which impact the Group's net assets are outlined below:

- Discounting – An explicit adjustment is made to the estimated expected cash flows to reflect the time value of money.
- Risk adjustment – An adjustment is made to reflect the compensation an entity would require for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.
- Risk margin – The IFRS 4 management risk margin applied over and above the best estimate to allow for the inherent uncertainty within the expected cash flows is no longer recognised.
- Events not in data (ENIDs) – An adjustment is made to future cash flows to include ENIDs.

The measurement of the LRC under GMM and PAA differ. The measurement of the LRC under PAA is broadly aligned with the sum of the following balances measured on an IFRS 4 basis: Unearned Premium Reserve, Deferred Acquisition Costs, and Insurance Debtors. The calculation of Insurance Revenue under PAA is broadly aligned with the calculation of Earned Premiums under IFRS 4.

2 Accounting policies and basis of preparation (continued)

2.4 New accounting standards adopted in the year (continued)

2.4.2 IFRS 17 Insurance Contracts (continued)

(a) Classification and measurement (continued)
The main difference that arises when measuring the LRC on an IFRS 17 PAA basis in comparison to the IFRS 4 equivalent is as follows:

- Acquisition expenses – Under IFRS 4 the Group defers broker's commission costs and premium taxes only, whereas under IFRS 17 the Group defers these costs as well as an allocation of general overhead expenses directly attributable to acquiring groups of insurance contracts.

The measurement of the LRC under IFRS 17 is fundamentally different. Further details of how the LRC is measured for GMM contracts is outlined in Note 2.5.1. The main differences impacting the Group's net assets are outlined below:

- Revenue recognition – Consistent with IFRS 4 and PAA, under GMM insurance revenue for a group of insurance contracts is equal to the amount of premiums received over their duration of the coverage period; however, there are fundamental differences in the calculation of how the premiums are earned.
- Discounting – Under GMM, an explicit adjustment is also made to the estimated expected cash flows of the LRC to reflect the time value of money.

The majority of the Group's contracts are measured under PAA.

(b) Transition
At the transition date, the Group recognised and measured all groups of insurance and reinsurance contracts as if IFRS 17 had always applied, and derecognised any balances that are no longer recognised under IFRS 17. The Group recognised the net impact of the transition to IFRS 17 in shareholders' equity.

A summary of differences that have resulted in an impact to equity as at the transition date has been illustrated in the below table:

	$m
At 1 January 2022, as previously reported	**2,146.6**
Impact of discounting	**183.2**
Impact of including IFRS 17 risk adjustment (net of removing IFRS 4 risk margin)	**(117.3)**
Impact of including ENIDs	**(18.2)**
Impact of deferring more acquisition expenses	**45.0**
Recognition of CSM on opening balance	**(20.0)**
Other adjustments	**4.3**
Deferred tax impact	**(15.1)**
Restated balance at 1 January 2022	**2,208.5**

The deferred tax impact arises from comparing the carrying amount of the assets and liabilities in the consolidated financial statements measured on an IFRS 17 basis with the tax base of the assets and liabilities measured under the relevant subsidiaries' reporting framework (local GAAP) at the appropriate tax rate. As the reporting of insurance contracts under IFRS 4 was aligned to local GAAP, this results in a deferred tax impact on transition to IFRS 17.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

During 2023, the Group continued work to refine the IFRS17 operational and reporting processes. This resulted in changes compared to the previously restated balances as at 1 January 2022, and the 2022 comparatives in the Brit Limited Interim report 2023.

(c) Presentation
IFRS 17 has also given rise to a number of changes to the way insurance-related items are presented in the consolidated statement of financial position and consolidated income statement.

Consolidated statement of financial position
The claims reported and loss adjustment expenses, and claims incurred but not reported, as reported under IFRS 4 is replaced with the LIC.

The liability for unearned premiums, deferred acquisition costs and premiums receivable is replaced with the LRC.

Consolidated income statement
The presentation of the consolidated income statement changes, with premiums and claims figures being replaced with insurance revenue, insurance service expense, and insurance finance income and expenses. Reinsurance premiums and claims are now presented in one line being net expenses from reinsurance contracts held.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies

2.5.1 Insurance contracts

The accounting policies outlined below relate to both insurance contracts issued, and reinsurance contracts held, unless stated otherwise.

(a) Classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts.

Insurance and reinsurance contracts that expose the Group to financial risk but do not transfer significant insurance risk are accounted for as financial instruments under IFRS 9. The Group does not have any insurance or reinsurance contracts that have been classified under IFRS 9.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

(b) Separating components from insurance and reinsurance contracts

The Group assesses its insurance contracts to determine if they contain distinct components which must be accounted for under another IFRS other than IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the host. Currently, the Group's contracts issued and held do not include distinct components that require separation.

Some insurance contracts include an investment component which is not distinct from the insurance component. The non-distinct investment component of a contract represents the amount that is required to be repaid to a policyholder in all circumstances, regardless of whether an insured event occurs. The receipts and payments of these components are excluded from profit and loss.

Some of the Group's insurance and reinsurance contracts involve claim or profit commission payments where an element of those payment is essentially a return of premium. Such items have been accounted for as non-distinct investment components.

(c) Level of aggregation

Insurance contract issued

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by:

- Identifying portfolios of insurance contracts;
- Dividing a portfolio into a minimum of three groups (those that are onerous on initial recognition; those that on initial recognition, have no significant possibility of becoming onerous subsequently; and those contracts remaining in the portfolio);
- Dividing these into groups of contracts, into annual cohorts (i.e. by year of issue).

Portfolios comprise contracts subject to similar risks and managed together. Contracts within a portfolio that would fall into different groups, only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics, are included in the same group. Brit identifies its portfolios separately for each reporting entity, subdivided by property, casualty and specialty. These are then further subdivided into groups of similar risks and profitability, and then split into annual cohorts.

Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Ceded IFRS 17 portfolios are constructed from a combination of reporting entity and reinsurance contract type, also subdivided by property, casualty and specialty.

Applying the group requirement, reinsurance contracts held within annual cohorts are aggregated into the below groups:

- A group of contracts for which there is a net gain at initial recognition;
- A group of contracts for which, on initial recognition, have no significant possibility of a net gain arising subsequently; and
- Any remaining groups of contracts in the annual cohort.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(d) Initial recognition
The Group recognises insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Groups of reinsurance contracts held are initially recognised from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Notwithstanding the above, the Group delays the recognition of a group of reinsurance contracts held that provide proportional coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

(e) Modification and derecognition
The Group derecognises an insurance contract when:

- It is extinguished, i.e., when the obligation specified in the insurance contract expires, is discharged or is cancelled; or
- If the terms of the contract are modified and additional criteria discussed below are met.

When the terms of an insurance contract are modified by the Group, for example by agreement with the counterparties or by a change in regulation, the Group treats the modification as a derecognition if any of the following conditions are met:

- The modified contract would have been excluded from the scope of IFRS 17.
- The Group would have separated different components from the host contract.
- The modified terms would have had a substantially different contract boundary.
- The modified contract would have been included in a different group of contracts.
- The original contract was accounted for under PAA, but the modification means the contract no longer meets the PAA eligibility criteria.

If a contract modification meets none of the conditions, the Group treats the changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows.

(f) Contract boundary
Estimates of cash flows include all cash flows within the boundary of an existing contract and no other cash flows.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

a) the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

b) both of the following criteria are satisfied:

   i. the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

   ii. the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(f) Contract boundary (continued)

Risk attaching during (RAD) basis

When a reinsurance contract is issued on a RAD basis, it covers losses on the underlying direct contracts issued during a specified period. Therefore, the contract boundary for a RAD reinsurance contract includes the cash flows associated with the earliest underlying direct contract and ends with the cash flows associated with the last underlying direct contract covered by the RAD policy.

Loss occurring during (LOD) basis

When a reinsurance contract is issued on a LOD basis, it covers certain losses on the underlying direct contracts that occur during a specified period, regardless of when the underlying direct contracts were issued or what their coverage period is. Therefore, the contract boundary is determined based on the specifics of the reinsurance contract – more specifically – the losses that occurred during the defined time frame and their ultimate settlement.

Proportional reinsurance contracts

Proportional reinsurance contracts, such as quota-share contracts, cede an agreed percentage of direct business in exchange for the same percentage of premium. Quota-share contracts are generally written as a contract that ends when either party provides a notice of cancellation. Often these contracts can run for years. Absent of such notice, the continuous coverage extends beyond one year. When it is determined that there is not a contractual end date other than that decided by a formal notice to terminate the reinsurance agreement, the Group treats the coverage period as one year with each subsequent year considered a renewed policy where the contract boundaries are separate.

Non-proportional reinsurance contracts

Non-proportional reinsurance contracts (i.e., excess of loss, catastrophe or aggregate/stop loss contracts) are arrangements that provide financial protection to the cedant. These contracts aggregate losses rather than providing indemnification on an individual policy basis. Non-proportional reinsurance contracts are typically re-negotiated annually, thus the renewal date establishes a contract boundary between the existing and the renewing contract.

Most non-proportional reinsurance contracts include a provision for reinstatement premium – an additional amount of ceded premium the ceding company has to pay to reinstate the loss coverage limit back to the original contractual amount. The reinstatement premium is typically calculated by applying the proportion (%) of the amount of ceded losses reimbursed to the original loss amount covered to the original ceded premium paid.

Contractual terms might include a limitation on the number of times the reinstatement premium is calculated, as well as a provision for time lapsed during the treaty period for calculation of reinstatement premium. In most cases, the reinstatement premium is calculated based on the original contract rate. Due to the long tail nature of losses in certain P&C products, it is common that a reinstatement premium can be assessed years after the expiration of the original contract. Assessment of the reinstatement premium under a reinsurance contract does not change the contract boundary. Therefore, fulfilment cash flows from the reinstatement premium is estimated and included as part of total cash flows within the contract boundary of the original contract (i.e., estimated ultimate premium at inception reflects reinstatement premium).

(g) Fulfilment cash flows

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of the group of insurance contracts. The estimates of future cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows. To do this, the Group estimates the expected value (i.e., the probability-weighted mean) of the full range of possible outcomes. The fulfilment cash flows use estimates that reflect conditions that exist at the measurement date.

The Group makes a risk adjustment for non-financial risk separately from other estimates.

The estimated future cash flows are adjusted using current discount rates to reflect the time value of money. The cash flows are estimated separately from the adjustment for the time value of money.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(g) Fulfilment cash flows (continued)

Cash flows within the contract boundary

Cash flow elements that fall within the boundary of an insurance contract are components that contribute directly to the fulfilment of the contract. These are cash flows for which the insurer has discretion over the amount or timing. These components include:

- Premiums.
- Acquisition cash flows directly related to the contract including standard commissions and transaction-based taxes and levies (e.g., premium taxes).
- An allocation of indirect acquisition cash flows attributable to the portfolio to which the contract belongs.
- Policy administration and maintenance costs.
- Payments to policyholders (or on behalf of policyholders) that vary depending on the underlying items (e.g., premium audit adjustments).
- Payments to policyholders resulting from embedded derivatives.
- Claims and benefits incurred, including loss adjustment expenses charged to the claim (i.e., allocated loss adjustment expenses). This category represents expected future claim costs within the contract boundary (ultimate losses estimate for a contract), including reported claims not yet paid (case reserves), incurred claims not yet reported (IBNR reserves).
- Claims handling costs (i.e., unallocated loss adjustment expenses).
- Payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts.
- Claim recoveries, such as salvage and subrogation (to the extent they are not recognized as separate assets).
- An allocation of corporate overhead directly attributable to fulfilling insurance contracts, including acquisition cash flows, policy maintenance expenses and claims adjustment expenses. Such overhead is allocated to each component of cash outflows, and to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.
- Any other costs that may be charged specifically to the policyholder under the terms of the contract.

A list of cash flows that arise as the Group fulfils an existing insurance contract, but are excluded from the contract boundary include but are not limited to the following:

- Investment returns (accounted for separately under applicable IFRS).
- Cash flows (payments or receipts) that arise under reinsurance contracts held (accounted for separately from an insurance contract or a group of insurance contracts),
- Cash flows that may arise from future insurance contracts, i.e., cash flows outside the boundary of existing contracts.
- Cash flows relating to costs that cannot be directly attributed to the portfolio of insurance contracts that contain the contract (e.g., certain corporate branding, product development and training costs) – such costs are recognized in profit or loss when incurred.
- Cash flows that arise from abnormal amounts of wasted labour or other resources that are used to fulfil the contract – such costs are recognized in profit or loss when incurred.
- Income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity (e.g., federal income tax by the insurer).
- Cash flows between different components of the reporting entity, such as transfers between policyholder and shareholder funds, if these cash flows do not change the amounts paid to policyholders.
- Cash flows arising from components separated from the insurance contract and accounted for in accordance with other applicable IFRS.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(g) Fulfilment cash flows (continued)
The Group determines that the premiums receivable from intermediaries are future cash flows within the boundary of an insurance contract. Applying this view when policyholders pay premiums to intermediaries:

a) For a group of contracts to which the premium allocation approach does not apply, the Group continues to treat the premiums receivable from the intermediaries as future cash flows within the boundary of an insurance contract and, applying IFRS 17, include them in the measurement of the group of insurance contracts until recovered in cash; and

b) For a group of contracts to which the premium allocation approach does apply, the Group does not increase the LRC – it does so only when it recovers the premiums in cash from the intermediaries.

Discounting
The Group adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows, and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency, and liquidity; and
- Exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The discount rate is determined either (i) by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market, and the liquidity characteristics of the insurance contracts (i.e., bottom-up approach), or (ii) by adjusting the yield curves based on actual or reference portfolios to reflect expected credit losses, credit risk premiums for unexpected losses, and asset-liability mismatches (e.g. duration mismatches). The yield curves are determined using commercially available currency-specific rates and illiquidity premiums.

Risk adjustment
The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing uncertainty with respect to both the amount and the timing of cash flows that arise from non-financial risk from the insurance contracts and reinsurance contracts held.

Because the risk adjustment reflects the compensation the insurer would require, the risk adjustment also reflects the degree of diversification benefit the insurer includes when determining this compensation, and allows for both favourable and unfavourable outcomes, in a way that reflects the insurer's degree of risk aversion.

The risk adjustment is considered on a gross and reinsurance basis, with the reinsurance risk adjustment representing the amount of risk being transferred by the Group to the reinsurer.

(h) CSM
The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is the equal and opposite of the net inflow that arises from the sum of:

- The fulfilment cash flows;
- The derecognition of any asset or liability previously recognised for cash flows related to the group, such as insurance acquisition cash flows incurred before the group of contracts is recognised; and
- Any cash flows arising from contracts in the group at that date (to the extent they are not included in the fulfilment cash flows).

To the extent the contract is not profitable (also referred to as 'onerous'), there is no CSM to measure and a loss is recognised in the P&L immediately for the net cash outflow (the loss component).

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(h) CSM (continued)
At the end of the reporting period, the opening amount of the CSM is adjusted for:

- The effect of new contracts added to the group;
- Interest accreted on the carrying amount of the CSM (applying discount rates determined on initial recognition of the group);
- Changes in fulfilment cash flows related to future service;
- Effect of currency exchange differences on the CSM; and
- The amount recognised as insurance revenue.

The amount recognised in profit or loss reflects the insurance contract services provided under the group of insurance contracts in that period.

The amount that is released into revenue is determined by:

a) Identifying the coverage units in the group;

b) Allocating the CSM at the reporting date (before any release to profit or loss to reflect the insurance contract services provided) equally to the coverage units provided in the current period and expected to be provided in the future; and

c) Recognising in profit or loss the amount allocated to coverage units provided in the period.

The coverage units in a group of insurance contracts is the quantity of Insurance Contract Services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. The Group does not discount the coverage units.

Insurance Contract Services are the services that the Group provides to the policyholder of an insurance contract (i.e., Coverage for an insured event (insurance coverage)).

The Group revises estimates made in previous interim financial statements (i.e., year-to-date approach).

(i) Onerous contracts
Initial recognition
An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. As outlined in note 2.5.1(c) above, such contracts are grouped separately from contracts that are not onerous.

The Group recognises a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero.

Subsequent measurement
A group of contracts that has a CSM on initial recognition can become onerous in subsequent periods, if unfavourable changes relating to future service in the fulfilment cash flows arising from changes in estimates of expected cash flows, and the risk adjustment for non-financial risk exceed the carrying amount of the CSM.

The excess is the loss component of the liability for remaining coverage, and is recognised in profit or loss when it is first measured.

The loss component determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are consequently excluded when determining insurance revenue.

Once a group of contracts has a loss component as part of its LRC (either on initial recognition or subsequently), subsequent changes in the fulfilment cash flows of that liability are allocated on a systematic basis between the:

- loss component of the liability for remaining coverage; and
- liability for remaining coverage, excluding the loss component.

These subsequent changes are those estimates of the present value of expected cash flows for claims and expenses released from the liability for remaining coverage because of incurred insurance service expenses, changes in the risk adjustment for non-financial risk recognised in profit or loss due to the release from risk, and insurance finance income or expense.

The systematic allocation results in the total amounts allocated to the loss component being zero by the end of the coverage period of the group of contracts.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(j) PAA eligibility
The Brit Group's policy is to apply PAA to all groups of insurance contracts when eligible. PAA may be applied to a group of insurance contracts if at inception of the group:

a) The coverage period of each contract in the group is one year or less; or

b) The Group reasonably expects that such simplification would produce a measurement of the LRC for the group that would not differ materially from the one that would be produced under GMM.

If all contracts within a group have a coverage period of one year or less, or the contracts within a group with a coverage period of more than one year are not material, the group is automatically considered to be PAA eligible and no further analysis is completed.

If the above criterion is not met, an analysis is performed to determine if criterion (b) is met. The analysis models the LRC under PAA and GMM over the coverage period of the group, in a base scenario and in reasonably expected scenarios. Modelled scenarios are based on the identified drivers of differences between the LRC measured under GMM and PAA. Scenarios are reviewed annually to ensure they remain reasonable in current market conditions.

If the difference between the LRC as modelled on a PAA versus GMM basis for a group of insurance contracts is material (as judged by the Group), the group of contracts is not eligible for PAA and GMM is applied instead.

Most of the Group's insurance contracts have been assessed as being PAA eligible and have therefore been measured under PAA. The groups of insurance contracts that have been accounted for under GMM include groups of contracts with the following characteristics:

- Coverage period – Groups of contracts with a higher proportion of multi-year business and longer coverage periods have an increased risk of being PAA ineligible.
- Claims payment tail – Groups of contracts with longer claim payment tails have an increased risk of being PAA ineligible.
- Variability in fulfilment cash flows – Classes where there is a higher chance of significant and frequent movements in cash flow assumptions are less likely to be PAA eligible compared to groups of contracts which are more stable.

A breakdown of insurance revenue by measurement model has been presented in note 6.

The coverage period of loss portfolio reinsurance contracts are expected to exceed more than one year, and measurement of the LRC under the PAA would differ materially from that produced under the GMM. Therefore, these contracts are measured under the GMM.

(k) Measurement of the LRC
The LRC represents the obligation to:

- Investigate and pay valid claims for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the insurance coverage)
- Pay amounts under existing contracts that are not included above and that relate to:
  - Insurance contract services not yet provided (i.e., the obligations that relate to future provision of insurance contract services); or
  - Any investment components or other amounts that are not related to the provision of insurance contract services, and that have not been transferred to the liability for incurred claims.

(i) Measurement of the LRC when applying the GMM measurement model
The LRC is measured as the sum of:

- The fulfilment cash flows related to future service allocated to the group at that date.
- The CSM of the group at that date.

At initial recognition, the liability for remaining coverage includes all remaining cash inflows and outflows under an insurance contract. Subsequently, at each reporting date, the liability for remaining coverage, excluding the contractual service margin, is remeasured using the fulfilment cash flow requirements discussed below. That is, it comprises the present value of the best estimate of the cash flows required to settle the obligation together with an adjustment for non-financial risk. The fulfilment cash flows for the liability for remaining coverage for contracts are discounted.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(k) Measurement of the LRC (continued)

(i) Measurement of the LRC when applying the GMM measurement model (continued)
The Group recognises income and expenses for the following changes in the carrying amount of the LRC:

a) insurance revenue – for the reduction in the LRC because of services provided in the period.

b) insurance service expenses – for losses on groups of onerous contracts, and reversals of such losses; and

c) insurance finance income or expenses – for the effect of the time value of money, and the effect of financial risk.

The fulfilment cash flows for the liability for remaining coverage is discounted at a current rate (i.e., the rate applying as at the reporting date). The CSM is discounted using the rate determined on initial recognition.

Usually, the fulfilment cash flows should reduce over the contract period as the insurance contract services still to be provided decline. When future insurance contract services can no longer occur (i.e., coverage ends), then the fulfilment cash flows of the liability for remaining coverage should be nil. An exception to this may occur where premiums for past service remain outstanding at a reporting date. In this case, even though all insurance contract services have been provided, the liability for remaining coverage could still contain an amount for the premiums receivable.

(ii) Measurement of the LRC when applying the PAA measurement model
Using the PAA model, the Group measures the LRC as follows:

- On initial recognition, the carrying amount of the LRC is measured as:
  - The premiums, if any, received at initial recognition;
  - Minus any insurance acquisition cash flows at that date; and
  - Plus or minus any amounts arising from the derecognition at that date of any asset of insurance acquisition cash flows, and any other asset or liability previously recognised for cash flows related to the group of contracts.
- At the end of each subsequent reporting period, the carrying amount of the LRC is measured as:
  - The carrying amount at the start of the reporting period;
  - Plus the premiums received in the period;
  - Minus insurance acquisition cash flows;
  - Plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period;
  - Minus the amount recognised as insurance revenue for services provided in that period; and
  - Minus any investment component paid or transferred to the LIC.

The Group does not adjust the carrying amount of the LRC for the effect of the time value of money because, at initial recognition, the Group expects the time between providing each of part of the service and the related premium due date is no more than a year.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group calculates the difference between the carrying amount of the LRC and the fulfilment cash flows that relate to remaining coverage of the group. To the extent that the fulfilment cash flows exceed the carrying amount of the LRC, the Group recognises a loss in profit or loss and increases the LRC.

(l) Measurement of the LIC
The LIC represents the Group's obligation to:

a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported and other incurred insurance expenses; and

b) pay amount under existing insurance contracts that are not included in (a) and relate to investment components or other amounts that are not related to the provision of insurance contract services, and that are not in the liability for remaining coverage.

At initial recognition of a group of contracts, the LIC is nil as no insured events covered under the contracts have occurred. Subsequently at each reporting date, the LIC is measured using the fulfilment cash flows. That is, it comprises the present value of the obligation together with an adjustment for non-financial risk.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(l) Measurement of the LIC (continued)
The Group recognises income and expenses for the following changes in the carrying amount of the LIC:

a) insurance service expenses – for the increase in the liability as a result of the claims and expenses incurred in the period, excluding any investment component;

b) insurance service expenses – for any subsequent changes in fulfilment cash flows related to incurred claims and incurred expenses; and

c) insurance finance income or expenses – for the effect of the time value of money.

(m) Insurance contracts in foreign currency
With regards to a group of insurance contracts that generate cash flows in a foreign currency, the Group treats the group of insurance contracts, including the CSM, as a monetary item. The CSM is denominated in a single currency before the translation to the functional currency. The CSM is set as the predominant currency within the group of insurance contracts.

(n) Reinsurance contracts
Reinsurance contracts held are accounted for separately from the underlying insurance contracts. In applying the measurement requirements to reinsurance contracts held, to the extent that the underlying contracts are also measured applying those paragraphs, the Group uses consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held, and the estimates of the present value of the future cash flows for the group(s) of underlying insurance contracts. In addition, the Group includes in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

For reinsurance contracts held, there are no onerous contracts and no loss component is established for reinsurance contracts held. Instead, the CSM can be negative or positive.

Where the underlying contracts have a loss component set up, a loss recovery component for the reinsurance contract is established provided the Group has entered into the reinsurance contract held before or at the same time as it recognises the onerous underlying insurance contracts.

(o) Retroactive reinsurance
Brit holds reinsurance contracts that cover events that have already occurred but the financial effect of which is still uncertain. An example is Loss Portfolio Transfer (LPT) held by the Group that provides insurance coverage against an adverse development of claims that has already occurred. In such contracts, the insured event is the determination of the ultimate cost of the claim. This means that the Reinsurance Contract held LRC is released over the expected settlement period of the claims of the underlying insurance contract (since that is, in effect, the coverage period of the reinsurance contract).

For such contracts, a CSM is only established on initial recognition if the contract is in a net gain position. If there is a net cost position on inception, the loss is immediately recognised in profit or loss as an expense. On subsequent measurement, the CSM is not adjusted for changes in fulfilment cash flows.

(p) Insurance revenue
The total insurance revenue for a group of insurance contracts is the consideration for the contracts, i.e., the amount of premiums paid to the Group:

a) Adjusted for a financing effect; and

b) Excluding any investment components.

The amount of insurance revenue recognised in a period depicts the transfer of promised services at an amount that reflects the consideration to which the Group expects to be entitled in exchange for services.

Consequently, when the Group provides services in a period, it reduces the LRC for the services provided and recognises insurance revenue. The reduction in the LRC that gives rise to insurance revenue excludes the changes in the liability that do not relate to services expected to be covered by the consideration received by the Group.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.1 Insurance contracts (continued)

(p) Insurance revenue (continued)
Insurance revenue is therefore determined as the sum of:

- Insurance service expenses expected at the beginning of the period to be incurred, excluding:
  - Amounts allocated to the loss component of the liability for remaining coverage;
  - Repayments of investment components;
  - Transaction-based taxes collected on behalf of third parties;
  - The amortisation of insurance acquisition cash flows; and
  - The amount related to the risk adjustment for non-financial risk;
- The change in the risk adjustment for non-financial risk relating to past and current services, excluding amounts allocated to the loss component of the liability for remaining coverage or included as insurance finance income or expense;
- Amounts related to income tax that are specifically chargeable to the policyholder;
- The amount of the CSM recognised in profit or loss in the period; and
- Other amounts if any, such as experience adjustments for premium receipts, other than those that relate to future service.

Applying the PAA measurement model
When applying PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money, if applicable) allocated to the period. For most groups of contracts, the Group allocates expected premium receipts to each period of insurance contract services on the basis of the passage of time. However, for some groups of insurance contracts, the expected pattern of release of risk during the coverage period differs significantly from the passage of time; therefore, the expected premium receipts are allocated based on the expected timing of incurred insurance service expenses.

(q) Insurance service expenses
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred and exclude repayments of investment components. These expenses comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

(r) Net income/(expenses) from reinsurance contracts
Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid, less amounts recovered from reinsurers. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

(s) Insurance and reinsurance finance income and expenses
Insurance and reinsurance finance income or expenses comprises the changes in the carrying amount of the group of (re)insurance contracts arising from the effect of, the time value of money and changes in the time value of money.

The Group has elected not to disaggregate the change in the risk adjustment for financial risk, and so the entire change in the risk adjustment is included in the insurance service result.

Additionally, the Group has elected not to disaggregate (re)insurance finance income and expenses between profit or loss and other comprehensive income and so all (re)insurance finance income and expenses are recognised in profit or loss.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.2 Revenue recognition

Revenue is measured by the Group based on the consideration to which it expects to be entitled through contracts with customers (net of refunds). Amounts collected on behalf of third parties are excluded from revenue. When control of a service is transferred to a customer, the related revenue is then recognised.

(a) Management fee income

The Group receives administration and broking fees from non-aligned syndicates, in accordance with management agreements that are agreed on an annual basis and specify the services to be provided. These services are in relation to 'effectively managing and operating' the syndicate and are therefore provided continuously throughout the year. As a result, these services are treated as a single performance obligation. The price is fixed with no variable element and is matched against the single performance obligation. Consequently, the passage of time is used to measure the amount of fees and commission to be recognised.

(b) Underwriting agency fee income

The Group also receives commissions for the placement or underwriting of policies on behalf of other insurers. Such commissions, which are measured as a portion of the policy premium, are recognised at the later of the policy inception date or when the policy placement has been completed.

Brit also receives fees in respect of the costs and expenses of establishing and administering Lloyd's consortia and conducting the underwriting on their behalf.

The services provided are classed as 'establishing and administering' the consortium and are provided continuously throughout the year. As a result, this is treated as a single performance obligation and measured in accordance with the measurement bases set out in the relevant consortium agreement.

2.5.3 Financial instruments

(a) Investment return

Investment income comprises realised and unrealised gains and losses on its financial assets held for investment purposes (investments) that have been measured at FVTPL, less investment management fees. Any interest and dividends are recognised as part of realised gains and losses, and the dividends are only recognised when the shareholders' right to receive the payment is established.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and cost, and are recognised when the sale transaction occurs. Unrealised gains and losses on investments are calculated as the difference between the valuation at the date of the statement of financial position and the valuation at the last statement of financial position or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years, which have been realised during the year and are reported as realised gains and losses in the current year's income statement.

(b) Interest revenue calculated using the effective interest method

Interest revenue is calculated using the effective interest method, by applying the Effective interest rate (EIR) to the gross carrying amount of financial assets recognised at amortised cost. Where there is objective evidence of impairment ('credit-impaired' assets), the EIR is applied to the net carrying amount of financial assets recognised at amortised cost.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.3 Financial instruments (continued)

(c) Financial assets and financial liabilities

(i) Summary of measurement categories

The Group classifies its financial assets and liabilities in the following categories under IFRS 9:

	Classification	Rationale
Financial Assets		
Investments – equity securities	FVTPL	Mandatory
Investments – debt securities	FVTPL	Mandatory
Investments – mortgages and loans	FVTPL	Mandatory
Investments – specialised investment funds	FVTPL	Mandatory
Trade and other receivables	Amortised cost	Cash flow characteristics (solely payments of principal and interest), hold to collect business model
Other assets (Fairfax shares purchased for LTIP awards)	FVTPL	Mandatory
Derivative contracts	FVTPL	Mandatory
Cash and cash equivalents	Amortised cost	Cash flow characteristics (solely payments of principal and interest), hold to collect business model
Financial Liabilities		
Derivative contracts	FVTPL	Mandatory
Borrowings	Amortised cost	Mandatory
Other financial liabilities	FVTPL	Designated
Trade and other payables	Amortised cost	Mandatory

The accounting classification of any financial instrument issued or acquired by Brit is determined by assessing the fact pattern of the rights and obligations of both the issuer and acquirer and by applying the recognition criteria set out in the relevant accounting standard. In the case of issued financial instruments, this assessment includes the determination of whether an item is to be classified as either financial liability or equity.

Trade and other receivables refers to the 'insurance and other receivables' line item on the Group's statement of financial position along with any such items included within 'Assets classified as held for sale', but excludes 'prepayments', and 'other assets'.

Other assets refer to the investment in Fairfax shares held by the Group in order to settle long-term incentive performance (LTIP) awards including any such items included within 'Assets classified as held for sale'.

Other financial liabilities refer to financial liabilities in respect of third-party investments in consolidated structured entities and investment funds.

Trade and other payables refers to the 'insurance and other payables' line item on the Group's statement of financial position along with any such items included within 'Liabilities directly associated with assets classified as held for sale', excluding 'deferred income', 'lease liabilities' and share-based payment liabilities recorded within 'other creditors'.

The Group does not apply hedge accounting.

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All 'regular way purchases and sales' of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Fair value of borrowings on initial recognition is normally determined by reference to the fair value of the proceeds received.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.3 Financial instruments (continued)

(c) Financial assets and financial liabilities (continued)

(iii) Amortised cost and EIR

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the Effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., the amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees, and points paid or received that are integral to the EIR. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in the income statement.

The recognition of interest revenue is outlined in the Note 2.5.3(b).

(iv) Classification and subsequent measurement of debt instrument assets

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

The classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset (represented by solely payments of principal and interest (SPPI)).

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised. Interest revenue from these financial assets is included in 'interest revenue from financial assets not measured at FVTPL' using the EIR method.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. The Group does not hold any financial assets that would meet these criteria.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss, other than those relating to foreign exchange movements, on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within net gains on FVTPL investments in the period in which it arises. Foreign exchange gains or losses are recognised in 'net foreign exchange gains/(losses)' in the period in which they arise.

(v) Business Model

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The Group's debt instruments held for investment purposes are mandatorily classified as FVTPL in accordance with the Group's business model for managing investments on a fair value basis. There is a documented investment strategy to manage investments on a fair value basis, as opposed to primarily collecting contractual cash flows or primarily selling assets, and this is consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Group's Directors and key managers on a fair value basis.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.3 Financial instruments (continued)

(c) Financial assets and financial liabilities (continued)
(vi) SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks, and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The Group may also irrevocably designate financial assets at FVTPL, if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Group has not designated any such financial assets during the current period.

(vii) Classification and subsequent measurement of equity instrument assets
Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e., instruments that do not contain a contractual obligation to pay, and that evidence a residual interest in the issuer's net assets). The Group subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL, other than those relating to foreign exchange, are included in the line 'investment return' in the income statement. Foreign exchange gains or losses are recognised in 'net foreign exchange gains/(losses)' in the period in which they arise.

The Group chooses not to apply the FVOCI option for equity instruments that are not held for trading.

(viii) Impairment of financial assets
The Group assesses, on a forward-looking basis, the ECL associated with its debt instrument assets carried at AC. The Group recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events (including historical losses), current conditions, and forecasts of future economic conditions.

The Group applies the simplified approach for impairment of trade and other receivables as well as any contract assets arising from contracts with customers and recognises the lifetime ECL at initial recognition of such financial assets. Where it becomes probable that a counterparty will enter bankruptcy, any such assets with that counterparty are deemed to be 'credit-impaired'.

Individual receivables are written off by the Group when there is no reasonable expectation of recovering the asset or a portion thereof. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ix) Derecognition of financial assets
Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.3 Financial instruments (continued)

(c) Financial assets and financial liabilities (continued)

(x) Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for derivatives and other financial liabilities, which are measured at FVTPL.

Other financial liabilities are recognised in respect of third-party investments in consolidated structured entities and investment funds. The fair value of the investments by independent third parties is determined by reference to the net assets of those entities, which may also require reference to the underlying net assets of other vehicles or investment funds in which those entities have invested.

The Group has designated other financial liabilities as FVTPL to eliminate an accounting mismatch that would otherwise arise from recognising the gains or losses on these liabilities on a different basis. The insurance and investment assets and liabilities of consolidated structured entities and investment funds are measured at fair value and, in the absence of designation as FVTPL, the other financial liabilities would be measured at amortised cost (with changes in fair value not recognised). The Group has concluded that its financial statements would provide more relevant information if other financial liabilities were, therefore, measured as at FVTPL.

Accordingly, gains or losses in respect of changes in fair value of other financial liabilities are recognised through the income statement.

(xi) Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished, which is when the obligation in the contract is discharged, cancelled or expired.

(xii) Derivative contracts

Derivative financial instruments include foreign exchange contracts, forward rate agreements, interest rate futures, currency and interest rate swaps, and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit indices, commodity values, or equity instruments.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and are subsequently remeasured at FVTPL. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards and swaps.

Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association (ISDA) master agreements, or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Group's exposure to credit risk. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions.

(xiii) Fair value measurements

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or, in the absence of a principal market, the most advantageous markets that maximise the amount that would be received to sell the asset, or minimise the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants which make the maximum use of observable inputs.

(xiv) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.4 Intangible assets

(a) Goodwill
Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred and the amount recognised for NCIs and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash generating unit (CGU) that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of, and the portion of the cash-generating unit retained.

(b) Syndicate participation rights
Lloyd's syndicate participation rights that have been acquired on acquisition of a subsidiary are initially recognised at fair value. They are considered to have an indefinite useful life as they will provide benefits over an indefinite future period and are therefore not subject to an annual amortisation charge. The continuing value of the underwriting capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from the respective syndicate, with any impairment in value being charged to the income statement.

(c) Trade names
Trade names that have been acquired on acquisition of a subsidiary are initially recognised at fair value. They are considered to have an indefinite useful life as they will provide benefits over an indefinite future period and are, therefore, not subject to an annual amortisation charge. The carrying value of the trade names is reviewed for impairment annually by reference to the expected future profit streams to be earned from the CGUs to which the trade names relate, with any impairment in value being charged to the income statement.

(d) Computer software
Acquired computer software licences are capitalised based on the costs incurred to acquire and bring into use the specific software. Internal development costs that are directly associated with the production of identifiable and unique software products, controlled by the Group, are also capitalised where the cost can be measured reliably, the Group intends to and has adequate resources to complete development, and the computer software will generate future economic benefits. All computer software costs are finite life assets and amortised on a straight-line basis over their expected useful lives, not exceeding a period of five years.

(e) Distribution channels
Distribution channels that have been acquired on acquisition of a subsidiary are initially recognised at fair value. They are deemed to be finite life assets and amortised on a straight-line basis over their expected useful economic lives, not exceeding a period of 15 years.

(f) Employee-related intangibles
A non-compete agreement in favour of the Group, signed upon acquisition of a subsidiary, and non-compete clauses in certain employee contracts acquired in business combinations, have been recognised at fair value. These are considered to be finite life assets and, as such, are amortised on a straight-line basis over their expected useful economic lives, not exceeding a period of three years.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.5 Property, plant and equipment
Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment in value. Depreciation is calculated so as to write-off the cost over their estimated useful economic lives on a straight-line basis having regard to the residual value of each asset, as follows:

Land	Indefinite
Buildings	30 years
Office refurbishment, office machinery, furniture and equipment	5-15 years
Computers	3-5 years

The assets' residual values and useful lives are reviewed at the date of each statement of financial position and adjusted if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset and are included in the income statement. Costs for repairs and maintenance are expensed as incurred.

2.5.6 Impairment
Goodwill, syndicate participation rights and trade names are not subjected to amortisation but are tested annually for impairment as they are assets with an indefinite useful life. Other assets, except for assets arising from insurance contracts; deferred tax assets; assets arising from employee benefits; financial assets within scope of IFRS 9 'Financial Instruments'; and non-current assets (or disposal groups) classified as held for sale, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is based on discounting cash flows at the Group's weighted average cost of capital which is loaded where significant uncertainties exist. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Cash flow forecasts have been performed to account for the impact of climate change.

Impairment reviews are made by comparing carrying value to recoverable amount.

2.5.7 Cash and cash equivalents
Cash and cash equivalents in the statement of financial position include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with a maturity of three months or less at the date of acquisition.

2.5.8 Income taxes
Income tax comprises current and deferred tax. Income tax is recognised in the income statement except where it relates to an item which is recognised in equity.

(a) Current income tax
Current income tax is the expected tax payable on the taxable profit for the period using tax rates (and laws) enacted, or substantively enacted, at the date of the statement of financial position and any adjustment to the tax payable in respect of previous periods. The Group calculates current income tax using current income tax rates.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.8 Income taxes (continued)

(b) Deferred income tax

Where relevant deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. If the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities are not discounted.

(c) Pillar Two Model Rules

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

2.5.9 Employee benefits

The Group operates a number of defined contribution schemes. It also makes payments into a number of personal money purchase pension plans. Contributions in respect of these schemes are charged to the income statement in the period to which they relate.

The Group also operates two defined benefit pension schemes. The asset recognised in the statement of financial position in respect of a defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit obligation which, is determined by discounting the estimated future cash outflows. The discount rate is based on market yields at the reporting date of high-quality corporate bonds that have terms to maturity, which approximate to those of the related pension liability. An asset is recognised only to the extent that it is considered available in the form of future refunds from the plan, in particular taking into consideration any minimum funding requirements that apply to the plan.

Actuarial gains and losses are recognised immediately through other comprehensive income.

The Group determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

Past service costs arising in the period are recognised as an expense at the earlier of the date when the plan amendment or curtailment occurs, and the date when the Group recognises related restructuring costs or termination benefits.

The Group recognises an accrual in respect of profit-sharing, bonus plans, and long service cash awards where a contractual obligation to employees exists or where there is a past practice that has created a constructive obligation.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.10 Share-based payments

The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date.

At the date of each statement of financial position, the Group revises its estimate of the number of equity instruments that are expected to become exercisable and it recognises the impact of the revision of original estimates, if any, in the income statement. Where the awards have been granted by a parent company and are therefore treated as equity-settled, a corresponding adjustment is made to equity over the remaining vesting period.

Where the awards have been granted by the Company and are therefore treated as cash-settled, a liability is provided for settlement of the awards. The corresponding adjustment arising on a revision of the original estimate is made to that liability. In addition, the fair value of the award and ultimate expense are adjusted upon a change in the market share price of the underlying shares or at the valuation date. The liability is remeasured at each reporting date and on settlement, at which point it is derecognised from the statement of financial position.

2.5.11 Provisions and contingencies

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position.

A contingent liability is a possible obligation that arises from past events, or a present obligation that is not recognised as it is not probable that an outflow of resources will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability. A contingent liability is disclosed but not recognised.

2.5.12 Leases

The Group leases various offices under rental contracts that are typically from 1 to 15 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leased assets are recognised as right-of-use assets and corresponding liabilities are recorded at the date at which the leased assets are available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions. To determine this, the Group uses recent third-party financing received by the individual lessee (where available) and, if necessary, makes adjustments to reflect subsequent changes in financing conditions and other adjustments specific to the lease (for example, to reflect lease term, country of leased asset, contract currency, and security).

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.12 Leases (continued)

Right-of-use assets are measured at cost comprising of the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension and termination options held are exercisable only by the Group and not by the respective lessor.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption, then it classifies the sublease as an operating lease. The Group recognises assets held under a finance lease in its statement of financial position, and presents them as a receivable at an amount equal to the net investment in the lease. The lessor will derecognise the carrying amount of the underlying asset (i.e. right-of-use-asset) that relates to the sublease, and the difference between this and the net investment in lease is recognised in the income statement. Subsequently, finance income will be recognised over the lease term with a corresponding increase in the net investment in the lease. Any cash received by the Group is recorded as a reduction in the net investment in the lease.

2.5.13 Foreign currency translation

Items included in the financial statements of the parent and subsidiaries are measured using the functional currency which, is the primary economic environment in which the entity operates. The Group presents its consolidated financial statements in US dollars, which is the functional currency of the parent.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation.

Substantially, all of the Group's operations have US dollars as their functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates. The resulting exchange differences on translation are recorded in the income statement. Non-monetary assets and liabilities that are measured at historical cost denominated in a foreign currency are not retranslated.

The functional currencies of some of the Company's subsidiaries differ from the consolidated Group US dollar presentation currency. As a result, the assets and liabilities of these subsidiaries, including any goodwill arising on consolidation, are translated on consolidation at the rates of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average rate of exchange for the period. The unrealised gain or loss resulting from this translation is recognised in other comprehensive income and transferred to a foreign currency translation reserve.

2.5.14 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

2.5.15 Dividend and capital distributions

Dividend and capital distributions to the Company's shareholders are recognised in the Group's financial statements in the period in which they are declared and appropriately approved.

2 Accounting policies and basis of preparation (continued)

2.5 Other accounting policies (continued)

2.5.16 Collateral

The Group receives collateral from certain reinsurers and pledges collateral where required for regulatory purposes and other funding arrangements. Collateral received in the form of cash is recognised as an asset on the statement of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the statement of financial position. Except where it is used for the purposes of the agreement to which it relates, collateral pledged is not derecognised from the statement of financial position unless it is cash or where the Group defaults on its obligations under the relevant agreement.

2.5.17 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of, or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3 Critical accounting estimates and judgements in applying accounting policies

3.1 Introduction

The Group makes various assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are regularly re-evaluated and are based on a combination of historical experience, and other factors, including exposure analysis, expectations of future experience and expert judgement.

3.2 Significant judgement in relation to measurement of insurance and reinsurance contracts

The judgements, apart from those involving estimation, that management has made in the process of applying the entity's accounting policies for insurance and reinsurance contracts and have the most significant effect on the amounts recognised in the financial statements are outlined below.

3.2.1 Judgement involved in the classification of insurance and reinsurance contracts

The Group uses judgement to assess whether a contract transfers significant insurance risk required for classification as (re)insurance. Examples of contracts entered into by the Group that require particular judgement include industry loss warranty contracts, which may be accounted for either as reinsurance contracts, or derivative contracts depending on the form and substance of the contractual arrangements.

In addition, judgement is involved in determining whether a contract contains one or more components that would be required to be reported under another standard if they were separate contracts. Such components may include embedded derivatives, investment components, or components for services other than insurance contract services.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.2 Significant judgement in relation to measurement of insurance contracts (continued)

3.2.2 Judgement involved in the Premium Allocation Approach eligibility assessment

The Group applies the simplified measurement model to all insurance contracts when the eligibility criteria are met. For contracts with coverage periods more than 12 months, management must assess if the simplification would produce a measurement of the liability/asset for remaining coverage (LRC/ARC) for the group of contracts that would not differ materially from the one that would be produced under the General Measurement Model.

The criterion is not met if, at the inception of the group of contracts, the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the LRC during the period before a claim is incurred. In making this assessment, the Group must assess what scenarios may reasonably be expected that would create significant variability in the fulfilment cash flows. The Group exercises judgement in setting criteria to assess whether the quantum of variability in fulfilment cash flows is considered significant.

3.2.3 Judgement involved in determining contract boundaries for insurance and reinsurance contracts

Estimates of cash flows include all cash flows within the boundary of an existing contract and no other cash flows.

Cash flows are within the boundary of an insurance contract if, they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

Management judgement is involved in determining the contract boundary for reinsurance contracts with no contractual end date.

3.2.4 Judgement involved in assessing the existence and valuation of onerous contracts under premium allocation approach (PAA)

For groups of insurance contracts issued that are measured under PAA, management judgement is required in assessing whether facts and circumstances indicate, if at any time during the coverage period, that a group of contracts is onerous.

When a loss is recognised during the period, judgement is required in assessing whether facts and circumstances indicate the future coverage period is onerous and a loss must be recognised.

3.2.5 Measurement of Insurance Revenue

When applying PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money, if applicable) allocated to the period.

The Group allocates expected premium receipts to each period on the basis of the passage of time, unless the expected pattern of release of risks during the coverage period differs significantly from the passage of time, in which case the premium receipts are allocated based on the expected timing of incurred insurance service expense.

Judgement is involved in determining if the release of risk during the coverage period differs significantly from the passage of time.

When applying the general measurement model (GMM), the Group applies judgement in the determination of the coverage units provided or received in the current period. For contracts which do not provide coverage against adverse development, coverage units are generally allocated linearly over the coverage period of each contract, as exposure typically remains constant throughout. For loss portfolio transfers (LPT), the insured event consists of all claims payments up to the final settlement payment. The coverage period will be the expected claims settlement period, and the expected quantity of benefits will be the level of claims reserve held. Coverage units will be based on both the quantum of reserve and length of time the reserve is held.

Some of the Group insurance contracts issued are written through delegated arrangements. Under these arrangements, financial information is provided to the Group on a periodic (typically monthly) basis. The Group is required to estimate such information (including appropriate premium values, cash to be received, etc) in respect of the underlying insurance contracts written through these arrangements, when the information has not yet been made available to the Group by the reporting date.

3.2.6 Measurement of Reinsurance to Close ('RITC')

The Group is a member within the Lloyd's market. The Group provides its syndicates with capital for each Year of Account ('YoA'). After having underwritten one YoA, the Group can decide whether to contribute underwriting for the next YoA.

For each YoA, the Group cannot take profit at the end of the calendar year. The Group must instead wait a period, typically until the end of three years from the beginning of the YoA, before they can close the YoA and receive a profit, or loss from that YoA. The mechanism that enables this release of profit, or loss, back to the Lloyd's Members is known as RITC.

RITC is a mechanism to "transfer" all insurance liabilities (including the related reinsurance assets, and the rights to any remaining premium due) from the "closing" YoA into an open YoA in return for a premium. The open YoA that receives these liabilities may or may not be from the same Lloyd's syndicate, and may or may not have capital from the same Lloyd's Members, as the closing YoA.

Accounting for RITC involves the derecognition of the insurance liabilities on the closing YoA, and recognition of the related insurance liabilities on the open YoA on same basis, with no impact on profit or loss.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.3 Estimation uncertainty in relation to measurement of insurance contracts

The assumptions the Group have made about the future, and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of insurance contract assets and liabilities within the next financial year have been outlined below.

3.3.1 Measurement of fulfilment cash flows

There is significant accounting estimation and judgement required in the measurement of the fulfilment cash flows. The fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- A risk adjustment for non-financial risk.

(a) Future cash flows

There are several sources of uncertainty that need to be considered in the estimate of the future cash flows. Significant areas requiring estimation include:

- Estimates of expected cash flows in the measurement of the Group's obligations to pay for future insured events, and insurance contract services plus any investment components.
- Estimates of expected cash flows to settle obligations to pay for insured events that have occurred, and insurance contract services already provided plus any investment components. This includes loss events that have occurred, but not been reported and other incurred expenses;
- The corresponding estimate of the amount of outwards reinsurance contracts based on assumptions of the estimated on the underlying inwards insurance contract, plus the effect of any risk of non-performance by the reinsurer where material.

Uncertainty in the estimation of future cash flows arises primarily from the severity and frequency of claims, and uncertainties regarding future inflation rates. The assumptions used and the way these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Past information is used to estimate future fulfilment cash flows;
- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the internal Actuarial department using standard actuarial projection techniques (e.g., Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). The Basic Chain Ladder and Bornhuetter-Ferguson projection methods are based on the key assumption that historical development of premiums and claims is representative of future development. Claims inflation is taken into account in the Initial Expected Loss Ratio selections, but is otherwise assumed to be in line with historical inflation trends, unless explicit adjustments for other drivers of inflation such as legislative developments are deemed appropriate;
- Some classes of business have characteristics which do not necessarily lend themselves easily to statistical estimation techniques, e.g., due to low data volumes. In such cases, for example, a policy-by-policy review may also be carried out to supplement statistical estimates;
- In the event of catastrophe losses, prior to detailed claims information becoming available, estimates are compiled using a combination of output from specific recognised modelling software, and detailed reviews of contracts exposed to the event in question;
- The initial ultimate selections derived by the Actuarial department, along with the underlying key assumptions and methodology, are discussed with class underwriters, divisional underwriting directors and the claims team at 'pre-committee' meetings. The Actuarial department may make adjustments to the initial ultimates following these meetings;
- Following the completion of the 'pre-committee' meetings and peer review process within the Actuarial department, the ultimate selections (actuarial estimate), assumptions, methodology and uncertainties are presented to the Reserving Committee for discussion and debate;
- Following review of the actuarial estimate, the Reserving Committee recommends the estimated future cash flows to be adopted in the financial statements; and
- Premiums are estimated net of commissions. The expected commissions are estimated based on historic average acquisition expenses applied to the projected estimated premiums.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.3 Estimation uncertainty in relation to measurement of insurance contracts (continued)

3.3.1 Measurement of fulfilment cash flows (continued)

(b) Adjustment for the time value of money

Estimation is involved in determining discount rates that reflect the time value of money, and the financial risks associated with the cash flows of the insurance contract.

The discount rate is determined either (i) by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market, and the liquidity characteristics of the insurance contracts (i.e. bottom-up approach), or (ii) by adjusting the yield curves based on actual or reference portfolios to reflect expected credit losses, credit risk premiums for unexpected losses, and asset-liability mismatches (e.g. duration mismatches).

The risk-free rates are calculated using standard Smith-Wilson Extrapolation including all liquid points available for government bonds. Estimation of the illiquidity premium requires significant judgement. The illiquidity premium is the difference between the risk-free rates and the current yields for a representative investment grade corporate bond portfolio, denominated in relevant currencies and adjusted to remove expected credit losses and credit risk premium.

The following discount rates were applied for the currencies and periods presented below:

	Year ended 31 December 2023				Year ended 31 December 2022			
	1 Year %	5 Years %	10 Years %	15 Years %	1 Year %	5 Years %	10 Years %	15 Years %
USD	**5.00**	**4.57**	**4.70**	**4.81**	5.57	4.90	5.16	4.99
GBP	**4.95**	**3.93**	**4.26**	**4.60**	5.37	4.80	4.18	3.82
EUR	**3.38**	**2.64**	**2.86**	**3.08**	3.48	3.35	3.13	2.99
CAD	**5.28**	**4.51**	**4.37**	**4.41**	5.37	4.04	3.94	3.77

(c) Risk adjustment

Risk adjustment for non-financial risk is determined to reflect the compensation that an insurer would require for bearing non-financial risk. Judgement is required to determine the appropriate techniques for estimating such risk adjustments. The Group has estimated the risk adjustment via a confidence level approach. This has been based on a review of distributions estimated using the Bootstrap method. The Bootstrap distributions are estimated gross and net of reinsurance contracts, with reinsurance contracts calculated as the difference between the two.

The chosen confidence level of the risk adjustment is set and reviewed annually. At 31 December 2023, the risk adjustment is set at a net confidence level of 77% (31 December 2022: 75%) over the lifetime of the contracts.

3.3.2 Estimation of non-distinct investment components

Estimation is involved in determining the non-distinct investment component ('NDIC') included in insurance and reinsurance contracts. The NDIC amount is calculated for each group, with a different amount applied to each annual cohort.

For each annual cohort, a review is carried out to estimate the NDIC within premium and claims cash flows. The amount is based on a review of historical profit commissions and incurred claims for previous annual cohorts of the group. A linear model is fitted to estimate profit commissions given incurred loss ratios. This model is then used to provide an estimated percentage of the profit commission that would be typically expected when no claims arise. This percentage is then used to estimate the NDIC.

Where data is unavailable, or too limited, (e.g., a new line of business) the percentage for NDIC is based on expert judgement, taking account of the terms and conditions that would typically be expected for this type of business.

Once estimated for the annual cohort, the percentage NDIC for that annual cohort does not vary over the first two development years (unless evidence emerges to suggest the assumption is no longer appropriate). Maintaining a percentage approach for two years is appropriate, as the actual amount of business written may be more or less than initially expected, and the NDIC amount should vary accordingly. After two development years, the NDIC for each group within the annual cohort is fixed in absolute amount (unless evidence emerges to suggest the assumption is no longer appropriate).

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4 Estimation uncertainty involved In Impairment testing of intangible assets

Intangible assets with indefinite useful lives are tested for impairment on an annual basis in accordance with IAS 36 'Impairment of Assets'. Determining the assumptions used in the test requires estimation. The calculations use projected profit streams based on cash flow forecasts and are approved by management. These forecasts include an adjustment for catastrophe risk, taking the results of the syndicates up to their expected reinsurance attachment points, and adjustments based on prior year experience. Forecast investment return is considered for reasonableness, and excluded or reduced if necessary.

The indefinite useful life of intangible assets of the Group consist of goodwill, syndicate participation rights, and trade names. The carrying amount at the date of the statement of financial position was as follows: goodwill: $13.4m (2022: $14.4m); trade names: $0.7m (2022: $0.8m); and syndicate participation rights: $70.8m (2022: $70.8m). In 2022, there was also $45.9m of goodwill and $0.5m of trade names included within 'Assets classified as held for sale'. These were subject to impairment testing prior to reclassification.

For further information on impairment testing and sensitivity of key assumptions in respect of intangible assets, refer to Note 20.

3.5 Judgements made in respect of lease accounting

The accounting for leases under IFRS 16 requires an incremental borrowing rate to use as the discount rate for the leases. Brit took advantage of the practical expedient in IFRS 16 to apply a single discount rate to its entire portfolio of leases, with the rate calculated as the weighted average of discount rates applied in each jurisdiction in which the Group has leases. The property leases do not explicitly or implicitly state interest rates, therefore unsecured borrowing rates for individual leases have been estimated by using the borrowing rate for the Group in the jurisdictions that the leases are held.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension and termination options held are exercisable only by the Group, and not by the respective lessor. Management have exercised judgement in determining whether there is a significant expectation that these options would be exercised.

3.6 Estimation uncertainty and judgements in respect of fair values of financial investments

Financial investments are carried in the consolidated statement of financial position at fair value. The carrying amount of financial investments at the reporting date was $5,875.4m (2022: $4,912.4m). Determining the fair value of certain investments requires estimation.

The Group value investments using designated methodologies, estimations and assumptions. These securities, which are reported at fair value on the consolidated statement of financial position, represent the majority of the invested assets. The measurement basis for assets carried at fair value is categorised into a 'fair value hierarchy' in accordance with the valuation inputs and consistent with IFRS 13 'Fair Value Measurement'.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level one); the middle priority to fair values other than quoted prices based on observable market information (level two); and the lowest priority to unobservable inputs that reflect the assumptions that we consider market participants would normally use (level three).

Financial investments whose valuation is based on models or inputs that are unobservable in the market are subject to a greater level of estimation uncertainty than for those included in level two or level one. The most significant estimates are made around valuing investments in limited partnerships, and specialised investment funds, where adjustments need to be made for illiquidity which is otherwise an unobservable input. Judgements are also made around classification of investments as level two or level three in the 'fair value hierarchy' which may then have an impact on the inputs and valuation model used to determine the carrying amount of those investments. At 31 December 2023, financial investments amounting to $453.6m (2022: $319.5m) were classified as level three.

The classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Any change to investment valuations may affect our results of operations and reported financial condition. For further information, refer to Note 25.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.7 Estimation uncertainty in respect of defined benefit plan assets or obligations

The amounts recognised in the consolidated financial statements in respect of the Group's defined benefit pension plans are determined using actuarial valuations, which involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation, mortality rates, and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Group's defined benefit pension plans have both had 'buy-ins' whereby each pension schemes purchased a bulk-annuity policy which matches the benefits due to members, and the Group expects this will reduce overall volatility on the carrying amount of the pension assets. All assumptions are reviewed at each reporting date.

The carrying amount of the pension assets at the date of the statement of financial position was $37.1m (2022: $62.4m). For further information, refer to Note 24.

3.8 Judgements in respect of the consolidation of structured entities

During the year, the Group held an investment in a Bermuda-domiciled special purpose vehicle, Sussex Capital Limited (which is the sole investor in the majority of segregated accounts and protected cells of two other special purpose vehicles, Sussex Re Limited and Sussex Capital UK PCC Limited). The Group is therefore required to determine whether this entity (or segregated accounts or protected cells thereof) meet the criteria for consolidation as defined in IFRS 10, for which the exercise of judgement is required. In particular, the Group considered the following factors to determine whether it is acting as an agent or a principal for these entities: (i) the power the Group has over them and the ability to direct relevant activities; (ii) the rights of the Group to variable returns from the Group's involvement with the entities; and (iii) the ability to use that power to affect the amount of the Group's returns.

The Group is, or has been, exposed to variability of returns from the activities of this entity, both through its direct investments in the vehicle and through the receipt of fee income from services provided to the entity.

As at 31 December 2023, in respect of the Sussex special purpose vehicles, that exposure was of a significance that it indicates that the Group is acting as a principal when considered alongside additional factors, including the design of the structures in which those entities have been established, their business models, and a range of other qualitative factors in determining whether the criteria for consolidation are met. Consequently, the Group has continued to consolidate Sussex Capital Limited (or relevant segregated accounts thereof) during the financial year.

3.9 Estimation uncertainty relating to the deferred tax asset in respect of carried forward losses

The gross deferred tax asset includes an amount of $122.3m (2022: $101.7m) which relates to current year losses carried forward. The Group has concluded that the deferred tax asset is recoverable based on Lloyd's approved plan for the year of account 2023, and forecast profits for the Brit Group UK entities which are available for group relief. This forecast information includes an adjustment for twice the catastrophe risk, in order to provide prudence within scenario-testing. The attachment point of the catastrophe aggregate cover has not been used in the forecasts owing to the structural changes made to the book of business, namely the reduction of exposure. Forecast investment return is considered for reasonableness and excluded.

The losses can be carried forward indefinitely and have no expiry date, however a further deferred tax asset of $20.6m (2022: $91.2m) has not been recognised as an asset on, the basis that it is not yet possible to measure the asset reliably due to further work required to forecast results beyond 2031 and the year of account 2028.

For further information, refer to Note 22.

4 Risk management policies

This Note provides details of key risks that the Group is exposed to and explains the Group's strategies and the role of management in mitigating these risks.

4.1 Insurance risk

Insurance risk arises from the possibility of an adverse financial result due to actual experience being different from that expected when an insurance product was designed and priced. The actual performance of insurance contracts is subject to the inherent uncertainty in the occurrence, timing and amount of the final insurance liabilities. This is the principal risk the Group is exposed to as the Group's primary function is to underwrite insurance contracts. The risk arises due to the possibility of insurance contracts being under-priced, under-reserved or subject to unforeseen catastrophe claims.

The areas of insurance risk discussed below include underwriting (including aggregate exposure management), reinsurance and reserving.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk

(a) Introduction

Underwriting risk is the risk that insurance premiums will not be sufficient to cover the future losses and associated expenses. It arises from the fluctuations in the frequency and severity of financial losses incurred through the underwriting process by the Group as a result of unpredictable events.

The Group is also exposed to the risks resulting from its underwriters accepting risks for premiums which are insufficient to cover the ultimate claims which result from such policies. The underwriting and economic environment and the associated impact on premium rates, including trends due to the underwriting cycle and inflation, are factored into the Group's pricing models and risk management tools, and is continually monitored to assess whether any corrective action is required. Additional controls over the underwriting strategy are described in the section below.

The Group primarily writes its business through Lloyd's and therefore can take advantage of Lloyd's centralised infrastructure and service support. Lloyd's also has an established global distribution framework, with extensive licensing agreements providing the Group access to over 200 territories. Primarily using the Lloyd's platform to underwrite, subjects the Group to a number of underwriting risks. The Group relies on the efficient functioning of the Lloyd's market. If for any reason Brit Syndicates Limited (BSL) was restricted or otherwise unable to write insurance through the Lloyd's market, there would be a potentially material adverse effect on the Group's business. In particular, any damage to the brand or reputation of Lloyd's, increase in tax levies imposed on Lloyd's participants or deterioration in Lloyd's asset base when compared with its liabilities may have a material adverse effect on the Group's ability to write new business.

BSL also benefits from the ability to write business based on the Lloyd's financial rating, which allows the Group to write more business as part of the Lloyd's platform. A downgrade in Lloyd's financial strength ratings may have an adverse effect on the Group.

The Group also writes business through Brit Reinsurance (Bermuda) Limited (Brit Re) and the Sussex Capital collateralised reinsurance platform:

- Through Brit Re, a small amount of direct property catastrophe reinsurance on behalf of Sussex Re via a fronting arrangement and casualty treaty business is written in addition to providing intra-group reinsurance to Syndicate 2987.
- Through Sussex Re, collateralised intra-group reinsurance is provided to Brit as well as backing the fronting arrangement with Brit Re on direct property catastrophe reinsurance.

(b) Controls over underwriting strategy

The Board sets the Group's underwriting strategy for accepting and managing underwriting risk. The BSL Underwriting Committees and Brit Re Management Committee meet regularly to drive the underwriting strategy and to monitor performance against the plans. The assessment of underwriting performance is all-encompassing applying underwriting key performance indicators (KPIs), technical pricing management information (MI), premium monitoring, delegated underwriting operations and claims. The risks are managed by the committee in line with the underwriting risk policy and within the risk tolerance set by the underwriting entity Boards and risk appetites set by the committee. The underwriting risk policy also sets out a number of controls, which are summarised below.

The Group carries out a detailed annual business planning process for each of its underwriting units. The resulting plans set out premium, territorial and aggregate limits and reinsurance protection thresholds for all classes of business and represent a key tool in managing concentration risk. Performance against the plans is monitored on a regular basis by the Underwriting Committees as well as by the Boards of the regulated entities. A dedicated Risk Aggregation Team also performs catastrophe modelling and Realistic Disaster Scenario (RDS) analysis on a regular basis to ensure that the Group's net losses remain within its risk appetite.

The Group has developed underwriting guidelines, limits of authority and business plans which are binding upon all staff authorised to underwrite. These are detailed and specific to underwriters and classes of business. Gross and net line size limits are in place for each class of business with additional restrictions in place on catastrophe exposed business.

A proportion of the Group's insurance risks are written by third parties under delegated underwriting authorities, with the remaining being written through individual risk acceptances or through reinsurance treaties. The third parties are closely vetted in advance and are subject to tight reporting requirements. In addition, the performance of these contracts is closely monitored by underwriters and/or portfolio managers, and regular audits are carried out.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(b) Controls over underwriting strategy (continued)
The technical pricing framework ensures that the pricing process in the Group is appropriate. It ensures pricing methodologies are demonstrable and transparent and that technical (or benchmark) prices are assessed for each risk. The underwriting and actuarial functions work together to maintain the pricing models and assess the difference between technical price and actual price. The framework also ensures that sufficient data is recorded and checked by underwriters to enable the Group to maintain an effective rate monitoring process.

Compliance is checked through both a peer review process and, periodically, by the Group's internal audit department which is entirely independent of the underwriting units. In order to limit risk, the number of reinstatements per policy is limited, deductibles are imposed, policy exclusions are applied and whenever allowed by statute, maximum indemnity limits are put in place per insured event.

(c) Underwriting risk profile
The core insurance portfolio of property, cyber, marine, energy and casualty covers a variety of largely uncorrelated events and also provides some protection against the underwriting cycle as different classes are at different points in the underwriting cycle. The underwriting portfolio is managed to target top quartile underwriting performance and the mix of business is continually adjusted based on the current environment (including the current pricing strength of each class). This assessment is conducted as part of the business planning and strategy process which operates annually and uses inputs from the technical pricing framework. The business plan is approved by the entity level Boards and is monitored monthly.

The Group underwrites a well-diversified portfolio across multiple regions and classes. While underlying risk and the policyholder may be situated anywhere in the world, 82.4% of the insurance revenue for the Group in 2023 relates to either the United States or United Kingdom (2022: 83.2%).

(d) Geographical concentration of insurance revenue
The Group enters into policies with policyholders from all over the world, with the underlying risk relating to premiums spread worldwide. This allows the Group to benefit from a wide geographic diversification of risk. The four principal locations of the Group's policyholders are the United States, UK, Europe and Canada. The concentration of insurance revenue before and after reinsurance by the location of the underlying risk is summarised below:

	Insurance revenue $m
2023	
United States	**2,509.9**
United Kingdom	**386.9**
Canada	**154.0**
Europe (excluding UK)	**132.5**
Other (including worldwide)	**333.8**
	3,517.1
2022	
United States	2,441.0
United Kingdom	338.8
Canada	168.7
Europe (excluding UK)	117.8
Other (including worldwide)	273.8
	3,340.1

The nature of the London Market business is such that the insureds and reinsureds are often operating on a multi-territory or worldwide basis and hence coverage is often provided on a worldwide basis. Insurance revenue earned on a multi-territory or worldwide basis is included in 'Other' in the table above.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(e) Portfolio mix

The Group underwrites business in a wide variety of classes. The breakdown of insurance revenue before reinsurance by principal lines of business is summarised below:

	2023 Insurance revenue		2022 Insurance revenue	
	$m	%	$m	%
Financial & Professional	**635.0**	**18.1**	675.4	20.2
Programs & Facilities	**822.2**	**23.4**	815.8	24.4
Property	**745.7**	**21.2**	517.1	15.5
Specialty	**484.1**	**13.8**	420.0	12.6
Ambridge Speciality	**61.1**	**1.7**	65.5	2.0
Ambridge Transactional	**60.5**	**1.7**	120.6	3.6
Casualty Treaty	**297.1**	**8.4**	270.1	8.1
Property Treaty	**254.7**	**7.2**	266.0	8.0
Ambridge Re	**143.3**	**4.1**	156.4	4.7
Classes in run-off & Other lines	**13.4**	**0.4**	33.2	0.9
	3,517.1	**100.0**	3,340.1	100.0

The Group underwrites a mix of both insurance and reinsurance, long and short-tail business across a number of geographic areas which results in diversification within the Group's portfolio. The business mix is monitored on an ongoing basis.

Brit has reduced its exposure to peak US catastrophe regions since 2021. As a result whilst US natural catastrophe exposure remains a key a driver of underwriting risk, Cyber and Casualty exposures are now also material drivers of risk. The risk profile of Brit's underwriting portfolio is set out in more detail in the sections below.

(i) Core Underwriting and Ki

(1) Financial & Professional (FinPro)

Directors & Officers (D&O)	Coverage provided to both directors and officers and companies for personal liability or securities-related lawsuits.
Financial Institutions (FI)	Coverage of financial institutions for risks including internal and external fraud, and liability to customers, shareholders and regulators.
Cyber Privacy and Technology	Coverage of first- and third-party risks relating to network security, privacy and data protection risks.
Healthcare	Coverage of hospitals, allied health and long-term care liability, predominantly in the US.
US Professional Indemnity	Coverage for professional negligence, errors and omissions, provided on both an open market and a binding authority basis.

Financial and professional lines are typically long-tailed, meaning that on average the claims are not settled for several years after the expiry of the policy, which increases exposure to claims inflation. Other key risks relate to increasing claim frequency due to global recessions or systemic malpractice, as well as an increasing prevalence of cyber security risk. This portfolio is also exposed to the risk of latent claims arising from risks that were not envisaged at the time of writing the policy.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(e) Portfolio mix (continued)
(i) Core Underwriting and Ki (continued)

(2) Programs & Facilities

Accident and Health	Coverage for personal accident and medical expenses, kidnap and ransom, and contingency.
Long Tail Facilities	Coverage of legal expenses for individuals, companies and affinity groups worldwide, and of professional negligence, errors and omissions for small and medium-sized enterprises in the US and Canada.
Property Facilities	Coverage of commercial and residential properties and for financial institutions, loan servicers and property investors, including lender-placed hazard and flood protection as well as commercial automobile physical damage and motor truck cargo across the US and Canada.

The Programs & Facilities portfolio consists of business written on a delegated authority basis. Property Facilities is exposed to catastrophe claims, particularly US windstorms, earthquakes, floods and terrorist events, and to an increased frequency of fire and weather-related events.

Accident and Health offers diversification due to low correlation with other business lines. Personal accident has the potential to suffer from large losses due to a high concentration of multiple deaths from a catastrophe or large claims from highly valued insured individuals. Medical expense claims are subject to high inflationary costs and may experience a high claim frequency. Contingency classes have exposure to multiple claims from a single event.

The key risks relating to Long Tail Facilities lie with increasing claim frequency due to global recessionary events or systemic malpractice.

(3) Property

Political Risk and Trade Credit*	Covers non-payment/performance of counterparties and confiscation, expropriation, nationalisation, deprivation, sequestration or forced abandonment of overseas assets.
Political Violence	Covers physical damage and business interruption losses due to perils including terrorism, riots, war, chemical, biological and/or radiological attacks.
Open Market and Worldwide Property	Coverage of commercial property in the US and internationally.
UK Property	UK property package covers for individuals and small or medium-sized enterprises.
Private Client* and Specie	Coverage of fine art, specie and private client risks.

* Class of business not underwritten by Ki

Brit provides property cover on a worldwide basis, with the largest exposures in the US. The open market, UK and worldwide property lines are exposed to catastrophe claims, particularly windstorms, earthquakes, floods and terrorist events, and to an increased frequency of fire and weather-related events. The Political Risk and Political Violence classes are exposed to individual large losses arising from terrorist attacks or state action.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(e) Portfolio mix (continued)
(i) Core Underwriting and Ki (continued)

(4) Specialty

Marine	Coverage for cargo, hull, marine war and marine liability.
Energy	Coverage for Upstream and Midstream operations, including renewables.
Space & Nuclear*	Space provides coverage of satellites at both launch and in orbit. Nuclear provides coverage of nuclear power projects.
Specialist Liability	Coverage for UK and international liability business including Employers, Public, Products and Environmental Liability across a range of territories.

* Class of business not underwritten by Ki

The Specialty portfolio includes a diverse range of business lines. However, the portfolio is exposed to large losses on individual risks, for example due to the loss of marine vessels or offshore oil platforms. The Employers' Liability (EL) and Public Liability (PL) portfolios are exposed to large losses resulting from bodily injury claims, and the risk of latent claims arising from risks that were not envisaged at the time of writing the policy.

(5) Ambridge Specialty

Ambridge Casualty	Casualty Treaty reinsurance. North American portfolio, covering a range of classes including general liability, umbrella, professional liability, personal accident, auto liability, environmental liability, medical malpractice and workers compensation. Target client focus is broad and includes but is not limited to captives, Risk Retention Groups, regional, super-regional and nationwide carriers.

The Ambridge portfolio is well-diversified but is exposed to the risk of catastrophe claims and individual large losses. A downturn in the US economy could also lead to increased claims activity.

(6) Ambridge Transactional
Ambridge is a specialised managing general underwriter of complex risks, whose core products are Transactional Insurance, Complex Management Liability Insurance and Intellectual Property Insurance.

(7) Casualty Treaty

Casualty Treaty	Casualty and Accident Treaty reinsurance. Worldwide portfolio, writing predominantly non-proportional reinsurance (including retrocession) covering all the principal casualty classes as well as Personal Accident and other accident classes. These include Property Terror, Products Recall, Credit/Bond/Surety, Political Risks and Contingency.

The Casualty Treaty business is exposed to man-made catastrophe claims such as terrorism, increased claim activity in the event of an economic downturn and the potential for latent claims which were not foreseen at the time the policies were underwritten. This division contains the longest tailed liabilities the Group holds, i.e. there can be a significant delay between the loss event and final settlement of a claim. This delay can result in the final settlement being subject to significant claims inflation.

(8) Property Treaty

Property Treaty*	Catastrophe excess of loss, risk excess of loss reinsurance and retrocession.

* Class of business not underwritten by Ki

The key exposures for Property Treaty are US windstorms and Californian earthquakes. Property Treaty also has exposures to Japanese earthquakes and European windstorms.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(e) Portfolio mix (continued)
(i) Core Underwriting and Ki (continued)

(9) Ambridge Re

Ambridge Re	Property and Casualty Treaty reinsurance and retrocession business.

The Ambridge portfolio is well-diversified but is exposed to the risk of catastrophe claims and individual large losses. A downturn in the US economy could also lead to increased claims activity.

(ii) Aggregate exposure management
The Group closely monitors aggregations of exposure to natural catastrophe events against agreed risk appetites using stochastic catastrophe modelling tools, along with knowledge of the business, historical loss information, and geographical accumulations. Climate change impacts natural catastrophe events and Brit's approach to climate change is discussed in section 4.7.1. Analysis and monitoring also measures the effectiveness of the Group's reinsurance programmes.

Aggregations of exposure to man-made catastrophes is monitored using inhouse scenario analysis and Lloyd's RDSs.

The Group's catastrophe risk tolerance is reviewed and set by the Boards on an annual basis. The last review of catastrophe risk tolerances was in March 2023.

For major natural catastrophe events, the Group has tolerances for gross and net Worldwide All Perils at the 1-in-250 expressed as a percentage of the Brit Limited Group Shareholder Equity. More granular tolerances at lower return periods and by region are set for Brit's syndicates and Brit Re. Board tolerances are also set for major man-made catastrophe events.

Stress and scenario tests are also run, such as Lloyd's and internally developed RDSs. Below are the key RDS losses to the Group for all classes combined (unaudited):

	Estimated Industry loss		**Modelled Group loss at 1 October 2023**		Modelled Group loss at 1 October 2022
		Gross	**Net**	Gross	Net
	$m	**$m**	**$m**	$m	$m
Gulf of Mexico windstorm	**111,000**	**979**	**429**	1,144	300
Florida Miami windstorm	**131,000**	**609**	**240**	1,027	217
US North East windstorm	**81,000**	**944**	**311**	1,124	281
San Francisco earthquake	**80,000**	**1,499**	**586**	1,714	528
Japan earthquake	**56,746**	**299**	**198**	347	213
Japan windstorm	**12,058**	**100**	**64**	108	68
European windstorm	**26,512**	**132**	**91**	94	66

Actual results may differ materially from the losses stated above given the significant uncertainties within model assumptions, techniques and simulations applied to calculate these event loss estimates. There could also be non-modelled losses which result in actual losses exceeding these figures. Moreover, the portfolio of insured risks changes dynamically over time.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.1 Underwriting risk (continued)

(e) Portfolio mix (continued)

(iii) Sensitivity to changes in net claims and directly attributable non-acquisition expenses ratio

The Group profit/loss on ordinary activities before taxation is sensitive to an independent 1% change in the net claims and directly attributable non-acquisition expenses ratio (defined as incurred claims and incurred directly attributable non-acquisition expenses, divided by insurance revenue) as follows:

Gross basis	Impact on profit of 1% change in claims ratio[1] (discounted)			
	Year ended 31 December 2023		Year ended 31 December 2022	
	$m	%	$m	%
Total	**(18.6)**	**(2.1)**	(21.7)	(5.4)

Net basis	Impact on profit of 1% change in claims ratio[1] (discounted)			
	Year ended 31 December 2023		Year ended 31 December 2022	
	$m	%	$m	%
Total	**(13.4)**	**(1.5)**	(14.9)	(3.7)

[1]The calculations of the combined ratio and other ratios are set out in 'key performance indicators and alternative performance measures' on page 212.

The analysis is based on the information at 31 December 2023. It involves a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

Subject to taxation, the impact on shareholders' equity would be the same as that on profit following a change in the net claims and directly attributable non-acquisition expenses ratio.

4.1.2 Reinsurance

The Group purchases reinsurance to manage its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophe events. This allows the Group to mitigate exposure to insurance losses, reduce volatility of reported results and protect capital.

Proportional quota share reinsurance is purchased to provide protection against claims arising either from individual large claims or aggregation of losses. Quota share reinsurance is also used to manage the Group's net exposure to classes of business where the Group's risk appetite is lower than the efficient operating scale of the class of business on a gross of reinsurance basis. These placements are reviewed on the basis of market conditions.

The Group also has in place a comprehensive programme of excess of loss reinsurances to protect itself from severe size or frequency of losses:

- Facultative reinsurance is used to reduce risk relating to individual contracts. The amount of cover bought varies by class of business. Facultative reinsurance is also used as a tool to manage the net line size on individual risks to within tolerance.
- Risk excess of loss reinsurance is used to protect a range of individual inwards contracts which could give rise to individual large claims. The optimal net retention per risk is assessed for each class of business given the Group's risk appetite during the business planning exercise.
- Aggregate catastrophe excess of loss covers are in place to protect against combined property claims from multiple policies resulting from catastrophe events. This is supplemented by specific covers for peril regions, catastrophe swaps, catastrophe bonds and industry loss warranties where they are a cost-efficient means to ensure that the Group remains within its catastrophe risk appetite.

In December 2020 Brit issued a catastrophe bond which provides $300m of reinsurance protection to Syndicate 2987. The bond has a four-year term and covers losses from US named windstorms and US earthquakes. The bond was issued in the UK via a protected cell of Sussex Capital that is not consolidated by the Group, and which has entered into a reinsurance contract with Syndicate 2987.

Given the fundamental importance of reinsurance protection to the Group's risk management, the Group has in place internal controls and processes to ensure that the reinsurance arrangements provide appropriate protection of capital and maintain our ability to meet policyholder obligations. The Outwards Reinsurance Committee oversees the purchase of reinsurance.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.2 Reinsurance (continued)

The Group remains exposed to a number of risks relating to its reinsurance programme:

- It is possible for extremely severe losses to exhaust the reinsurance purchased. Any losses exceeding the reinsurance protection would be borne by the Group.
- Some parts of the programme have limited reinstatements which limit the amount that may be recovered from second or subsequent claims. If the entirety of the cover is exhausted, it may not be possible to purchase additional reinsurance at a reasonable price.
- A dispute may arise with a reinsurer which may mean the recoveries received are lower than anticipated.
- Basis risk on reinsurance which responds to something other than Brit's Ultimate Net Loss.

These risks are managed through a combination of techniques and controls including risk aggregation management, capital modelling and internal actuarial review of outward reinsurance costs. The counterparty risk in relation to reinsurance purchased is managed by the Credit Committee. This is further discussed in the Credit risk section below.

4.1.3 Reserving risk

Reserving risk relates to the risk that the actual cost of losses for policyholder obligations incurred is different from the insurance contract liabilities amount held on the balance sheet due to inaccurate assumptions or unforeseen circumstances. This is a key risk for the Group as the insurance contract liabilities represent the largest component of the Group's liabilities and are inherently uncertain. The BSL Reserving Committee is responsible for the management of Syndicate 2987 and 2988's reserving risk, and the Brit Re Management Committee performs a similar function for Brit Re. The Ki Reserving Committee is responsible for managing Syndicate 1618's reserving risk.

The Group has a rigorous process for establishing insurance contract liabilities and a number of controls are used to mitigate reserving risk. The process starts with controls over claims data which ensure complete and accurate recording of all paid and notified claims. Claims adjusters validate policy terms and conditions, adjust claims and investigate suspicious or disputed claims in accordance with the Group's claims policy.

Insurance contract liabilities are made up of a best estimate of liabilities at the balance sheet date including estimates for both reported and incurred but not reported losses. Case reserves are set for notified claims using the experience of specialist claims adjusters, underwriters and external experts where necessary. IBNR estimates are calculated using further actuarial techniques to capture potential liabilities arising from claims not yet reported or where further liabilities could arise beyond information available to date. This is particularly the case for the longest tailed classes of business where the final settlement can occur several years after the claim occurred. Actuarial triangulation techniques are employed by the Group's experienced actuaries to establish the IBNR reserve. These techniques project IBNR reserves based on historical development of paid and incurred claims by underwriting year.

For the most uncertain claims, the triangulation techniques are supplemented by additional methods to ensure the established insurance contract liabilities are appropriate. The Actuarial function works closely with other business functions such as underwriting, claims and risk aggregation management to ensure that they have a full understanding of the emerging claims experience across the Group. Further details on the actuarial methods used can be found in Note 23. Inflation and other relevant economic factors are considered as part of the process.

The Group's Reserving Policy sets out the approach to estimating claims provisions and is designed to produce accurate and reliable estimates that are consistent over time and across classes of business. The Actuarial best estimate set out in the policy is subject to Reserving Committees and Brit Re Management Committee sign-off as part of the formal governance arrangements for the Group. The estimate agreed by the committees is used as a basis for the consolidated financial statements. A Group risk adjustment is also applied over and above the actuarial best estimate to allow for the inherent uncertainty within the best estimate reserve position and wider inherent uncertainty across the economic and insurance environment. Finally, the insurance contract liabilities in the financial statements are presented to the respective Audit Committees for recommendation to the relevant Boards who are responsible for the final sign-off.

The liabilities can be more or less than is required to meet the claims arising from earned business. The level of uncertainty varies significantly between the classes written by the Group but typically is highest for those classes where there are significant delays in the settlement of the final claim amount. More specifically, the key areas of uncertainty are considered to be claims from the long-tailed direct and long-tailed reinsurance classes. The issues contributing to this heightened uncertainty are common to all entities which write such business. Further details on the insurance contract liabilities, including changes over time and claims development tables, can be found in Note 23.

4 Risk management policies (continued)

4.1 Insurance risk (continued)

4.1.3 Reserving risk (continued)

Under IFRS 17, the cashflows associated with insurance contract liabilities are discounted using an appropriate yield curve to calculate a present day view. In a positive interest rate environment, the present day value is lower than the undiscounted view. This approach however creates additional uncertainty around the insurance contract liabilities recorded in the balance sheet as any change in interest rates (or other change in the yield curve, such as a change in the illiquidity premium) would impact the present day value even if the actuarial view is unchanged. An increase in interest rate would reduce the present day value and vice versa.

4.2 Investment risk management

4.2.1 Introduction

This section describes the Group's approach to managing investment risk, from both a quantitative and a qualitative perspective. Investment risk includes market risk (which is covered in section 4.3), investment credit risk (which is covered in section 4.4) and liquidity risk (which is covered in section 4.5).

4.2.2 Investment governance framework

Investment risk is managed in line with the elements of the Risk Management Framework (RMF) – identification, measurement and management. The Brit Ltd Board has overall responsibility for determining the investment strategy, with the BSL and Brit Re boards exercising control over the syndicates' and Brit Re's investment portfolios, including defining risk tolerances. This is achieved through investment policies and guidelines, which reflect the risk appetite and the business strategy of the Group and individual entities within the Group.

The BSL Investment Committee and the Brit Re Management Committee have been mandated to review, advise and make recommendations to the respective Boards on investment strategy with a view to optimising investment performance. The investment strategy is executed through outsourced investment management agreements, which is in line with prevailing regulations, with Hamblin Watsa Investment Counsel Limited (HWIC) and a range of other third-party investment managers.

The entity level Risk Oversight Committees ensure that the investment risk is managed within the framework and also report to the relevant Boards. An Investment Operations Committee oversees the operational risk that is relevant to the investment management function.

Information is provided at least quarterly covering portfolio composition, performance, forecasting and the results of stress and scenario tests. Any operational issues and breaches to the risk appetite framework are reported to the entity level Risk Oversight Committee and the Board.

4.2.3 Risk tolerance

Investment risk tolerances are set by the entity Boards, defining the appetite to investments, solvency risk, concentration risk, credit quality, currency risk and liquidity risk. The appetite to these elements of investment risk is derived from the overall risk appetite and business strategy and reflects a number of factors, including the current and expected economic climate, capital management strategy, liquidity needs and asset liability matching (ALM) policy. The investment risk tolerance helps determine the strategic asset allocation.

Risk metrics are monitored and reported on regularly, to ensure that performance is within the Board-approved levels and limits continue to remain appropriate, within the governance framework highlighted above.

4.2.4 Solvency matching

Assets are considered by both currency and duration profile in relation to the liabilities thereby managing the impact of foreign exchange and interest rate risk on the solvency position.

Under this strategy, the total assets of each underwriting entity within the Group are sought to be held in proportion to the currencies of that entity's technical provisions. For each Group underwriting entity, a solvency matched benchmark is calculated. This benchmark is the cash flow profile for investments which would minimise the sensitivity of the Group's solvency position to changes in interest and exchange rates. The Group seeks to implement this through the use of cash, investments and foreign exchange forward contracts in the respective currencies. The investment guidelines for each entity stipulate duration limits and the positioning and sensitivity for both the asset and solvency position is reported quarterly.

Given increased interest rates, the Group has increased its portfolio duration since YE22. The asset portfolio duration is now longer than the insurance contract liability duration, albeit within the relevant Board tolerances. As a result a parallel increase in interest rates would lead to a reduction in asset values greater than the reduction in discounted insurance contract liabilities. The sensitivity to interest rate changes is shown on page 124.

4 Risk management policies (continued)

4.2 Investment risk management

4.2.5 Investment management

The investment management strategy is delivered, at the entity level, through outsourced Investment Management Agreements (IMAs) with HWIC and a range of other third-party investment managers. The IMAs prescribe the investment parameters within investment managers are permitted to make asset allocation decisions on behalf of the respective entities. Each of the Group's investing entities is governed by separate investment policies; these detail the parameters, roles and responsibilities relating to the management of each entity's investment portfolio.

4.3 Market risk

4.3.1 Introduction

Market risk is the risk that the fulfilment cash flows of insurance and reinsurance contracts and the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Credit risk on financial investments and cash is covered in the credit risk section.

4.3.2 Interest rate risk

Introduction

Interest rate risk in the context of Market risk is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group is exposed to interest rate risk, primarily in the US, through its investment portfolio, borrowings and cash and cash equivalents. This risk is managed by reducing the mismatch between asset and liability duration positions as discussed above. The sensitivity of the price of these financial exposures is indicated by their respective durations. This is defined as the modified duration which is the change in the price of the security subject to a 100 basis points parallel shift in interest rates. The greater the duration of a security, the greater the possible price volatility.

The interest rate benchmark reform is not material to Brit. All impacted contracts transitioned to the new rates in 2023. As a result no changes to the risk management framework was required.

The banded durations of the Group's financial investments and cash and cash equivalents (including those reclassified as 'held for sale') and components[1] of insurance/reinsurance contract balances that are sensitive to interest rate risk are shown in the table below:

Duration	1 year or less $m	1 to 3 years $m	3 to 5 years $m	Over 5 years $m	Equities $m	Total $m
At 31 December 2023						
Cash and cash equivalents	**853.8**	**–**	**–**	**–**	**–**	**853.8**
Financial investments	**1,094.3**	**1,395.3**	**1,168.9**	**1,707.7**	**509.2**	**5,875.4**
Total financial assets	**1,948.1**	**1,395.3**	**1,168.9**	**1,707.7**	**509.2**	**6,729.2**
Reinsurance contract assets	**513.5**	**669.2**	**363.7**	**417.3**	**–**	**1,963.7**
Insurance contract liabilities	**(1,524.6)**	**(1,843.4)**	**(995.2)**	**(1,481.3)**	**–**	**(5,844.5)**
Total insurance contract balances	**(1,011.1)**	**(1,174.2)**	**(631.5)**	**(1,064.0)**	**–**	**(3,880.8)**
Total	**937.0**	**221.1**	**537.4**	**643.7**	**509.2**	**2,848.4**
At 31 December 2022						
Cash and cash equivalents	1,079.4	–	–	–	–	1,079.4
Financial investments	986.9	2,261.4	752.1	368.0	544.0	4,912.4
Total financial assets	2,066.3	2,261.4	752.1	368.0	544.0	5,991.8
Reinsurance contract assets	518.7	735.0	325.9	341.7	–	1,921.3
Insurance contract liabilities	(1,506.6)	(1,699.1)	(886.2)	(1,257.4)	–	(5,349.3)
Total insurance contract balances	(987.9)	(964.1)	(560.3)	(915.7)	–	(3,428.0)
Total	1,078.4	1,297.3	191.8	(547.7)	544.0	2,563.8

1. The disclosure excludes the balances which have been assessed as not being sensitive to changes in interest rates. As a result, the Reinsurance Contract Assets and Insurance Contract liabilities balances differ to those in the Statement of Financial Position.

The duration of the investment portfolio is set within an allowable range relative to the targeted duration and monitored on a quarterly basis.

4 Risk management policies (continued)

4.3 Market risk (continued)

4.3.2 Interest rate risk (continued)

Sensitivity to changes in investment yields

The sensitivity of the profit to the changes in investment yields is set out in the table below. The analysis is based on the information at 31 December 2023. It involves a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. Since the prior period, the Group has updated the sensitivity analysis to reflect the impact on new financial statement line items as a result of applying IFRS 17 which requires expected future cash flows to be discounted when measuring insurance contract liabilities (see Note 2.5.1 (k)). For insurance and reinsurance contract assets and liabilities, this has resulted in greater exposure to risks arising from fluctuations in investment yields. However, as changes in investment yields will now impact financial investments, insurance and reinsurance contract assets, as well as insurance and reinsurance contract liabilities, the impact is expected to be offset to an extent.

Impact on profit before tax	**Financial investments 2023 $m**	**Insurance and reinsurance contracts 2023 $m**	Financial investments 2022 $m	Insurance and reinsurance contracts 2022 $m
Increase				
50 basis points	**(90.9)**	**62.5**	(50.7)	53.6
100 basis points	**(181.8)**	**125.0**	(101.4)	107.2
Decrease				
50 basis points	**90.9**	**(62.5)**	50.7	(53.6)
100 basis points	**181.8**	**(125.0)**	101.4	(107.2)

Analysis of larger movements in yield is not shown above as the relationship between profit and investment yields is linear in respect of Brit's portfolio. Subject to taxation, the effect on shareholders' equity would be the same as the effect on profit.

4.3.3 Currency risk

Introduction

Currency risk is the risk that movements in exchange rates impact the financial performance or solvency position of the Group.

The investment policy includes requirements to ensure that assets are appropriately matched to the liabilities for each of the main currencies. The Group's main currencies are US dollar (USD); Sterling (GBP); Canadian dollar (CAD); Euro (EUR); and Australian dollar (AUD). Group capital is held in proportion to the liabilities, to minimise the impact on solvency and distributable earnings from movements in exchange rates. The split of assets and liabilities for each of the Group's main currencies, converted to US dollars, is set out in the tables below:

	USD $m	GBP £ Conv.$m	CAD $ Conv. $m	EUR € Conv. $m	AUD $ Conv. $m	Total Conv. $m
At 31 December 2023						
Financial instruments[1]	**5,952.1**	**230.3**	**307.9**	**260.1**	**125.7**	**6,876.1**
Insurance and reinsurance contracts[2]	**(3,202.9)**	**(325.2)**	**(180.6)**	**(172.4)**	**(45.8)**	**(3,926.9)**
At 31 December 2022						
Financial instruments[1]	5,067.2	249.1	277.1	230.8	124.7	5,948.9
Insurance and reinsurance contracts[2]	(2,938.8)	(257.1)	(204.5)	(150.0)	(37.0)	(3,587.4)

1. The Group's financial instruments are defined in Note 2.5.3(c) and reconciled to the financial statements in Note 36.
2. The Group's 'insurance and reinsurance contracts' refers to the following items presented on the Group's statement of financial position: reinsurance contract assets; and insurance contract liabilities.

4 Risk management policies (continued)

4.3 Market risk (continued)

4.3.3 Currency risk (continued)

	USD $m	GBP £ Conv.$m	CAD $ Conv. $m	EUR € Conv. $m	AUD $ Conv. $m	Total Conv. $m
At 31 December 2023						
Total assets	**7,902.2**	**692.2**	**837.6**	**311.4**	**84.1**	**9,827.5**
Total liabilities	**5,259.6**	**861.6**	**276.5**	**300.7**	**45.6**	**6,744.0**
Net assets/(liabilities) excluding the effect of currency derivatives	**2,642.6**	**(169.4)**	**561.1**	**10.7**	**38.5**	**3,083.5**
Adjustment for foreign exchange derivatives	**292.8**	**159.3**	**(491.6)**	**(2.1)**	**41.6**	**–**
Adjusted net assets	**2,935.4**	**(10.1)**	**69.5**	**8.6**	**80.1**	**3,083.5**
At 31 December 2022						
Total assets	6,907.2	820.8	758.1	308.7	83.4	8,878.2
Total liabilities	4,739.4	885.3	303.6	303.1	36.9	6,268.3
Net assets/(liabilities) excluding the effect of currency derivatives	2,167.8	(64.5)	454.5	5.6	46.5	2,609.9
Adjustment for foreign exchange derivatives	230.9	138.9	(399.2)	(11.9)	41.3	–
Adjusted net assets	2,398.7	74.4	55.3	(6.3)	87.8	2,609.9

The non-US dollar denominated net assets of the Group may lead to profits or losses (depending on the mix relative to the liabilities), should the US dollar vary relative to these currencies.

Foreign currency forward contracts may be used to achieve the desired exposure to each currency. From time to time the Group may also choose to utilise foreign currency derivatives to manage the risk of reported losses due to changes in foreign exchange rates. The details of all foreign currency derivative contracts entered into are given in Note 26.

The degree to which derivatives are used is dependent on the prevailing costs versus the perceived benefit to shareholder value from reducing the chance of a reported loss due to changes in foreign exchange rates.

In accordance with IFRS, non-monetary items are recorded at original transaction rates and are not revalued at the reporting date. This means these amounts in the statement of financial position are carried at a different exchange rate to the remaining assets and liabilities, with the resulting exchange differences that are created being recognised in the income statement. The Group considers this to be a timing issue which can cause volatility in the income statement.

4 Risk management policies (continued)

4.3 Market risk (continued)

4.3.3 Currency risk (continued)

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage movement in the relative strength of the US dollar against the value of GBP, CAD, EUR, and AUD individually, after taking into consideration the effect of hedged positions and items recorded as non-monetary assets and liabilities under IFRS. The analysis is based on the information as at 31 December 2023. It involves the change in an assumption (i.e., single currency fluctuation) while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. Since the prior period, the Group has updated the sensitivity analysis to reflect the impact on new financial statement line items as a result of applying IFRS 17 which has resulted in the presentation of insurance and reinsurance contract assets and liabilities (collectively termed as 'insurance and reinsurance contracts'), and has assessed the impact on varying individual currencies as opposed to quantifying the simultaneous impact.

Impact on profit before tax	**Financial instruments 2023 $m**	**Insurance and reinsurance contracts 2023 $m**	Financial instruments 2022 $m	Insurance and reinsurance contracts 2022 $m
USD weakens				
10% against GBP	**23.1**	**(32.5)**	26.2	(25.7)
10% against CAD	**30.8**	**(18.1)**	27.7	(20.5)
10% against EUR	**26.0**	**(17.2)**	22.7	(15.0)
10% against AUD	**12.6**	**(4.6)**	12.5	(3.7)
USD strengthens				
10% against GBP	**(23.1)**	**32.5**	(26.2)	25.7
10% against CAD	**(30.8)**	**18.1**	(27.7)	20.5
10% against EUR	**(26.0)**	**17.2**	(22.7)	15.0
10% against AUD	**(12.6)**	**4.6**	(12.5)	3.7

Subject to taxation, the effect on shareholders' equity would be the same as the effect on profit.

4.3.4 Other price risk

Introduction

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial assets and derivatives that are recognised at their fair value are susceptible to losses due to adverse changes in their prices. This is known as price risk.

Listed investments are recognised in the financial statements at quoted bid price. If the market for the investment is not considered to be active, then the Group establishes fair valuation techniques. This includes using recent arm's-length transactions, reference to current fair value of other similar investments, discounted cash flow models and other valuation techniques that are commonly used by market participants.

4 Risk management policies (continued)

4.3 Market risk (continued)

4.3.4 Other price risk (continued)

Brit has a limit on the proportion of its assets it can invest in risk assets which includes equities and derivatives. This combined with active monitoring of exposure by geography and industry helps manage downside risk.

The prices of fixed and floating rate income securities are predominantly impacted by currency, interest rate and credit risks. Credit risk on investments is discussed in the following section of this Note.

Sensitivity to changes in other price risk

The sensitivity of the profit to the changes in the prices of equity is set out in the table below. The analysis is based on the information as at 31 December 2023. It involves the change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. No changes were made by the Group in the methods and assumptions used in preparing the below analysis.

Impact on profit before tax	2023 $m	2022 $m
Increase in fair value		
10%	**98.9**	93.2
20%	**197.8**	186.5
30%	**296.7**	279.7
Decrease in fair value		
10%	**(98.9)**	(93.2)
20%	**(197.8)**	(186.5)
30%	**(296.7)**	(279.7)

Subject to taxation, the effect on shareholders' equity would be the same as the effect on profit.

4.4 Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation in a timely manner. The main sources of credit risk relate to:

- Reinsurers: through the failure to pay valid claims against a reinsurance contract held by the Group;
- Brokers and coverholders: where counterparties fail to pass on premiums or claims collected or paid on behalf of the Group;
- Investments: through the issuer default of all or part of the value of a financial instrument or the market value of that instrument; and
- Cash and cash equivalents: through the default of the banks holding the cash and cash equivalents.

The insurance and non-insurance related counterparty credit risks are managed separately by the Group.

4.4.1 Non-insurance credit risk

Investment credit risk management process

The Group Board has overall responsibility for investment credit risk. The investment guidelines and investment policy set out clear limits and controls around the level of investment credit risk. This includes a tolerance on matching of asset and liabilities by currency, concentration guidelines that restrict the exposure to any individual counterparty and monitoring of exposure by industry and geography. The investment guidelines further limit the type, credit quality and maturity profile of both the Group's cash and investments. In addition, the investment risk framework further limits potential exposure to credit risk through aggregate investment risk limits.

During 2023, the BSL Investment Committee chaired by Simon Lee, Chairman of BSL. This committeee is responsible for the immediate oversight of the Group's UK investments and the Brit Re Board is responsible for the immediate oversight of the Group's Bermuda investments. Ultimately, both are responsible to the Brit Limited Board.

4 Risk management policies (continued)

4.4 Credit risk (continued)

4.4.1 Non-insurance credit risk (continued)

Non-insurance credit risk profile

The summary of the non-insurance credit risk exposures for the Group's assets is set out in the tables below:

	AAA $m	AA $m	A $m	P-1 $m	BBB and below $m	Equities $m	Not rated $m	Total $m
At 31 December 2023								
Financial investments	**3,237.8**	**85.1**	**808.5**	**–**	**575.2**	**509.2**	**659.6**	**5,875.4**
Derivative contracts	**–**	**–**	**–**	**–**	**–**	**–**	**20.2**	**20.2**
Trade and other receivables[2]	**–**	**–**	**–**	**–**	**–**	**–**	**173.1**	**173.1**
Other assets[2]	**–**	**–**	**–**	**–**	**–**	**118.7**	**–**	**118.7**
Cash and cash equivalents[1]	**383.5**	**282.3**	**103.2**	**57.1**	**27.7**	**–**	**–**	**853.8**
	3,621.3	**367.4**	**911.7**	**57.1**	**602.9**	**627.9**	**852.9**	**7,041.2**
At 31 December 2022								
Financial investments	2,632.2	125.0	499.6	–	592.8	544.0	518.8	4,912.4
Derivative contracts	–	–	–	–	–	–	10.8	10.8
Trade and other receivables[2]	–	–	–	–	–	–	169.6	169.6
Other assets[2]	–	–	–	–	–	89.0	–	89.0
Cash and cash equivalents[1]	281.6	316.8	99.5	334.4	47.1	–	–	1,079.4
	2,913.8	441.8	599.1	334.4	639.9	633.0	699.2	6,261.2

1. 'Cash and cash equivalents' per the above tables also includes those cash and cash equivalents reclassified as 'held for sale'.
2. 'Trade and other receivables' and 'Other assets' are defined in Note 2.5.3. To ensure the table presents non-insurance credit risk, debtors arising out of direct insurance operations and debtors arising out of reinsurance operations have been excluded, and are instead presented as part of insurance credit risk (Note 4.4.2). All 'Trade and other receivables' balances are presented before any allowance for credit losses.
3. None of the Group's assets, presented in the table above, were rated P-2.

The table above gives an indication of the level of credit worthiness of assets that are most exposed to credit risk. The ratings are mainly sourced from Standard & Poor's and where these are not available an equivalent rating agency.

4.4.2 Insurance credit risk

Insurance credit risk management process

Insurance credit risk arises primarily from reinsurers (whereby reinsurers fail to pay recoveries due to the Group in a timely manner), direct policyholders (where policy holders fail to pay premium in a timely manner) and brokers and coverholders (whereby intermediaries fail to pass on premiums due to the Group in a timely manner).

The Credit Committee chaired by the Group Chief Financial Officer is responsible for the management of credit risk arising from insurance activities.

Reinsurer credit risk is managed by transacting only with reinsurance counterparties that satisfy a minimum level of financial strength or provide appropriate levels of collateral and have been approved for use by the Credit Committee. The reinsurer security list, which sets out the list of approved reinsurance counterparties, is reviewed at least annually and following any significant change in risk profile, which includes any changes to reinsurers' financial ratings. Credit risk appetite limits are set for reinsurance entities and groups to limit accumulations of risk. These positions are monitored quarterly against current balance sheet exposures and in relation to a number of extreme loss scenarios.

Reinsurance aged debt is monitored and managed against the management risk appetite limits set by the Credit Committee. In instances where there is deemed to be a specific risk of non-payment, this is allowed for within reinsurance contract assets. In respect of balances relating to insurance or reinsurance operations, which are outside the scope of IFRS 17, a loss allowance provision may be made.

Any breaches of credit risk tolerance and/or appetite are reported to the Risk Oversight Committee and the Board at least quarterly. Credit risk associated with insurance contracts issued is not considered a material risk to Group as it has the right to terminate contracts should the policyholder default on its premium payment obligations.

4 Risk management policies (continued)

4.4 Credit risk (continued)

4.4.2 Insurance credit risk (continued)

Insurance credit risk profile

The reinsurance contract assets presented on the Group's statement of financial position include the asset for incurred claims (AIC) and the asset for remaining coverage (ARC).

A summary of the credit quality of the AIC, is set out in the tables below:

	AAA $m	AA $m	A $m	B $m	Collateral $m	Not rated $m	Total $m
At 31 December 2023							
Asset for incurred claims[1]	**5.6**	**952.8**	**533.2**	**2.8**	**168.8**	**18.9**	**1,682.1**
At 31 December 2022							
Asset for incurred claims[1]	**8.3**	**814.1**	**584.9**	**2.0**	**163.2**	**14.0**	**1,586.5**

1. Asset for incurred claims are included in 'Reinsurance contract assets' in the Group's statement of financial position.

As at 31 December 2023, collateral of $168.8m (2022: $163.2m) had been drawn against reinsurance assets.

As at 31 December 2023, the maximum exposure to credit risk from insurance contracts is $1,964.1m (2022: $1,629.4m) which relates to premiums and other insurance receivables, and the maximum exposure to credit risk from reinsurance contracts is $2,055.3m (2022: $2,070.3m), which relates to reinsurance recoveries from claims outstanding.

The gross carrying amount of debtors arising from direct insurance operations and debtors arising from reinsurance operations is set out in the tables below:

	Total[2] $m
At 31 December 2023	
Trade and other receivables:	
Arising out of direct insurance operations	**200.3**
Arising out of reinsurance operations	**423.3**
	623.6
At 31 December 2022	
Trade and other receivables:	
Arising out of direct insurance operations	91.5
Arising out of reinsurance operations	346.4
	437.9

1. 'Trade and other receivables' is defined in Note 2.5.3. To ensure the table presents credit risk arising from insurance and reinsurance operations, only debtors arising out of direct insurance operations and debtors arising out of reinsurance operations have been included. Other non-insurance elements of 'trade and other receivables' are instead presented as part of non-insurance credit risk (Note 4.4.1). All 'Trade and other receivables' balances are presented before any allowance for credit losses.
2. The debtors arising from direct insurance and reinsurance operations are not rated.

4 Risk management policies (continued)

4.4 Credit risk (continued)

4.4.2 Insurance credit risk (continued)

The following table shows movements in the loss allowance against insurance and reinsurance receivables during the year:

	Loss allowance against insurance and reinsurance receivables $m
2023	
Opening provision at 1 January	**8.5**
Release for the year	**(0.3)**
Net foreign exchange differences	**(0.3)**
Closing provision at 31 December	**7.9**
2022	
Opening provision at 1 January	1.0
Strengthening for the year	7.4
Net foreign exchange differences	0.1
Closing provision at 31 December	8.5

The following table shows the amount of insurance and reinsurance receivables past due but not impaired at the end of the year:

	2023 $m	2022 $m
0-3 months past due	**(0.5)**	38.5
4-6 months past due	**32.9**	6.2
7-9 months past due	**32.2**	5.6
10-12 months past due	**0.2**	0.4
More than 12 months past due	**7.5**	21.6
	72.3	72.3

4.5 Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The predominant liquidity risk the Group faces is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Group monitors the levels of cash and cash equivalents on a daily basis, ensuring adequate liquidity to meet the expected cash flow requirements due over the short-term.

The Group also limits the amount of investment in illiquid securities in line with the liquidity policy set by the Boards. This involves ensuring sufficient liquidity to withstand claim scenarios at the extreme end of business plan projections, by reference to Realistic Disaster Scenarios. Contingent liquidity also exists in the form of a Group revolving credit facility. The investment portfolio invests in a diversified portfolio of securities. Concentration is manged via concentration risk limits, and is monitored on an ongoing basis to ensure sufficient diversification.

The tables below present the fair value of monetary assets and the undiscounted value of monetary liabilities of the Group into their relevant maturing groups based on the remaining period at the end of the year to their contractual maturities or expected repayment dates. In respect of balances as at 31 December 2022, the amounts below include 'Cash and cash equivalents', 'Trade and other receivables', 'Other assets', 'Trade and other payables', and 'Lease liabilities' that have been reclassified to 'Assets held for sale'. Borrowings are stated at their nominal value at maturity.

4 Risk management policies (continued)

4.5 Liquidity risk (continued)

31 December 2023	Statement of financial position/ Note 36 $m	Fair values <1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	More than 5 years $m	Equities $m	Total $m
Assets									
Financial investments	5,875.4	1,094.3	821.7	573.6	180.5	988.4	1,707.7	509.2	5,875.4
Derivative contracts	20.2	19.4	0.3	0.5	–	–	–	–	20.2
Trade and other receivables[1]	788.8	788.8	–	–	–	–	–	–	788.8
Other assets	118.7	–	–	–	–	–	–	118.7	118.7
Cash and cash equivalents	853.8	853.8	–	–	–	–	–	–	853.8
	7,656.9	2,756.3	822.0	574.1	180.5	988.4	1,707.7	627.9	7,656.9

31 December 2023	Statement of financial position/ Note 36 $m	Undiscounted values[2] <1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	More than 5 years $m	Equities $m	Total $m
Liabilities									
Insurance contract liabilities[2]	5,869.7	1,444.2	1,023.0	723.2	537.6	711.2	1,097.0	–	5,536.2
Derivative contracts	23.7	16.7	0.4	–	–	6.6	–	–	23.7
Borrowings	161.9	–	–	–	–	–	161.9	–	161.9
Other financial liabilities	104.0	–	–	–	–	–	–	104.0	104.0
Trade and other payables[1]	463.4	463.4	–	–	–	–	–	–	463.4
Lease liabilities	27.8	2.7	4.1	5.5	5.5	5.5	7.5	–	30.8
	6,650.5	1,927.0	1,027.5	728.7	543.1	723.3	1,266.4	104.0	6,320.0

1. Refer to Note 2.5.3 for the Group's definitions of 'Trade and other receivables' and 'Trade and other payables'.
2. As permitted by IFRS 17, the Group has presented an analysis of insurance contract liabilities, by estimated timing, of the estimates of the present value of the future cash flows.

4 Risk management policies (continued)

4.5 Liquidity risk (continued)

31 December 2022	Statement of financial position/ Note 36 $m	Fair values							
		<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	More than 5 years $m	Equities $m	Total $m
Assets									
Financial investments	4,912.4	986.9	1,289.1	972.4	148.1	603.9	367.9	544.1	4,912.4
Derivative contracts	10.8	10.1	–	–	0.7	–	–	–	10.8
Trade and other receivables[1]	598.7	598.7	–	–	–	–	–	–	598.7
Other assets	89.0	–	–	–	–	–	–	89.0	89.0
Cash and cash equivalents	1,079.4	1,079.4	–	–	–	–	–	–	1,079.4
	6,690.3	2,675.1	1,289.1	972.4	148.8	603.9	367.9	633.1	6,690.3

31 December 2022	Statement of financial position/ Note 36 $m	Undiscounted values[2]							
		<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	More than 5 years $m	Equities $m	Total $m
Liabilities									
Insurance contract liabilities[2]	5,411.5	1,432.7	807.9	807.9	421.4	421.4	1,195.7	–	5,087.0
Derivative contracts	10.1	10.1	–	–	–	–	–	–	10.1
Borrowings	172.4	–	–	10.0	–	–	162.4	–	172.4
Other financial liabilities	92.7	–	–	–	–	–	–	92.7	92.7
Trade and other payables[1]	425.2	425.2	–	–	–	–	–	–	425.2
Lease liabilities	41.3	7.5	6.9	6.5	5.6	5.6	13.5	–	45.6
	6,153.2	1,875.5	814.8	824.4	427.0	427.0	1,371.6	92.7	5,833.0

1. Refer to Note 2.5.3 for the Group's definitions of 'Trade and other receivables' and 'Trade and other payables'.
2. As permitted by IFRS 17, the Group has presented an analysis of insurance contract liabilities, by estimated timing, of the estimates of the present value of the future cash flows.

4.6 Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. The nature of operational risk means that it is dispersed across all functional areas of Brit. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The BSL Operations Committee, chaired by the Group Chief Operating Officer, is a key governance committee reporting to the Executive Committee. The BSL Operations Committee is responsible for managing operational risk in line with the operational risk policy and the risk tolerance and management appetite limits set by the BSL Board and management respectively. Each individual risk committee is provided with relevant operational risk updates and these committees include operational risk owners within executive management who actively manage operational risk within their respective areas (such as Underwriting, Claims, Investments and Finance).

An operational risk management framework is in place to ensure an appropriate standard approach is taken to managing operational risk across the Group. The key elements of this framework are:

- Allocation of responsibility for the identification and assessment of operational risk. Standard tools are used to facilitate these assessments;
- Definition of standard elements of sound operating controls that are expected to be in place to address all identified operational risks;
- A process that integrates with Brit's internal model to support the setting and monitoring of operational risk appetite and tolerances;
- Governance, reporting and escalation for operational risk;
- Infrastructure supporting the operational risk management framework; and
- Operational risk management training and awareness.

A conduct risk framework is in place across the Group to ensure Brit's products and services continue to meet the needs of our customers.

4 Risk management policies (continued)

4.7 Emerging risks

Brit undertakes a formal emerging risk review annually with the results reported to the Risk Oversight Committee and included in the Own Risk & Solvency Assessment (ORSA) report and Commercial Insurer's Solvency Self-Assessment (CISSA) reports of the underwriting entities. The review is an important part of the risk identification aspect of the RMF and includes horizon scanning of the internal and external risk environment to identify potential new or developing risks to Brit. These risks can then be included in the risk register and managed appropriately as required.

The emerging risk review has previously identified risks such as climate change and cyber risk. These risks have been managed throughout their development and are now monitored as part of the business-as-usual risk management process.

4.7.1 Climate Change

Climate change has been recognised as an emerging risk in the ORSA since 2014 and has been an area of focus since having been identified as a high priority by Brit's 2018 emerging risks analysis. Its potential impact on the insurance industry is an area of focus for the wider insurance market and its regulators.

The financial risks to insurers may include the potential for increased frequency and severity of weather-related natural catastrophes, for example, hurricanes and wildfires. The three main areas of risk identified for Brit are natural catastrophes, liability claims and investment losses. Further details on the risk management approach are in the Strategic Report.

4.7.2 Geopolitics

Geopolitical events, such as the ongoing wars in Ukraine and the Middle East, have the potential to cause insurance losses and disruption to financial markets. Insurance losses could arise either as a result of direct damage from the conflicts or from second order impacts such as supply chain disruptions and economic instability. There may also be a potential impact on the operational costs of the Group attributable to the downstream effects of high inflation. The Group continues to monitor developments closely.

Geopolitical risk events may also impact the global economy, as discussed in section 4.7.3 below.

4.7.3 Global economic environment

Inflation in the USA and the UK remains above target levels and interest rates have risen relative to recent years. Recessionary risks remain given these factors as well as geopolitical risks. Recessions may impact the frequency and cost of claims, investment results, the likelihood of counterparty defaults and the potential for operational risk events. Brit continues to actively monitor and respond to changes in the economic environment.

Brit has considered the impact of the increased level of inflation and the economic downturn. Increased focus has been placed on ensuring Brit's pricing models adequately address current inflationary trends. Feeding into these models is an enhanced framework assessing the key drivers of claim settlement costs for each class of business. Inflationary impacts were also considered during the year end reserving process.

We remain cognisant of the impact of inflation on the underlying portfolio. We continue to review the key drivers of claim settlement costs and frequency by class of business, which in turn will further inform any required recalibration of our pricing models. Our reserves continue incorporate our current view of social and economic inflation and include a risk adjustment to allow for uncertainty.

4 Risk management policies (continued)

4.8 Capital management

Brit defines management entity capital as the amount of capital that the Board of each underwriting entity determines that it should hold, taking into account the requirements of shareholders, regulators, policyholders, and the Boards' solvency risk appetite. The capital policy is set by the entity and Group Boards. Management entity capital requirements are in excess of capital requirements under the Solvency II capital regime, which became effective on 1 January 2016.

The capital requirements are based on the output of the internal model which reflects the risk profile of the business.

The capital policy requires capital to be held well in excess of regulatory minimum requirements, underpinning Brit's financial strength. The policy ensures the capital adequacy of the Group as a whole, and each entity, through an efficient capital structure. Brit proactively responds to developments in the financial environment to ensure its capital strength is maintained while optimising risk adjusted returns.

The Group's total available capital consists of net tangible assets (after the exclusion of the deferred tax liability on intangible assets and non-controlling interest), subordinated debt, letters of credit, and contingent funding. Further details of Group's total available capital and the management capital requirement (unaudited) can be found on page 215.

All regulatory capital requirements have been complied with during the year by the Group's individual insurance subsidiaries.

The Lloyd's market is subject to the solvency and capital adequacy requirements of the Prudential Regulation Authority (PRA). Any regulatory intervention by the PRA in respect of Lloyd's may adversely affect the Group. The PRA may impose more stringent requirements on Lloyd's which may result in higher capital requirements or a restriction on trading activities for entities within the Group. If Lloyd's fails to satisfy its solvency test in any year, the PRA may require Lloyd's to cease trading and/or its members to cease or reduce their underwriting exposure, which may result in a material adverse effect to the Group's reputation, financial condition and results of operations.

During 2023, Brit primarily underwrote through the Group's wholly aligned Lloyd's Syndicate 2987 and through Ki Syndicate 1618, which benefit from the Lloyd's credit ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and AA- (Very Strong) from Standard & Poor's. Any downgrade in Lloyd's financial strength ratings may have an adverse effect on the Group.

The Group's business plan and underwriting capacity may be affected by any decrease in the value of the Group's Funds at Lloyd's or by recommendations from the Lloyd's Franchise Board. The Group is also reliant upon the compliance of Lloyd's with US regulations, including the maintenance by Lloyd's of its trading licences and approvals in the US.

4.9 Sussex: Governance Structure

Sussex Capital is Brit's collateralised reinsurance platform based in Bermuda which was launched on 1 January 2018. Sussex Capital Limited has two segregated accounts operating as funds available for capital investment, referred to as the Diversified Fund and Specialty Insurance Fund. The Diversified Fund was placed into run off in October 2023. Through Sussex Re, it wrote direct collateralised property catastrophe reinsurance and also provides collateralised reinsurance to Brit's Property Treaty portfolio.

4.10 Ki: Governance and Risk Management Framework

Ki is the first fully digital and algorithmically driven Lloyd's syndicate offering instant capacity, accessible anywhere, at any time. It started writing business from 1 January 2021, writing a mix of lines that are either already underwritten by Brit Syndicates 2987 and 2988, or other approved nominated syndicates.

Ki is managed by BSL, with its capital backing coming from a mix of Fairfax and Blackstone. In line with Brit's Risk Management Framework, risks to Ki and Syndicate 1618 are managed in the same way as Brit's other syndicates, other than where specifically noted above.

5 Segmental information

This Note breaks down the operating results summarised in the income statement into the main business areas of the Group. It also shows how our insurance revenue is split globally. This analysis is designed to help you understand how each segment of our business has performed and how we have allocated our shareholders' capital.

For the year ended 31 December 2023, the reportable segments identified were as follows:

- 'Core Underwriting' is Syndicate 2987, Brit's share of Syndicate 2988 and Brit Reinsurance (Bermuda) Limited, with trading between the two syndicates eliminated. It includes both direct and reinsurance business:
  - Direct business represents the Group's international and US business predominantly transacted with wholesale buyers of insurance, rather than individuals. Risks are large and usually syndicated by several underwriters by means of the subscription market; and
  - Reinsurance business (essentially the insurance of insurance and reinsurance companies) and includes writing non-proportional cover for major events such as earthquakes or hurricanes. These insurance and reinsurance companies calculate how much risk they want to retain and then pass on their remaining exposure to reinsurers in return for a premium.
- 'Other Underwriting', includes the Group's special purpose vehicles, net of trading with the 'Core Underwriting' segment.
- 'Investments' represents the Group's investment activity, excluding that associated with the 'Ki' reporting segment.
- 'Corporate', which is made up of residual income and expenditure and foreign exchange movements not allocated to other segments.
- 'Ki Segment' represents the activities of the Ki Financial Limited sub-group, which underwrites business through Syndicate 1618. This information has been prepared for the purposes of Brit Limited segmental reporting and does not constitute stand-alone financials for Ki Syndicate 1618 or the Ki Financial Limited sub-group in whole or part.

The segmental analysis includes 'continuing operations', thereby reconciling to the Consolidated Income Statement. For details of the 'discontinued operation', see Note 10. This is a change to the presentation of segmental information in 2022, where the Group presented income statement information by segment for both continuing and discontinued operations.

Following the application of IFRS 17, the Group has redefined its segmental KPIs – the methodology for deriving these KPIs is outlined on pages 210 to 215.

These ratios are presented after the impact of gains/losses on other financial liabilities and before any adjustment for non-controlling interests.

5 Segmental information (continued)

(a) Income statement by segment

Year ended 31 December 2023

$m	Core Underwriting	Other Underwriting	Total Brit Underwriting (excluding Ki)	Investments	Corporate	Total Brit (excluding Ki)	Ki Segment	Total Group
Insurance revenue	2,636.9	13.9	2,650.8	–	–	2,650.8	866.3	3,517.1
Acquisition costs	(435.4)	(2.3)	(437.7)	–	–	(437.7)	(201.0)	(638.7)
Incurred claims and changes to liabilities for incurred claims and other directly attributable expenses	(1,503.3)	(6.2)	(1,509.5)	–	–	(1,509.5)	(446.1)	(1,955.6)
Insurance service expenses	(1,938.7)	(8.5)	(1,947.2)	–	–	(1,947.2)	(647.1)	(2,594.3)
Allocation of reinsurance premiums	(620.9)	–	(620.9)	–	–	(620.9)	(165.0)	(785.9)
Amount recoverable from reinsurers for incurred claims	449.3	–	449.3	–	–	449.3	63.3	512.6
Net expenses from reinsurance contracts held	(171.6)	–	(171.6)	–	–	(171.6)	(101.7)	(273.3)
Insurance service result	526.6	5.4	532.0	–	–	532.0	117.5	649.5
Net finance expenses from insurance contracts	(282.4)	(0.7)	(283.1)	–	–	(283.1)	(39.6)	(322.7)
Net finance income from reinsurance contracts held	90.0	–	90.0	–	–	90.0	6.9	96.9
Net insurance finance expenses	(192.4)	(0.7)	(193.1)	–	–	(193.1)	(32.7)	(225.8)
Interest revenue from financial assets not measured at FVTPL	–	–	–	38.8	–	38.8	9.6	48.4
Other investment return	–	–	–	299.3	–	299.3	51.7	351.0
Return on derivative contracts	–	–	–	(7.2)	(2.2)	(9.4)	–	(9.4)
Other income	14.3	7.0	21.3	–	44.3	65.6	–	65.6
Losses on other financial liabilities	–	(20.8)	(20.8)	–	–	(20.8)	–	(20.8)
Investment return and other income	14.3	(13.8)	0.5	330.9	42.1	373.5	61.3	434.8
Other operating expenses	(95.2)	–	(95.2)	–	(8.7)	(103.9)	(23.0)	(126.9)
Net foreign exchange losses	–	–	–	–	(92.3)	(92.3)	(1.9)	(94.2)
Other expenses	(95.2)	–	(95.2)	–	(101.0)	(196.2)	(24.9)	(221.1)
Operating profit/(loss)	253.3	(9.1)	244.2	330.9	(58.9)	516.2	121.2	637.4
Finance costs			–	–	(13.7)	(13.7)	(4.1)	(17.8)
Finance income			–	–	2.7	2.7	–	2.7
Share of net profit of associate			–	1.6	–	1.6	–	1.6
Profit/(loss) on ordinary activities before tax			244.2	332.5	(69.9)	506.8	117.1	623.9
Tax credit								5.3
Profit for the year								629.2
Ratios – undiscounted basis								
Claims ratio	59.6%		59.2%			59.2%	56.3%	58.4%
Expense ratio	24.8%		24.7%			24.7%	33.1%	26.9%
Combined ratio	84.4%		83.9%			83.9%	89.4%	85.3%
Ratios – discounted basis								
Claims ratio	48.8%		48.7%			48.7%	49.7%	49.0%
Expense ratio	25.1%		25.1%			25.1%	33.5%	27.2%
Combined ratio	73.9%		73.8%			73.8%	83.2%	76.2%

5 Segmental information (continued)

(a) Income statement by segment (continued)
Year ended 31 December 2022 (restated)

$m	Core Underwriting	Other Underwriting	Total Brit Underwriting (excluding Ki)	Investments	Corporate	Total Brit (excluding Ki)	Ki Segment	Total Group
Insurance revenue	2,678.0	17.8	2,695.8	–	–	2,695.8	644.3	3,340.1
Acquisition costs	(415.1)	(13.0)	(428.1)	–	–	(428.1)	(163.5)	(591.6)
Incurred claims and changes to liabilities for incurred claims and other directly attributable expenses	(1,848.3)	(18.2)	(1,866.5)	–	–	(1,866.5)	(416.0)	(2,282.5)
Insurance service expenses	(2,263.4)	(31.2)	(2,294.6)	–	–	(2,294.6)	(579.5)	(2,874.1)
Allocation of reinsurance premiums	(766.2)	–	(766.2)	–	–	(766.2)	(97.6)	(863.8)
Amount recoverable from reinsurers for incurred claims	600.2	–	600.2	–	–	600.2	81.5	681.7
Net expenses from reinsurance contracts held	(166.0)	–	(166.0)	–	–	(166.0)	(16.1)	(182.1)
Insurance service result	248.6	(13.4)	235.2	–	–	235.2	48.7	283.9
Net finance income from insurance contracts	291.1	–	291.1	–	–	291.1	16.0	307.1
Net finance expenses from reinsurance contracts held	(95.1)	–	(95.1)	–	–	(95.1)	(3.4)	(98.5)
Net insurance finance expenses	196.0	–	196.0	–	–	196.0	12.6	208.6
Interest revenue from financial assets not measured at FVTPL	–	–	–	12.9	–	12.9	2.8	15.7
Other investment return	–	–	–	(121.4)	–	(121.4)	(28.8)	(150.2)
Return on derivative contracts	–	–	–	0.8	13.5	14.3	–	14.3
Other income	10.1	2.2	12.3	–	20.9	33.2	–	33.2
Losses on other financial liabilities	–	(1.3)	(1.3)	–	–	(1.3)	–	(1.3)
Net foreign exchange gains	–	–	–	–	96.8	96.8	0.5	97.3
Investment return and other income	10.1	0.9	11.0	(107.7)	131.2	34.5	(25.5)	9.0
Other operating expenses	(70.2)	–	(70.2)	–	(7.3)	(77.5)	(12.9)	(90.4)
Other expenses	(70.2)	–	(70.2)	–	(7.3)	(77.5)	(12.9)	(90.4)
Operating profit/(loss)	384.5	(12.5)	372.0	(107.7)	123.9	388.2	22.9	411.1
Finance costs			–	–	(15.6)	(15.6)	(4.9)	(20.5)
Share of net profit of associate			–	1.5	–	1.5	–	1.5
Profit/(loss) on ordinary activities before tax			372.0	(106.2)	108.3	374.1	18.0	392.1
Tax charge								(104.9)
Profit for the year								287.2
Ratios – undiscounted basis								
Claims ratio	70.0%		70.3%			70.3%	61.2%	68.3%
Expense ratio	25.8%		26.3%			26.3%	33.8%	27.9%
Combined ratio	95.8%		96.6%			96.6%	95.0%	96.2%
Ratios – discounted basis								
Claims ratio	61.1%		61.5%			61.5%	57.3%	60.6%
Expense ratio	25.9%		26.3%			26.3%	33.8%	27.9%
Combined ratio	87.0%		87.8%			87.8%	91.1%	88.5%

5 Segmental information (continued)

(b) Geographical information

The Group's strategic business units operate mainly in five geographical areas, though the business is managed on a worldwide basis. The segmental split shown below is based on the location of the underlying risk.

Insurance revenue	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
United States	**2,509.9**	2,441.0
United Kingdom	**386.9**	338.8
Canada	**154.0**	168.7
Europe (excluding UK)	**132.5**	117.8
Other (including worldwide)	**333.8**	273.8
	3,517.1	3,340.1

The nature of the London Market business is such that the insureds and reinsureds are often operating on a multi-territory or worldwide basis and hence coverage is often provided on a worldwide basis. Insurance revenue on a multi-territory or worldwide basis included in 'Other' in the table above.

The table below provides an analysis of the Group's non-current assets in three geographical areas, though the business is managed on a worldwide basis. Non-current assets excludes financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

Non-current assets	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
United Kingdom	**134.5**	139.3
Canada	**–**	15.2
Other (including worldwide)	**21.0**	22.5
	155.5	177.0

6 Insurance revenue

This Note shows the breakdown of the Group's insurance revenue recognised in the year between contracts measured under the premium allocation approach (PAA) basis and those measured under the general measurement model (GMM) basis.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	**103.3**	–
Change in risk adjustment for non-financial risk expired	**19.4**	–
Expected incurred claims and other insurance service expenses	**398.9**	–
Insurance acquisition cash flows recovery	**138.1**	–
Contracts not measured under the PAA	**659.7**	–
Contracts measured under the PAA	**2,857.4**	3,340.1
Total insurance revenue	**3,517.1**	3,340.1

7 Investment return

This Note shows the income generated through investing funds. It also shows the gains and losses generated on various types of investment assets as a result of the movement in their market values.

Year ended 31 December 2023	Investment income $m	Net realised gains/(losses) $m	Net unrealised gains $m	Total investment return $m
Cash and cash equivalents	46.9	–	–	46.9
Trade and other receivables	2.1	–	–	2.1
Interest revenue from financial assets not measured at FVTPL	49.0	–	–	49.0
Equity securities	8.2	44.5	6.4	59.1
Debt securities	170.3	(130.8)	193.1	232.6
Mortgages and loans	6.1	0.6	–	6.7
Specialised investment funds	0.8	5.5	65.9	72.2
Other investment return before expenses	185.4	(80.2)	265.4	370.6
Investment management expenses	(19.6)	–	–	(19.6)
Other investment return	165.8	(80.2)	265.4	351.0
Total investment return	214.8	(80.2)	265.4	400.0

Year ended 31 December 2022 (Restated)	Investment income $m	Net realised (losses)/gains $m	Net unrealised gains/(losses) $m	Total investment return $m
Cash and cash equivalents	14.9	–	–	14.9
Trade and other receivables	0.8	–	–	0.8
Interest revenue from financial assets not measured at FVTPL	15.7	–	–	15.7
Equity securities	8.4	(26.1)	30.4	12.7
Debt securities	60.5	(49.5)	(150.0)	(139.0)
Mortgages and loans	1.3	–	–	1.3
Specialised investment funds	0.2	0.4	(11.9)	(11.3)
Other investment return before expenses	70.4	(75.2)	(131.5)	(136.3)
Investment management expenses	(13.8)	–	–	(13.8)
Other investment return	56.6	(75.2)	(131.5)	(150.1)
Total investment return	72.3	(75.2)	(131.5)	(134.4)

Investment return in respect of the discontinued operation included investment income from cash and cash equivalents during the year of $0.6m (2022: $0.1m). All 'Other investment return' relates to continuing operations.

8 Net finance income or expenses from insurance and reinsurance contracts held

This Note shows the breakdown of net finance expenses from insurance contracts issued and the net finance income from reinsurance contracts held.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Net finance (expenses)/income from insurance contracts		
Interest accreted	**(293.7)**	(28.2)
Effect of changes in interest rates and other financial assumptions	**(29.0)**	335.3
Total net finance (expenses)/income from insurance contracts	**(322.7)**	307.1
Net finance income/(expenses) from reinsurance contracts held		
Interest accreted	**97.3**	15.0
Effect of changes in interest rates and other financial assumptions	**(0.4)**	(113.5)
Total net finance income/(expenses) from reinsurance contracts held	**96.9**	(98.5)

The relationship between 'net finance income or expenses from insurance and reinsurances held' and 'investment return' is outlined in Note 4.3.2.

9 Return on derivative contracts

This Note shows the effect on the income statement of derivative contracts held during the year, and which help manage exposure to fluctuations in interest rates and foreign exchange rates. Derivatives are shown analysed between investment and currency related derivatives, reflecting the way the business is managed.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Investment-related non-currency options	**(7.2)**	0.8
Currency forwards	**(2.2)**	13.5
Return on derivative contracts	**(9.4)**	14.3

10 Discontinued operation

This Note describes the composition of the discontinued operation and illustrates its impact on the Group in terms of financial performance and cash flow information. It also sets out the assets and liabilities of the disposal group classified as held for sale.

On 10 May 2023, the Group completed the sale to Amynta of the following subsidiaries (collectively termed 'Ambridge'):

- Brit Insurance USA Holdings Inc.
- Brit Insurance Services USA, LLC (formerly Brit Insurance Services USA Inc.)
- Ambridge US Service Company, Inc.
- Ambridge Partners LLC
- Ambridge Diligence Services LLC (formerly Ambridge Due Diligence Services LLC)
- Ambridge Europe Limited
- Ambridge European Holdings Limited
- Ambridge Europe GmbH & Co. KG
- Ambridge German Holdings GmbH

Ambridge was presented as a disposal group held for sale in the 2022 financial statements of the Group. The business undertook a significant portion of the distribution activity of the Group and had a material balance sheet value. As such, the results of the Ambridge business have been reported as a discontinued operation in the current and prior periods. The discontinued operation includes the elimination of intragroup transactions with continuing operations, along with adjustments to reflect how transactions between continuing operations and the discontinued operation will be reflected in continuing operations going forward.

10 Discontinued operation (continued)

(a) Financial performance and cash flow information

The financial performance of Ambridge in the current and prior period was as follows:

	Period ended 10 May 2023 $m	Year ended 31 December 2022 $m
Operating Activities		
Revenue[1]	**17.4**	30.7
Expenses[2]	**(9.8)**	(20.5)
Profit before income tax	**7.6**	10.2
Income tax (expense)/credit	**(0.5)**	11.5
Profit after income tax of discontinued operation	**7.1**	21.7
Gain on sale after income tax and reclassification of foreign currency translation reserve (see (b) below)	**259.1**	–
Profit from discontinued operation, net of tax	**266.2**	21.7
Exchange differences on translation of discontinued operation	**0.5**	(1.9)
Reclassification of foreign currency translation reserve on disposal of foreign operation	**1.9**	–
Other comprehensive income/(expense) from discontinued operation	**2.4**	(1.9)
Total comprehensive income from discontinued operation	**268.6**	19.8

1. Revenue includes $16.8m (2022: $30.6m) fee and commission-related income and $0.6m of interest income (2022: $0.1m). The caption also includes net foreign exchange gains.
2. $1.1m (2022: ($8.3)m) of insurance service expenses and $8.0m (2022: $31.0m) of other operating expenses are included within the expenses caption. The caption also includes other expenses such as finance costs and net foreign exchange losses.

No gains or losses arose in respect of the remeasurement of assets or liabilities as held for sale.

All profits and losses, and other comprehensive income, from the discontinued operation are attributable to the owners of the parent in both the current and prior period.

The cash flow information for Ambridge in the current and prior period was as follows:

	Period ended 10 May 2023 $m	Year ended 31 December 2022 $m
Net cash inflow from operating activities	**31.6**	37.8
Net cash inflow from investing activities	**–**	0.4
Net cash outflow from financing activities	**(32.6)**	–
Net (decrease)/increase in cash generated by the discontinued operation	**(1.0)**	38.2

In addition, cash proceeds from the sale of Ambridge totalled $265.8m, with group cash balance incorporated within the sale totalling $137.1m. As a result, net cash inflow from the sale of Ambridge totalled $128.7m.

10 Discontinued operation (continued)

(b) Details of the sale of the subsidiary

	10 May 2023 $m
Consideration received or receivable:	
Cash	**265.8**
Fair value of bond	**113.2**
Total disposal consideration	**379.0**
Carrying amount of net assets sold	**(118.0)**
Gain on sale before and after income tax	**261.0**
Reclassification of foreign currency translation reserve	**(1.9)**
Gain on sale after income tax and reclassification of foreign currency translation reserve	**259.1**

The gain on sale after income tax has been presented in the 'Profit from discontinued operation, net of tax' line of the consolidated income statement.

As part of the sale, Brit Group were issued a 5-year bond with a nominal value of $125.0m. The bond is due for repayment on 10 May 2028, and as at the date of disposal, it was deemed to have a fair value of $113.2m. Subsequently, on 2 October 2023, the bond was sold to another company within the Fairfax group for $111.0m, realising a loss of $2.2m.

Separately, in the event the operations of Ambridge achieve certain performance criteria during the period 1 January 2023 to 31 December 2023, as specified in the sale agreement, additional cash consideration of up to $100.0m will be receivable. If this were to materialise, Brit Group would expect to receive this additional consideration in the second quarter of 2024. At both the point of disposal and the reporting date, the fair value of the contingent consideration was determined to be $nil.

The carrying amounts of assets and liabilities, including those relating to the unwind of Ambridge-related consolidation adjustments, as at the date of sale (10 May 2023) were as follows:

	10 May 2023 $m
Goodwill	**45.9**
Distribution channels	**32.0**
Other intangibles	**0.6**
Property, plant and equipment	**3.4**
Current taxation	**2.0**
Deferred taxation	**19.2**
Trade and other receivables	**108.6**
Cash and cash equivalents	**137.1**
Total assets	**348.8**
Insurance contract liabilities	**(18.4)**
Current taxation	**(3.3)**
Deferred taxation	**(9.6)**
Trade and other payables	**(199.5)**
Total liabilities	**(230.8)**
Net assets	**118.0**

10 Discontinued operation (continued)

(c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2022:

	Ambridge $m	Consolidation Adjustment $m	31 December 2022 $m
Assets classified as held for sale:			
Goodwill	45.9	–	45.9
Distribution channels	32.1	–	32.1
Other intangibles	0.5	–	0.5
Property, plant and equipment	3.6	–	3.6
Current taxation	4.5	–	4.5
Deferred taxation	6.2	4.5	10.7
Trade and other receivables	133.9	(37.7)	96.2
Cash and cash equivalents	67.8	70.3	138.1
Total assets of disposal group held for sale	**294.5**	**37.1**	**331.6**
Liabilities directly associated with assets classified as held for sale:			
Current taxation	4.3	–	4.3
Trade and other payables	166.8	(121.5)	45.3
Total liabilities of disposal group held for sale	**171.1**	**(121.5)**	**49.6**

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2022 were $2.4m.

11 Other income (including changes in value of other financial liabilities)

This Note shows the analysis of other income generated in the year, including changes in value of other financial liabilities.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Fees and commission from non-aligned syndicate	**3.4**	5.6
Change in value of ultimate parent company shares held by Brit	**44.3**	20.9
Net commission fee income from intermediary activities	**19.3**	31.0
Consortium income	**10.9**	4.5
Other	**4.5**	1.8
Other income	**82.4**	63.8
Change in value of other financial liabilities*	**(20.8)**	(1.3)
Total	**61.6**	62.5
Attributable to:		
Continuing operations	**44.8**	31.9
Discontinued operation	**16.8**	30.6
	61.6	62.5

* Other financial liabilities are investments by third parties in structured insurance and investment entities consolidated by the Group.

12 Net foreign exchange (losses)/gains

The Group operates in multiple countries and currencies and is exposed to gains and losses arising as a result of movement in various foreign currency exchange rates. This Note explains the foreign exchange gains or losses as a result of converting the income, expenses, assets and liabilities from foreign currencies to US dollars.

The Group recognised foreign exchange losses of $95.2m (2022: gains of $99.1m) in the income statement in the year. Foreign exchange gains and losses result from the translation of the statement of financial position items using closing exchange rates, and translation of income statement items using the exchange rates prevailing at the dates of the relevant transactions, or at the average rate for the period when this is a reasonable approximation.

	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
(Losses)/gains on foreign exchange arising from:		
Financial instruments measured at FVTPL	**27.7**	(59.9)
Other items	**(122.9)**	159.0
Net foreign exchange (losses)/gains	**(95.2)**	99.1
Attributable to:		
Continuing operations	**(94.2)**	97.3
Discontinued operation	**(1.0)**	1.8
	(95.2)	99.1

Principal exchange rates applied are set out in the table below.

	Year ended 31 December 2023		Year ended 31 December 2022	
	Average	**Closing**	Average	Closing
Sterling	**0.804**	**0.784**	0.809	0.831
Canadian dollar	**1.350**	**1.319**	1.301	1.355
Euro	**0.925**	**0.905**	0.950	0.937
Australian dollar	**1.506**	**1.466**	1.440	1.475
South African rand	**18.441**	**18.288**	16.309	17.015

In accordance with IAS 1 'Presentation of Financial Statements', exchange gains and losses are presented on a net basis. They are reported within income where they result in a net gain and within expenses where they result in a net loss.

13 Insurance service expenses and other operating expenses

This Note shows the analysis of costs incurred in acquiring and underwriting insurance contracts and the running costs of our business during the year. We have separated out the more material costs in order to provide a more detailed insight into our cost base.

$m	Year ended 31 December 2023				Year ended 31 December 2022			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Claims	–	1,850.1	–	1,850.1	–	2,181.4	–	2,181.4
Commission costs	498.7	–	–	498.7	428.7	–	–	428.7
Salary, pension and social security costs (Note 14)	92.3	35.7	56.7	184.7	119.9	26.6	54.3	200.8
Other staff related costs	12.5	9.6	27.1	49.2	7.0	5.5	17.8	30.3
Accommodation costs	4.3	2.8	–	7.1	3.4	3.7	–	7.1
Legal and professional charges	4.5	4.0	15.6	24.1	4.5	3.4	16.3	24.2
IT costs	12.4	6.1	13.6	32.1	4.5	16.0	9.5	30.0
Travel and entertaining	3.4	0.9	1.2	5.5	3.0	0.9	1.7	5.6
Marketing and communications	0.6	0.1	1.0	1.7	0.9	0.2	1.2	2.3
Amortisation and impairment of intangible assets	2.6	2.0	4.7	9.3	1.9	2.1	7.7	11.7
Depreciation, impairment and losses on disposal of property, plant and equipment	2.0	1.4	3.3	6.7	3.2	2.3	2.9	8.4
Regulatory levies and charges	32.1	44.7	0.6	77.4	26.4	44.0	0.8	71.2
Other	–	–	11.1	11.1	–	–	9.2	9.2
Reclassification of expenses relating to paid unallocated loss adjustment expenses	(27.4)	–	–	(27.4)	(23.7)	–	–	(23.7)
Total insurance service expenses and other operating expenses	638.0	1,957.4	134.9	2,730.3	579.7	2,286.1	121.4	2,987.2
Attributable to:								
Continuing operations	638.7	1,955.6	126.9	2,721.2	591.6	2,282.5	90.4	2,964.5
Discontinued operation	(0.7)	1.8	8.0	9.1	(11.9)	3.6	31.0	22.7
Total insurance service expenses and other operating expenses	638.0	1,957.4	134.9	2,730.3	579.7	2,286.1	121.4	2,987.2

14 Staff costs

This Note gives a breakdown of the total cost of employing staff (including executive and non-executive Directors) and gives the average number of people employed by the Group during the year.

	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Wages and salaries	**151.8**	171.6
Social security costs	**18.8**	19.1
Pension costs	**14.1**	10.1
Total staff costs	**184.7**	200.8

The monthly average number of employees during the year, including executive and non-executive Directors, was as follows:

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
Underwriters	**296**	305
Claims staff	**74**	81
Other underwriting and direct support staff	**9**	10
Management	**208**	207
Administration	**372**	343
Total employees	**959**	946

'Management' includes non-executive Directors and employees who have other members of staff reporting to them.

Director emoluments are included on page 208.

15 Finance costs

Finance costs arise from interest due on moneys borrowed by the Group and any other amounts payable in respect of those borrowings or borrowing facilities. Finance costs also includes interest payable on lease liabilities. The Group's borrowings consist of a revolving credit facility and listed unsecured subordinated debt, details of which are set out in Note 30.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Revolving credit facility and other bank borrowings	**10.2**	12.7
Interest payable on lease liabilities	**1.1**	1.3
Subordinated debt	**6.2**	6.1
Total finance costs	**17.5**	20.1
Attributable to:		
Continuing operations	**17.8**	20.5
Discontinued operation	**(0.3)**	(0.4)
	17.5	20.1

On 14 December 2023, the Group repurchased £8,031,000 of the subordinated debt for £5,893,730, including accrued interest.

15 Finance costs (continued)

The income resulting from this transaction, all of which was attributable to continuing operations, was as follows:

	Year ended 31 December 2023 $m
Carrying value of repurchased	
Subordinated debt	**10.0**
Consideration for repurchase	**(7.3)**
Total finance income	**2.7**

16 Auditors' remuneration

The Group engages PricewaterhouseCoopers LLP to perform the audit of the Group and all subsidiaries except for Camargue companies.

The remuneration of the auditors or their associates is analysed as follows:

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Audit of the Group and Company financial statements*	**0.9**	2.4
Audit of subsidiaries	**1.3**	1.2
Audit related assurance services	**0.5**	0.4
Total audit and audit related assurance services	**2.7**	4.0
Total non-audit services	**–**	0.2
Total audit and non-audit services	**2.7**	4.2

* In 2022, $1.7m (2021: $0.4m) has been included within this figure in respect of early IFRS 17 related audit work.

17 Investment in associated undertaking

This Note describes the investment made in an associated undertaking and provides summarised income statements and statements of financial position of that associate.

Sutton Special Risk Inc. ('Sutton')
On 2 January 2019 Brit Insurance Holdings Limited acquired 49% of the issued shares of Sutton for a total purchase consideration of CAD$17.2m, and entered into a forward contract to purchase the remaining 51% in 2024. Sutton is a Canadian managing general underwriter of a range of specialised insurance products, including Accident and Health.

On 17 November 2023, the Group entered into a signed securities purchase agreement with Amynta, for the sale of its 49% shareholding. The investment in Sutton has therefore been reclassified as an asset classified as held for sale as at 31 December 2023.

The summarised statement of financial position of Sutton and reconciliation to the carrying amount is as follows:

Statement of financial position	31 December 2023 $m	31 December 2022 $m
Current assets	**46.6**	46.1
Non-current assets	**5.0**	2.8
Total assets	**51.6**	48.9
Current liabilities	**(42.8)**	(42.3)
Non-current liabilities	**(1.5)**	(0.3)
Total liabilities	**(44.3)**	(42.6)
Net assets	**7.3**	6.3
51% not owned by Brit	**(3.7)**	(3.2)
Acquisition fair value, result since acquisition and other adjustments	**12.2**	12.1
Carrying value	**15.8**	15.2

Income statement	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Commission revenue	**9.9**	9.5
Operating expenses	**(6.6)**	(6.4)
Net profit	**3.3**	3.1
51% not owned by Brit	**(1.7)**	(1.6)
Share of net profit of associate	**1.6**	1.5

18 Non-controlling interests

This Note provides summarised financial information for each subsidiary that has non-controlling interests ('NCI') that are material to the Group. The amounts disclosed are before inter-company eliminations.

During 2020, Ki Financial Limited was incorporated and received initial funding from investors, including Brit Limited, to support the initial underwriting activities of Ki Syndicate 1618. On 1 January 2021 Ki Syndicate 1618 commenced underwriting. During 2021 and 2022, additional funding from investors, including Brit Limited, was received to support the continued underwriting. The Group's shareholding remained consistent throughout the year, as at 31 December 2022, the Group continues to hold 20% of the share capital but a majority of the voting rights in the Company.

From 1 January 2021, Ki Member Limited (formerly RiverStone Corporate Capital 4 Limited) provided capital to Syndicate 1618. Ki Member Limited was legally owned by RiverStone Holdings Limited ('RHL') throughout 2021. However, the Group was exposed to the majority of Ki Member Limited's business as a result of the Ki structure and, as a result, the Group was considered to control Ki Member Limited. A NCI was recorded in respect of RHL's entitlement to residual retained profits arising from activities unrelated to Ki. As at 31 December 2021, the accumulated NCI attributable to RHL was $0.7m. On 1 January 2022, the Group acquired 100% of the issued shares in Ki Member Limited. The purchase consideration was $0.5m. As a result, there is no longer an NCI attributable to RHL, and a $0.1m gain was recognised as a movement in retained earnings.

18 Non-controlling interests (continued)

No dividends were paid to non-controlling interests in 2023 (2022: $nil).

The total transactions with non-controlling interests recorded in the statement of changes in equity is $nil (2022: $151.5m), comprising $nil (2022: $152.0m) attributable to Blackstone and $nil (2022: ($0.5m)) attributable to RHL. The 2022 movement in relation to RHL is a result of the Group acquiring 100% of the issued shares in Ki Member Limited in January 2022.

The summarised financial information of Ki Financial Limited, before inter-company eliminations, is as follows:

Statement of financial position	31 December 2023 $m	(Restated) 31 December 2022 $m
Current assets	**26.1**	55.4
Non-current assets	**502.4**	436.2
Total assets	**528.5**	491.6
Current liabilities	**(4.0)**	(2.3)
Non-current liabilities	**(33.5)**	–
Total liabilities	**(37.5)**	(2.3)
Net assets	**491.0**	489.3
Accumulated NCI attributable to Ki Financial Limited standalone entity[2]	**411.7**	402.7
Adjustment in respect of Ki Financial Limited sub-group	**54.6**	4.4
Accumulated NCI as presented on the consolidated statement of financial position	**466.3**	407.1

Comprehensive income statement	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Income[1]	**3.4**	(0.1)
Profit/(loss) for the period	**1.7**	(5.9)
Total comprehensive income/(expense)	**1.7**	(5.9)
NCI profit/(loss) attributable to Ki Financial Limited standalone entity[2]	**1.0**	(3.5)
Adjustment in respect of Ki Financial Limited sub-group	**58.2**	19.6
Profit allocated to NCI as presented on the consolidated income statement	**59.2**	16.1

[1] Income for Ki Financial Limited relates to 'interest revenue from financial assets not measured at FVTPL', 'other investment return', 'other income' and 'net foreign exchanges gains/(losses)'.
[2] The movement in accumulated NCI attributable to Ki Financial Limited standalone entity is a function of NCI profit or loss attributable to Ki Financial Limited standalone entity and other movements reflecting the contractual agreements pertaining to the NCI shareholding.

Statement of cash flows	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Cash flows from operating activities	**33.3**	(0.4)
Cash flows from investing activities	**(67.2)**	(171.5)
Cash flows from financing activities	**–**	190.0
Net (decrease)/increase in cash and cash equivalents	**(33.9)**	18.1

19 Tax credit/(expense)

Income tax is tax charged on trading activities during the year. This Note shows the breakdown of tax payable in the current period (current tax) and also tax that may become payable sometime in the future (deferred tax).

(a) Tax credited/(charged) to the income statement

	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Current tax:		
Overseas tax on income for the year	**(4.3)**	(7.0)
Adjustments in respect of prior years	**(13.1)**	10.4
Total current tax	**(17.4)**	3.4
Deferred tax:		
Relating to the origination and reversal of temporary differences	**8.4**	(100.7)
Adjustments in respect of prior years	**13.8**	3.9
Total deferred tax	**22.2**	(96.8)
Total tax credited/(charged) to the income statement	**4.8**	(93.4)
Tax credited/(charged) to the income statement is attributable to:		
Profit or loss from continuing operations	**5.3**	(104.9)
Profit or loss from discontinued operations	**(0.5)**	11.5
	4.8	(93.4)

The main rate of UK corporation tax increased from 19% to 25% from 1 April 2023 under Finance Act 2021 which was substantively enacted on 24 May 2021. A tax rate of 23.5% (2022: 19%) has been used in the calculation of the UK current tax.

Overseas taxes arise in respect of the Group's subsidiaries in the US, Germany and South Africa and as a result of the Group's operations at Lloyd's. Double tax relief principally arises from taxes suffered as a result of the Group's operations at Lloyd's. Double tax relief is effectively limited to an amount equal to the tax due at the UK tax rate on the same source of income. The double tax relief amount is included within deferred tax on the basis that the amount will be recovered against future liabilities within the Group.

(b) Tax credited to other comprehensive income

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Deferred tax credit on actuarial gains on defined benefit pension scheme	**8.4**	14.3

Tax credited to other comprehensive income in the current and prior years is attributable to continuing operations.

19 Tax credit/(expense) (continued)

(c) Tax reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise based on the weighted average rate of tax as follows:

	Year ended 31 December 2023 $m	(Restated) Year ended 31 December 2022 $m
Profit on ordinary activities before tax	**890.6**	402.3
Tax calculated at weighted average rate of tax on income	**(119.6)**	(89.8)
Non-deductible and non-taxable items	**1.6**	2.9
Profit on disposal of subsidiary	**60.7**	–
Taxes on income at rates in excess of the domestic rate and where credit is unavailable	**(1.2)**	(1.7)
Effect of temporary differences not recognised	**64.7**	(16.3)
Effect of revaluation of deferred tax following change in rate of tax	**(2.1)**	(2.7)
Adjustments to tax charge in respect of prior years	**0.7**	14.2
Total tax credited/(charged) to income statement	**4.8**	(93.4)

Profit on ordinary activities before tax includes profits arising from both continuing and discontinued operations:

Profit on ordinary activities before tax	Continuing operations $m	Discontinued operations $m	Total $m
Year ended 31 December 2023	**623.9**	**266.7**	**890.6**
Year ended 31 December 2022	392.1	10.2	402.3

The weighted average rate of tax is based on the geographic split of profit across Group entities in jurisdictions with differing tax rates. As the mix of taxable profits changes, so will the weighted average rate of tax.

(d) OECD 'Pillar Two' rules

The Group operates in the United Kingdom, which has enacted new legislation to implement the global minimum tax in the form of the Income Inclusion Rule and Domestic Top-Up Tax (collectively referred to as "Top-Up Tax"). Brit Limited is therefore effectively viewed as the "Ultimate Parent Entity" for Top-Up Tax purposes as the jurisdiction in which its ultimate parent sits has not substantively enacted equivalent global minimum tax legislation.

The Group expects to be subject to Top-Up Tax in relation to its operations in Bermuda, where there is currently no effective corporate income tax. However, since the newly enacted tax legislation in the United Kingdom is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the Top-Up Tax and will account for it as a current tax when it is incurred.

If Top-Up Tax had applied in 2023, then the profits arising in relation to the Group's operations in Bermuda for the year ended 31 December 2023 that would be subject to it would amount to $401m, with the average effective tax rate applicable to those profits during 2023 being c.2%.

It is anticipated that once Canada substantively enacts its implementation of the Income Inclusion Rule, any tax liability arising under the Income Inclusion Rule will not be borne by Brit Limited.

20 Intangible assets

An intangible asset is an asset without any physical substance but which has long-term value to the business. With the exception of goodwill, syndicate participation rights at Lloyd's, and trade names, which are classified as indefinite life assets, the values of these assets are reduced according to their useful life by way of amortisation. Amortisation is included as an expense in the income statement.

	Goodwill $m	Trade names $m	Distribution channels $m	Syndicate participations $m	Employee related $m	Software $m	Total $m
Cost:							
At 1 January 2022	61.3	1.3	59.2	70.8	1.2	45.6	239.4
Additions	–	–	–	–	–	9.2	9.2
Assets classified as held for sale	(45.9)	(0.5)	(42.6)	–	(1.2)	(1.6)	(91.8)
Foreign exchange effect	(1.0)	–	(0.3)	–	–	(5.1)	(6.4)
At 31 December 2022	14.4	0.8	16.3	70.8	–	48.1	150.4
At 1 January 2023	**14.4**	**0.8**	**16.3**	**70.8**	**–**	**48.1**	**150.4**
Additions	**–**	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Disposals	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Foreign exchange effect	**(1.0)**	**(0.1)**	**(0.5)**	**–**	**–**	**2.7**	**1.1**
At 31 December 2023	**13.4**	**0.7**	**15.8**	**70.8**	**–**	**62.9**	**163.6**
Amortisation:							
At 1 January 2022	–	–	14.9	–	1.1	18.1	34.1
Charge for the year	–	–	3.9	–	0.1	7.7	11.7
Assets classified as held for sale	–	–	(10.5)	–	(1.2)	(1.6)	(13.3)
Foreign exchange effect	–	–	–	–	–	(2.1)	(2.1)
At 31 December 2022	–	–	8.3	–	–	22.1	30.4
At 1 January 2023	**–**	**–**	**8.3**	**–**	**–**	**22.1**	**30.4**
Charge for the year	**–**	**–**	**1.0**	**–**	**–**	**8.2**	**9.2**
Impairment	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Disposals	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Foreign exchange effect	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**
At 31 December 2023	**–**	**–**	**9.3**	**–**	**–**	**31.6**	**40.9**
Carrying amount:							
At 31 December 2022	14.4	0.8	8.0	70.8	–	26.0	120.0
At 31 December 2023	**13.4**	**0.7**	**6.5**	**70.8**	**–**	**31.3**	**122.7**

20 Intangible assets (continued)

Additional information

The gross cost of software fully amortised but still in use is $11.9m (2022: $19.5m). All software additions in 2023 and 2022 were internally developed. The software amortisation charge for the year of $8.2m (2022: $7.7m) is included in the 'Other operating expenses' and 'Profit from discontinued operation, net of tax' lines in the Income Statement. There were impairments to software in 2023 of $0.2m (2022: $nil). Assets not yet in use with a total cost of $5.2m (2022: $6.2m) are included in software.

Impairment testing

Goodwill

Goodwill is reviewed annually for impairment and has been allocated to the Camargue cash-generating units (CGUs):

	31 December 2023 $m	31 December 2022 $m
Camargue	**13.4**	14.4

The goodwill of the Group relates to the acquisition of Camargue 2021, and the recoverable amounts have been determined using a value in use calculation. In the prior year, an amount of goodwill allocated to Ambridge prior to being reclassified to 'Assets classified as held for sale' was also assessed for impairment as at 31 December 2022.

Camargue was acquired on 4 October 2021 and was subject to a purchase price allocation exercise in Q4 2021 to determine the value of the goodwill at acquisition. In respect of Camargue, the value in use calculation uses cash flow projections based on business plans approved by senior management covering a one-year period and subsequent cash flows which assume a 4% per annum growth in expenses and a 5% per annum growth in commissions over a further two years. A perpetuity is assumed from year 4 onwards and is based on the year 3 estimated cash flows. These cash flows have been discounted using a risk adjusted discount rate of 11.85% (2022: 9.79%).

In the goodwill impairment review for Camargue, the recoverable amount exceeds the carrying value of the CGU including its associated goodwill and it is considered that a reasonably possible change in key assumptions will not cause the carrying value of the CGU to exceed its recoverable amount.

The key assumptions used for the impairment calculations were that cash flows and profit levels will mainly depend on the level of commissions earned by Camargue. The business plans reflect senior management's best estimates based on historical experience, growth rates for the respective insurance industry sector, the insurance pricing cycle and expected results from ongoing and future strategic business unit product and distribution strategies.

Syndicate participations

Syndicate participations are indefinite life intangible assets and are therefore reviewed annually for impairment. They have been allocated to CGUs as follows:

	31 December 2023 $m	31 December 2022 $m
Global Specialty Direct	**52.7**	52.7
Global Specialty Reinsurance	**18.1**	18.1
Total	**70.8**	70.8

These CGUs are based upon operating segments which earn revenues and incur expenses and whose results are regularly reviewed by management.

The recoverable amounts of the CGUs have been determined using a value-in-use calculation.

Each value-in-use calculation uses post-tax cash flow projections based on business plans approved by senior management covering a one-year period and subsequent cash flows which assume a 5% per annum growth in Gross Written Premium (GWP) over a further two years. The underlying syndicates report on UK GAAP basis and accordingly the forecast GWP information is a relevant basis to use for the impairment testing. A perpetuity is assumed from year 4 onwards and is based on the year 3 estimated cash flows. These cash flows have been discounted using a risk adjusted post-tax discount rate of 11.85% (2022: 9.79%). In each syndicate participation impairment review, the recoverable amount significantly exceeds the carrying value of the CGU, including its associated syndicate participations and it is considered that a reasonably possible change in key assumptions will not cause the carrying value of the CGU to exceed its recoverable amount.

20 Intangible assets (continued)

Impairment testing (continued)
The key assumptions used for the impairment calculations were that cash flows and profit levels will mainly depend on the level of premiums written by each strategic business unit, the rates at which these premiums are written and the claims activity on both prior and future underwriting years. The business plans reflect senior management's best estimates based on historical experience, growth rates for the respective insurance industry sector, the insurance pricing cycle, and expected results from ongoing and future strategic business unit product and distribution strategies. In 2022, for the purposes of the cash flow forecast, the investment returns were reduced compared to the approved plan. Due to significant negative movements in investments in 2022, large gains were expected in 2023 as the market recovered. In order to build into the testing a degree of prudence over these estimated gains, a more conservative investment return had been assumed.

Trade names
Trade names are indefinite life intangible assets and are therefore reviewed annually for impairment. They have been allocated to CGUs as follows:

	31 December 2023 $m	31 December 2022 $m
Camargue	**0.7**	0.8

Trade names were acquired in 2021, as part of the Camargue acquisition. In the prior year, an amount of trade name intangibles was allocated to Ambridge prior to being reclassified to 'Assets classified as held for sale' was also assessed for impairment as at 31 December 2022.

Camargue was acquired on 4 October 2021 and has been subject to a purchase price allocation exercise in Q4 2021 to determine the value of the trade name at acquisition. The projections, discount rate and assumptions used are in line with that described above for the goodwill impairment assessment in respect of Camargue.

Sensitivity of key assumptions
In performing impairment testing, the Group has considered the impact on key assumptions of potential adverse changes in the economic and regulatory environment:

- Growth rates – In order to test sensitivity to projected underwriting forecasts, the net earned premiums figure (NEP) applied during testing has been stressed. A 5% decrease in NEP has been used as a reasonably possible change to the underwriting result of our CGUs. Intangible assets remain recoverable under this scenario.
- Discount rates – In order to test sensitivity of forecast profits to changes in future market conditions, the discount rate applied during testing has been stressed. Intangible assets remain recoverable up to a discount rate of 23.0% (for Global Specialty Reinsurance) and 26.5% (for Global Specialty Direct).
- Projected combined ratio – In order to test sensitivity to projected underwriting forecasts, the combined ratio applied during testing has been stressed. A 1% increase in combined ratio has been used as a reasonably possible change to the underwriting result of our CGUs. Intangible assets remain recoverable under this scenario.
- Investment return – In order to test sensitivity of intangible assets to the investment return of CGUs, the Group considered the reduction in investment return that would be required in order for an impairment to arise. This testing indicated that forecast returns would need to reduce by more than 131% (Global Specialty Reinsurance) and 108% (Global Specialty Direct) before an impairment would be required.

21 Property, plant and equipment

This Note gives a breakdown of the type of property, plant and equipment asset classes in use. The value of these assets are reduced according to their useful life by way of depreciation. Depreciation is included as an expense in the income statement. An annual assessment of the carrying value of these assets is carried out and, if necessary, an impairment charge to the income statement is made.

	Office refurbishment $m	Computers, office machinery, furniture and equipment $m	Land $m	Buildings $m	Right of use assets $m	Total $m
Cost:						
At 1 January 2022	24.3	5.4	0.3	0.6	58.0	88.6
Additions	–	2.0	–	0.1	–	2.1
Transfers between asset classes	(0.3)	0.3	–	–	–	–
Assets classified as held for sale	(1.4)	(3.2)	–	–	(7.4)	(12.0)
Disposals	–	(0.1)	–	–	(0.7)	(0.8)
Foreign exchange effect	(2.6)	(0.3)	–	–	(5.7)	(8.6)
At 31 December 2022	20.0	4.1	0.3	0.7	44.2	69.3
At 1 January 2023	**20.0**	**4.1**	**0.3**	**0.7**	**44.2**	**69.3**
Additions	**1.0**	**1.4**	**–**	**–**	**0.8**	**3.2**
Disposals	**(1.9)**	**(0.5)**	**–**	**–**	**(9.2)**	**(11.6)**
Foreign exchange effect	**1.1**	**0.2**	**–**	**(0.1)**	**2.3**	**3.5**
At 31 December 2023	**20.2**	**5.2**	**0.3**	**0.6**	**38.1**	**64.4**
Depreciation:						
At 1 January 2022	10.9	3.4	–	–	16.7	31.0
Charge for the year	1.8	0.9	–	–	5.7	8.4
Assets classified as held for sale	(1.3)	(2.7)	–	–	(4.4)	(8.4)
Disposals	–	(0.1)	–	–	(0.6)	(0.7)
Foreign exchange effect	(1.1)	(0.1)	–	–	(1.6)	(2.8)
At 31 December 2022	10.3	1.4	–	–	15.8	27.5
At 1 January 2023	**10.3**	**1.4**	**–**	**–**	**15.8**	**27.5**
Charge for the year	**1.7**	**0.8**	**–**	**–**	**3.8**	**6.3**
Impairment	**1.1**	**0.3**	**–**	**–**	**–**	**1.4**
Disposals	**(1.9)**	**(0.5)**	**–**	**–**	**(2.9)**	**(5.3)**
Foreign exchange effect	**0.6**	**(0.1)**	**–**	**–**	**1.2**	**1.7**
At 31 December 2023	**11.8**	**1.9**	**–**	**–**	**17.9**	**31.6**
Carrying amount:						
At 31 December 2022	9.7	2.7	0.3	0.7	28.4	41.8
At 31 December 2023	**8.4**	**3.3**	**0.3**	**0.6**	**20.2**	**32.8**

The gross cost of property, plant and equipment fully depreciated but still in use is $0.3m (2022: $8.9m). The depreciation charge for the year of $6.3m (2022: $8.4m) is included in the 'Acquisition costs', 'Other operating expenses' and 'Profit from discontinued operation, net of tax' lines in the Income Statement. An impairment charge was recognised in 2023 of $1.4m (2022: $nil). A dilapidations provision of $2.5m (2022: $2.2m) has been set up in respect of the refurbishment of rented property.

22 Deferred taxation

This Note describes the tax that may have to be paid in the future. Deferred tax arises from differences in the way that tax is calculated for accounting purposes and tax purposes.

The deferred tax asset (DTA) is attributable to temporary differences arising on the following:

Restated	Intangible assets $m	Underwriting $m	Other $m	Total $m
At 1 January 2022	0.3	21.8	92.9	115.0
Movements in the year:				
Credited/(charged) to income statement	8.0	(21.7)	15.1	1.4
Classified as held for sale	(2.1)	(4.3)	(6.6)	(13.0)
Foreign exchange effect	–	–	(1.0)	(1.0)
At 31 December 2022	6.2	(4.2)	100.4	102.4
Set-off of deferred tax liabilities pursuant to set-off provisions				(102.4)
Net deferred tax asset at 31 December 2022				–
At 1 January 2023	**6.2**	**(4.2)**	**100.4**	**102.4**
Movements in the year:				
(Charged)/credited to income statement	**–**	**(0.1)**	**31.6**	**31.5**
Disposal of subsidiaries	**(6.2)**	**4.3**	**(1.4)**	**(3.3)**
Foreign exchange effect	**–**	**–**	**1.9**	**1.9**
At 31 December 2023	**–**	**–**	**132.5**	**132.5**
Set-off of deferred tax liabilities pursuant to set-off provisions				**(132.5)**
Net deferred tax asset at 31 December 2023				**–**

The rate of 25% has been used in the calculation of the UK deferred tax assets and liabilities as at 31 December 2023, with the exception of the deferred tax liability (DTL) in respect of pensions which is recognised at 35%.

On 22 November 2023, the Chancellor announced that the tax rate on pension surpluses will decrease from 35% to 25% from 6 April 2024. The change in tax rate has not been substantively enacted, therefore the Group continues to recognise the DTL on pensions at 35%. Recognising the surplus at 25% will result in a decrease in the DTLs from $12.5m to $9.2m.

DTAs, all of which arise in the United Kingdom, are considered recoverable where it is expected that there will be future taxable income based on the approved business plans and budgets of the Group, which have also been used for goodwill and intangible asset impairment testing. The net DTA recorded in the year arises from significant catastrophe-related activity. The losses can be carried forward indefinitely and have no expiry date. Please see note 3.9 for further detail on the estimation of DTAs.

DTAs have not been recognised in respect of certain losses carried forward of $82.4m (2022: $48.8m) as it is not considered probable that they can be utilised in the foreseeable future. The unused losses can be carried forward indefinitely and have no expiry date. Deferred tax has not been provided in respect of the profits of subsidiaries in the Group as tax exemptions, for example the participation exemption, are expected to apply.

22 Deferred taxation (continued)

The DTL is attributable to temporary differences arising on the following:

Restated	Pensions $m	Intangible assets $m	Underwriting $m	Other $m	Total $m
At 1 January 2022	(39.9)	(33.8)	(24.7)	(1.8)	(100.2)
Movements in the year:					
Acquisitions	(0.7)	–	–	–	(0.7)
(Charged)/credited to income statement	(0.1)	4.6	(100.0)	(0.7)	(96.2)
Tax relating to components of other comprehensive income (Note 19(b))	14.3	–	–	–	14.3
Classified as held for sale	–	2.3	–	–	2.3
Foreign exchange effect	4.1	0.1	0.2	(1.2)	3.2
At 31 December 2022	(22.3)	(26.8)	(124.5)	(3.7)	(177.3)
Set-off of deferred tax assets pursuant to set-off provisions					102.4
Net deferred tax liability at 31 December 2022					(74.9)
At 1 January 2023	**(22.3)**	**(26.8)**	**(124.5)**	**(3.7)**	**(177.3)**
Movements in the year:					
Credited/(charged) to income statement	**2.0**	**(1.1)**	**(10.4)**	**0.7**	**(8.8)**
Tax relating to components of other comprehensive income (Note 19(b))	**8.4**	**–**	**–**	**–**	**8.4**
Disposal of subsidiaries	**–**	**6.2**	**(3.9)**	**1.3**	**3.6**
Foreign exchange effect	**(0.6)**	**0.2**	**(0.2)**	**–**	**(0.6)**
At 31 December 2023	**(12.5)**	**(21.5)**	**(139.0)**	**(1.7)**	**(174.7)**
Set-off of deferred tax assets pursuant to set-off provisions					**132.4**
Net deferred tax liability at 31 December 2023					**(42.3)**

Amounts classified as held for sale

As at 31 December 2022 a $10.7m net DTA relating to Ambridge, was presented within 'Assets classified as held for sale'. This net recognised DTA of $10.7m consists of $2.1m DTA in respect of US intangibles, $(2.3)m DTL in respect of UK intangibles, $4.3m in respect of underwriting and $6.6m in respect of other DTAs.

Scenario modelling and sensitivity of key assumptions

The preparation of the Group's deferred tax position involves the use of modelling in order to consider recoverability. In particular, 'best case' and 'worst case' scenarios were modelled, based on reasonable and conservative assumptions. As part of this process, the Group has considered the impact on key assumptions of potential adverse changes in the economic and regulatory environment:

- Syndicate forecasts – In order to test sensitivity of forecast profits to changes in future market conditions, we have considered the impact of pricing changes, reinsurance attachment points and cat margins to the modelled result. In particular, the best case scenario was prepared using less conservative assumptions, including an adjustment for catastrophe risk. The worst case scenario included more conservative forecast underwriting profits for years 2024 to 2027.

- Investment return – The forecast investment return is based on the current market environment, in particular the prevailing interest rates. Given the reliability of the investment return forecasts, we used the base case investment forecasts for the best-case and worst-case modelled scenarios.

The best case scenario returned a net DTA of $109.4m, with an unrecognised amount of $nil, while the worst case scenario resulted in a net DTA of $69.7m (unrecognised amount: $39.7m).

23 Insurance and reinsurance contracts

This Note presents an analysis of the current and non-current portions of insurance contract and reinsurance contract balances.

This Note also analyses the movement in insurance contract and reinsurance contract balances during the year, splitting them into their component parts. It also examines the in-year movement in insurance and reinsurance contract balances applying general measurement model (GMM), the impact of GMM contracts recognised during the year, the movement in assets for insurance acquisition cash flows, and the expected recognition of the CSM in future periods. On transition to IFRS 17, the Group measured all insurance contracts issued and reinsurance contracts held using the fully retrospective approach.

The Note also shows how claims have developed over a period (before and after the effects of reinsurance) of time by setting out the cumulative development at the end of each calendar year in respect of claims arising from business written in a particular underwriting year.

Composition of the consolidated statement of financial position

An analysis of the amounts presented on the consolidated statement of financial position for insurance and reinsurance contracts is included in the table below, along with the presentation of current and non-current portions of the balances:

	Year ended 31 December 2023			Year ended 31 December 2022		
$m	**Current portion**	**Non-current portion**	**Total**	Current portion	Non-current portion	Total
Reinsurance contract assets[1]	**708.3**	**1,234.5**	**1,942.8**	676.8	1,147.3	1,824.1
Insurance contract liabilities:						
Insurance contract liabilities excluding assets for insurance acquisition cash flows	**1,554.2**	**4,336.5**	**5,890.7**	1,587.3	3,842.8	5,430.1
Assets for insurance acquisition cash flows	**(21.0)**	**–**	**(21.0)**	(18.6)	–	(18.6)
Insurance contract liabilities[1]	**1,533.2**	**4,336.5**	**5,869.7**	1,568.7	3,842.8	5,411.5

1. The Group does not have other pre-recognition cash flows included in either its insurance contract liabilities or reinsurance contract assets.

23 Insurance and reinsurance contracts (continued)

Movement in insurance contract balances

Insurance contracts
Analysis by remaining coverage and incurred claims

$m	Remaining coverage[2]	Incurred claims: Contracts not under PAA	Incurred claims: Contracts under PAA – Estimates of present value of future cash flows	Incurred claims: Contracts under PAA – Risk adjustment for non-financial risk	Total
	31 December 2023				
Opening liabilities	(76.9)	–	(5,089.5)	(263.7)	(5,430.1)
Net opening balance[1]	(76.9)	–	(5,089.5)	(263.7)	(5,430.1)
Changes in the consolidated income statement					
Insurance revenue	3,517.1	–	–	–	3,517.1
Incurred claims and other insurance service expenses	–	(352.5)	(1,465.3)	(88.4)	(1,906.2)
Amortisation of insurance acquisition cash flows	(638.0)	–	–	–	(638.0)
Prior year development	–	–	(131.1)	79.9	(51.2)
Insurance service expenses[3]	(638.0)	(352.5)	(1,596.4)	(8.5)	(2,595.4)
Insurance service result[4]	2,879.1	(352.5)	(1,596.4)	(8.5)	921.7
Net finance expense from insurance contracts	(8.5)	(12.7)	(301.5)	–	(322.7)
Effect of movements in exchange rates	6.0	(2.4)	(46.5)	(2.5)	(45.4)
Total changes in the consolidated income statement	2,876.6	(367.6)	(1,944.4)	(11.0)	553.6
Investment components	10.6	–	(10.6)	–	–
Cash flows					
Premiums received	(3,603.1)	–	–	–	(3,603.1)
Claims and other insurance service expenses paid	–	50.6	1,768.8	–	1,819.4
Insurance acquisition cash flows	769.5	–	–	–	769.5
Total cash flows	(2,833.6)	50.6	1,768.8	–	(1,014.2)
Net closing balance	(23.3)	(317.0)	(5,275.7)	(274.7)	(5,890.7)
Closing liabilities	(23.3)	(317.0)	(5,275.7)	(274.7)	(5,890.7)
Net closing balance[1]	(23.3)	(317.0)	(5,275.7)	(274.7)	(5,890.7)

1. Opening and closing insurance contract balances exclude assets for insurance acquisition cash flows.
2. The Group has no items of loss component included within Remaining coverage.
3. Insurance service expenses include amounts attributed to the discontinued operation (see Note 10).
4. The insurance service result presented in this disclosure note excludes 'net expenses from reinsurance contract held'.

23 Insurance and reinsurance contracts (continued)

Movement in insurance contract balances (continued)

Insurance contracts
Analysis by remaining coverage and incurred claims

	31 December 2022			
	Remaining coverage[2]	Incurred claims		Total
		Contracts under PAA[3]		
$m		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening liabilities	(103.5)	(4,739.5)	(244.1)	(5,087.1)
Net opening balance[1]	(103.5)	(4,739.5)	(244.1)	(5,087.1)
Changes in the consolidated income statement				
Insurance revenue	3,340.1	–	–	3,340.1
Incurred claims and other insurance service expenses	–	(2,066.4)	(97.9)	(2,164.3)
Amortisation of insurance acquisition cash flows	(579.7)	–	–	(579.7)
Prior year development	–	(194.2)	72.4	(121.8)
Insurance service expenses[4]	(579.7)	(2,260.6)	(25.5)	(2,865.8)
Insurance service result[5]	2,760.4	(2,260.6)	(25.5)	474.3
Net finance income from insurance contracts	–	307.1	–	307.1
Effect of movements in exchange rates	20.4	109.2	5.9	135.5
Total changes in the consolidated income statement	2,780.8	(1,844.3)	(19.6)	916.9
Investment components	3.9	(3.9)	–	–
Cash flows				
Premiums received	(3,262.9)	–	–	(3,262.9)
Claims and other insurance service expenses paid	–	1,498.2	–	1,498.2
Insurance acquisition cash flows	504.8	–	–	504.8
Total cash flows	(2,758.1)	1,498.2	–	(1,259.9)
Net closing balance	(76.9)	(5,089.5)	(263.7)	(5,430.1)
Closing liabilities	(76.9)	(5,089.5)	(263.7)	(5,430.1)
Net closing balance[1]	(76.9)	(5,089.5)	(263.7)	(5,430.1)

1. Opening and closing insurance contract balances exclude assets for insurance acquisition cash flows.
2. The Group has no items of loss component included within Remaining coverage.
3. All the Group's insurance contracts were measured under PAA in the year ended 31 December 2022.
4. Insurance service expenses include amounts attributed to the discontinued operation (see Note 10).
5. The insurance service result presented in this disclosure note excludes 'net expenses from reinsurance contract held'.

23 Insurance and reinsurance contracts (continued)

Movement in reinsurance contract balances

Reinsurance contracts

Analysis by remaining coverage and incurred claims

$m	31 December 2023 Remaining coverage[1]	Incurred claims: Contracts not under PAA	Incurred claims: Contracts under PAA: Estimates of present value of future cash flows	Incurred claims: Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets	237.7	33.7	1,471.8	80.9	1,824.1
Net opening balance	237.7	33.7	1,471.8	80.9	1,824.1
Changes in the consolidated income statement					
Ceded reinsurance revenue	(785.9)	–	–	–	(785.9)
Recoveries on incurred claims and other insurance service expenses	–	92.6	314.2	38.3	445.1
Prior year development	–	(0.1)	89.5	(21.9)	67.5
Recoveries from reinsurers	–	92.5	403.7	16.4	512.6
Net (expense)/income from reinsurance contracts held	(785.9)	92.5	403.7	16.4	(273.3)
Net finance (expense)/income from reinsurance contracts held	(0.4)	0.1	97.2	–	96.9
Effect of movements in exchange rates	(0.4)	0.1	8.5	0.9	9.1
Total changes in the consolidated income statement	(786.7)	92.7	509.4	17.3	(167.3)
Investment components	(6.5)	–	6.5	–	–
Cash flows					
Premiums paid	815.8	–	–	–	815.8
Claims and other insurance service expenses recovered	–	(90.3)	(439.5)	–	(529.8)
Total cash flows	815.8	(90.3)	(439.5)	–	286.0
Net closing balance	260.3	36.1	1,548.2	98.2	1,942.8
Closing assets	260.3	36.1	1,548.2	98.2	1,942.8
Net closing balance	260.3	36.1	1,548.2	98.2	1,942.8

1. The Group has no items of loss-recovery component included within Remaining coverage.

23 Insurance and reinsurance contracts (continued)

Movement in reinsurance contract balances (continued)

Reinsurance contracts
Analysis by remaining coverage and incurred claims

	31 December 2022				
	Remaining coverage[1]	Incurred claims			Total
		Contracts not under PAA	Contracts under PAA		
$m			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	360.8	–	1,335.8	75.9	1,772.5
Net opening balance	360.8	–	1,335.8	75.9	1,772.5
Changes in the consolidated income statement					
Ceded reinsurance revenue	(863.8)	–	–	–	(863.8)
Recoveries on incurred claims and other insurance service expenses	–	126.2	402.7	20.7	549.6
Prior year development	–	–	145.6	(13.5)	132.1
Recoveries from reinsurers	–	126.2	548.3	7.2	681.7
Net (expense)/income from reinsurance contracts held	(863.8)	126.2	548.3	7.2	(182.1)
Net finance expense from reinsurance contracts held	(17.8)	–	(80.7)	–	(98.5)
Effect of movements in exchange rates	0.7	–	(39.4)	(2.2)	(40.9)
Total changes in the consolidated income statement	(880.9)	126.2	428.2	5.0	(321.5)
Investment components	7.3	–	(7.3)	–	–
Cash flows					
Premiums paid	650.5	–	–	–	650.5
Claims and other insurance service expenses recovered	–	(92.5)	(284.9)	–	(377.4)
Changes in funds withheld account	100.0	–	–	–	100.0
Total cash flows	750.5	(92.5)	(284.9)	–	373.1
Net closing balance	237.7	33.7	1,471.8	80.9	1,824.1
Closing assets	237.7	33.7	1,471.8	80.9	1,824.1
Net closing balance	237.7	33.7	1,471.8	80.9	1,824.1

1. The Group has no items of loss-recovery component included within Remaining coverage.

23 Insurance and reinsurance contracts (continued)

Movement in insurance contract balances applying GMM

Insurance contracts

Analysis by measurement component

$m	31 December 2023 Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Net opening balance[1]	–	–	–	–
Changes in the consolidated income statement				
Changes that relate to current service				
CSM recognised for the services provided	–	–	103.3	103.3
Changes in the risk adjustment for non-financial risk expired	–	18.5	–	18.5
Experience adjustments	63.2	(16.9)	–	46.3
	63.2	1.6	103.3	168.1
Changes that relate to future service				
Contracts initially recognised in the period	249.8	(33.8)	(216.0)	–
Net income/(expense) from insurance contracts issued	313.0	(32.2)	(112.7)	168.1
Finance expense from insurance contracts issued	(14.3)	–	(6.9)	(21.2)
Effect of movements in exchange rates	(1.1)	(0.2)	(0.2)	(1.5)
Total amounts recognised in comprehensive income	297.6	(32.4)	(119.8)	145.4
Cash flows				
Premiums received	(613.0)	(1.3)	21.2	(593.1)
Claims and other insurance service expenses paid	50.6	–	–	50.6
Total cash flows	(562.4)	(1.3)	21.2	(542.5)
Net closing balance	(264.8)	(33.7)	(98.6)	(397.1)
Closing liabilities	(264.8)	(33.7)	(98.6)	(397.1)
Net closing balance	(264.8)	(33.7)	(98.6)	(397.1)

1. In 2022, none of the Group's insurance contracts were measured under GMM.

23 Insurance and reinsurance contracts (continued)

Movement in reinsurance contract balances applying GMM

Reinsurance contracts

Analysis by measurement component

$m	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	31 December 2023			
Opening assets	351.4	17.2	(14.9)	353.7
Net opening balance	**351.4**	**17.2**	**(14.9)**	**353.7**
Changes in the consolidated income statement				
Changes that relate to current service				
CSM recognised for the services received	–	–	(65.2)	(65.2)
Changes in the risk adjustment for non-financial risk expired	–	(21.9)	–	(21.9)
Reinsurance ceded revenue – expected recoveries	2.8	0.1	–	2.9
Ceded incurred claims	(104.4)	–	13.8	(90.6)
	(101.6)	(21.8)	(51.4)	(174.8)
Changes that relate to future service				
Contracts initially recognised in the period	(74.4)	4.6	69.8	–
Net (expense)/income from reinsurance contracts held	**(176.0)**	**(17.2)**	**18.4**	**(174.8)**
Finance (expense)/income from reinsurance contracts held	(2.3)	–	2.0	(0.3)
Effect of movements in exchange rates	2.7	1.0	–	3.7
Total amounts recognised in comprehensive income	**(175.6)**	**(16.2)**	**20.4**	**(171.4)**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	141.4	0.2	(1.8)	139.8
Recoveries from reinsurance	(0.7)	–	–	(0.7)
Total cash flows	**140.7**	**0.2**	**(1.8)**	**139.1**
Net closing balance	**316.5**	**1.2**	**3.7**	**321.4**
Closing assets	316.5	1.2	3.7	321.4
Net closing balance	**316.5**	**1.2**	**3.7**	**321.4**

23 Insurance and reinsurance contracts (continued)

Movement in reinsurance contract balances applying GMM (continued)

Reinsurance contracts

Analysis by measurement component

$m	31 December 2022 Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	461.7	26.3	(20.0)	468.0
Net opening balance	461.7	26.3	(20.0)	468.0
Changes in the consolidated income statement				
Changes that relate to current service				
CSM recognised for the services received	–	–	5.3	5.3
Changes in the risk adjustment for non-financial risk expired	–	(0.7)	–	(0.7)
Reinsurance ceded revenue – expected recoveries	(120.1)	–	–	(120.1)
Ceded incurred claims	159.9	–	–	159.9
	39.8	(0.7)	5.3	44.4
Net income/(expense) from reinsurance contracts held	39.8	(0.7)	5.3	44.4
Finance expense from reinsurance contracts held	(17.6)	–	(0.2)	(17.8)
Effect of movements in exchange rates	(6.4)	(1.2)	–	(7.6)
Total amounts recognised in comprehensive income	15.8	(1.9)	5.1	19.0
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(100.0)	(7.2)	–	(107.2)
Recoveries from reinsurance	(126.1)	–	–	(126.1)
Changes in funds withheld	100.0	–	–	100.0
Total cash flows	(126.1)	(7.2)	–	(133.3)
Net closing balance	351.4	17.2	(14.9)	353.7
Closing assets	351.4	17.2	(14.9)	353.7
Net closing balance	351.4	17.2	(14.9)	353.7

23 Insurance and reinsurance contracts (continued)

Impact of GMM contracts recognised in the year

$m	31 December 2023 Profitable contracts issued[1]	31 December 2023 Total
Insurance contracts[2]		
Claims and other insurance service expenses payable	**(682.2)**	**(682.2)**
Insurance acquisition cash flows	**(266.0)**	**(266.0)**
Estimates of present value of cash outflows	**(948.2)**	**(948.2)**
Estimates of present value of cash inflows	**1,198.0**	**1,198.0**
Risk adjustment for non-financial risk	**(33.8)**	**(33.8)**
CSM	**(216.0)**	**(216.0)**
Increase in insurance contract liabilities from contracts recognised in the year	**–**	**–**

1. The Group did not acquire any profitable contracts or issue any onerous contracts in the year ended 31 December 2023.
2. The Group did not have any new insurance contracts applying GMM in the year ended 31 December 2022.

$m	31 December 2023 Contracts initiated without loss-recovery component[1]	31 December 2023 Total
Reinsurance contracts held[2]		
Estimates of present value of cash outflows	**50.6**	**50.6**
Estimates of present value of cash inflows	**(125.0)**	**(125.0)**
Risk adjustment for non-financial risk	**4.6**	**4.6**
CSM	**69.8**	**69.8**
Increase in reinsurance contract assets from contracts recognised in the year	**–**	**–**

1. The Group did not initiate any reinsurance contracts with loss-recovery components in the year ended 31 December 2023.
2. The Group did not have any new reinsurance contracts applying GMM in the year ended 31 December 2022.

Movement in assets for insurance acquisition cash flows

$m	31 December 2023	31 December 2022
Opening balance	**18.6**	20.3
Cash flows recognised as an asset during the year	**21.0**	18.6
Amounts derecognised on initial recognition of groups of insurance contracts	**(18.6)**	(20.3)
Closing balance	**21.0**	18.6
Presented in insurance contract liabilities	**21.0**	18.6
Closing balance	**21.0**	18.6

As insurance acquisition cash flows are not allocated to renewals, all assets for insurance acquisition cash flows are expected to be derecognised within one year.

23 Insurance and reinsurance contracts (continued)

Expected recognition of the CSM

Duration	1 year or less $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	5 to 10 years[1] $m	Total[2] $m
31 December 2023							
Insurance contracts	**95.6**	**3.0**	**–**	**–**	**–**	**–**	**98.6**
Reinsurance contracts held	**(11.6)**	**1.5**	**1.5**	**1.1**	**1.0**	**2.8**	**(3.7)**
31 December 2022							
Reinsurance contracts held	4.0	2.9	2.9	1.3	1.3	2.5	14.9

1. The Group does not hold any insurance or reinsurance contracts where the CSM has an expected recognition of more than 10 years.
2. A CSM presented as a positive in this table is expected to release as an income to the consolidated income statement in future periods. A CSM presented as a negative in this table is expected to release as an expense to the consolidated income statement in future periods.

Insurance and reinsurance contracts – assumptions and changes in assumptions

Process used to decide on assumptions required

The risks associated with these insurance liabilities and in particular with casualty insurance liabilities are complex and subject to a number of variables that complicate quantitative analysis.

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate costs of claims. It is typical to consider the attritional claims separately from the large claims, separately from the catastrophe losses. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (i.e. paid claims plus case reserve estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on these historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year, that is not yet fully developed, to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for mature classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years at early stages of development where the outcome is still highly uncertain.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique is used in situations in which developed claims experience is not available for the projection (recent underwriting years or new classes of business).

The choice of selected results for each year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for the individual underwriting year, or groups of underwriting years within the same class of business.

In addition to the above statistical techniques, alternative approaches are often considered for a number of classes of business (e.g. Casualty Treaty) and particular events (e.g. natural catastrophes), therefore alternative methodologies may be employed to add additional rigour to the process. For example, losses from a catastrophe are typically formed from reviewing potential exposure on a policy by policy basis and taking account of market intelligence to determine Brit's share of the loss. The estimate of large claims ultimate will typically be formed from estimating the number of unreported large claims, using the standard statistical techniques described above, and multiplying this with the expected severity of such losses.

For open market business, a weighted average premium recognition pattern is calculated using policy level data. However, premium derived from delegated underwriting authorities has its premium recognition pattern calculated by applying the 144ths method to estimated premiums applied to the master policy. This assumes that attachments to master policies arise evenly throughout the period of that master policy. Reinsurance outwards premiums are recognised according to the nature of the cover. 'Losses occurring during' policies are recognised evenly over the policy period. 'Risks attaching' policies are recognised on the same basis as the inwards business being protected. Where outward reinsurance is impacted by seasonal claims variability, e.g. catastrophe covers, the claims recognition pattern is adjusted to reflect the seasonality of the claims.

23 Insurance and reinsurance contracts (continued)

Insurance and reinsurance contracts – assumptions and changes in assumptions (continued)

Changes in assumptions

The Group did not change its estimation techniques from the insurance contract assumptions disclosed in this Note during the year.

Claims development tables

The tables show the estimate of ultimate claim costs for each successive underwriting year at the end of each year, together with cumulative paid claims at the end of the current year. The ultimate claim amounts in the gross and net triangles are presented on an underwriting year basis and are shown on an ultimate loss basis inclusive of catastrophe losses by year of account.

This reconciles the cumulative claims to the amount included in the statement of financial position, with balances in foreign currencies converted into US dollars applying the 31 December 2023 exchange rates.

The claims development triangles include 100% of the estimate of ultimate claim costs rather than the estimate of ultimate claim costs that reflect the Group's proportionate share of each syndicate's underwriting capacity during the respective underwriting years. An adjustment to reflect the Group's consolidated share of Syndicate 2988 is included below the claims development triangle in the 'elimination of intercompany' row.

The 2010, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 years of account include the impact of natural catastrophes which occurred in the future calendar years and which attached back to policies incepting in those respective years of account. The 2020 and prior years of account will also be impacted by the loss portfolio reinsurance contracts entered into in 2018 and 2021 with RiverStone Managing Agency Limited (for and on behalf of Lloyd's Syndicate 3500).

23 Insurance and reinsurance contracts (continued)

Ultimate gross claims

Underwriting year $m	2014 and prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023
Estimate of ultimate claims costs (gross of reinsurance):										
At end of underwriting year	13,207.5	1,035.0	1,111.5	1,633.2	1,501.7	1,343.3	1,546.0	1,960.0	2,540.3	2,257.4
One year later	13,242.8	1,037.8	1,282.4	1,810.0	1,638.1	1,520.7	1,601.5	2,079.6	2,411.2	
Two years later	13,215.9	1,073.1	1,363.4	1,843.3	1,751.5	1,559.0	1,646.1	2,056.3		
Three years later	13,239.8	1,062.7	1,352.9	1,881.4	1,727.9	1,566.6	1,690.3			
Four years later	13,193.8	1,034.0	1,376.4	1,868.9	1,753.2	1,639.4				
Five years later	13,110.3	1,033.4	1,412.9	1,894.2	1,806.2					
Six years later	13,062.4	1,042.3	1,451.9	1,918.6						
Seven years later	13,026.7	1,051.0	1,484.1							
Eight years later	13,013.5	1,063.9								
Nine years later	13,002.3									

$m	2014 and prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Total ultimate gross claims at 31 December 2023	13,002.3	1,063.9	1,484.1	1,918.6	1,806.2	1,639.4	1,690.3	2,056.3	2,411.2	2,257.4	29,329.7
Less accumulated gross paid claims	(12,779.3)	(918.6)	(1,268.9)	(1,623.5)	(1,387.8)	(1,073.9)	(981.5)	(857.4)	(538.5)	(60.4)	(21,489.8)
Unearned portion of gross ultimate claims	174.1	0.1	0.1	–	–	–	0.3	–	(67.0)	(1,109.1)	(1,001.5)
Elimination of intercompany											(369.4)
Claims handling provision and other corporate adjustments											81.2
Impact of reinstatement premiums											(158.8)
Impact of profit commissions											30.6
Effect of discounting											(919.0)
Risk adjustment for non-financial risk											365.6
Other											(1.2)
Total gross liability for incurred claims at 31 December 2023											5,867.4

23 Insurance and reinsurance contracts (continued)

Ultimate net claims

Underwriting year $m	2014 and prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023
Estimate of ultimate claims costs (net of reinsurance):										
At end of underwriting year	10,112.2	841.5	830.1	1,091.4	1,078.6	937.5	1,179.3	1,493.3	1,896.5	1,683.1
One year later	10,120.3	857.7	924.8	1,136.1	1,168.7	1,087.1	1,138.5	1,557.3	1,819.5	
Two years later	10,092.9	872.5	945.9	1,157.6	1,245.0	1,100.6	1,160.5	1,538.5		
Three years later	10,073.1	842.3	948.9	1,192.1	1,131.4	1,120.7	1,188.7			
Four years later	9,874.8	814.7	958.4	1,108.5	1,134.7	1,169.1				
Five years later	9,831.9	814.7	921.9	1,109.0	1,154.9					
Six years later	9,784.9	799.4	945.7	1,122.1						
Seven years later	9,710.6	810.9	960.7							
Eight years later	9,691.0	811.6								
Nine years later	9,695.4									

$m	2014 and prior years	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Total ultimate net claims at 31 December 2023	9,695.4	811.6	960.7	1,122.1	1,154.9	1,169.1	1,188.7	1,538.5	1,819.5	1,683.1	21,143.6
Less accumulated net paid claims	(9,419.7)	(715.5)	(869.9)	(984.9)	(910.4)	(761.3)	(730.6)	(690.3)	(465.6)	(56.5)	(15,604.7)
Unearned portion of net ultimate claims	(29.3)	0.1	0.1	–	–	–	0.3	–	(55.4)	(866.0)	(950.2)
Elimination of intercompany											(198.5)
Claims handling provision and other corporate adjustments											92.5
Impact of reinstatement premiums											(135.0)
Impact of profit commissions											23.2
Effect of discounting											(688.6)
Risk adjustment for non-financial risk											247.3
Other											255.3
Total net liability for incurred claims at 31 December 2023											4,184.9

24 Employee benefits

This Note explains the pension schemes operated by the Group for its employees. For the Group's defined benefit schemes (in which no further benefits are being accrued), it sets out the amounts carried on the Group statement of financial position, gains and losses incurred during the year, amounts paid into the schemes, together with further information about the schemes. For the Group's defined contribution schemes, it sets out the costs incurred during the year.

(a) Defined benefit pension schemes

The Group has two funded defined benefit pension schemes providing pensions benefits to its members: the Brit Group Services Limited Retirement Benefits Scheme (the "Scheme") and the RiverStone Holdings Management Pension and Life Assurance Plan (the "Plan").

With effect from 18 August 2021 Brit Insurance Holdings Limited and the trustees of the Plan (plus other parties) entered into an agreement where Brit Insurance Holdings Limited became the Principal Company and assumed the full liabilities and assets of the Plan. On initial recognition, the Plan's surplus was $44.9m on an IAS 19 basis and was recognised as an asset in the statement of financial position, along with a corresponding deferred tax liability of $16.5m and a capital contribution of $28.4m. In 2022, the Group recognised a further capital contribution of $3.7m received from Fairfax in respect of contributions made by the Group into the Plan.

The Scheme closed to new entrants on 4 October 2001 and closed to future accrual of benefits on 31 December 2011. The Plan only has deferred members and is closed to new entrants. Following closure to future accrual, benefits now increase broadly in line with inflation. The weighted average duration to payment of the Scheme's expected cash flows is 12 years (2022: 12 years) and 14 years for the Plan (2022: 14 years).

Both schemes are approved by HMRC for tax purposes. The schemes are operated from separate trusts, which have assets that are held separately from the Group. The trusts are managed by Trustees, who are responsible for payment of the benefits and management of the schemes' assets.

The schemes are subject to UK regulations overseen by the Pensions Regulator, which require the Group and Trustees to agree a funding strategy and contribution schedule for the schemes every three years. The most recent triennial review of the Scheme was undertaken as at 31 July 2021 and identified a funding surplus of £9.1m. The most recent triennial review of the Plan was undertaken as at 31 August 2021 and identified a funding surplus of £11.9m.

Following the 2021 valuation of the Scheme, the Group agreed to continue to pay contributions of £2m pa until 31 July 2024, however these were paid into a holding account. A new Schedule of Contributions came into force in June 2023 which removed the requirement for any contributions following the full buy-in of the Scheme in December 2022. Following the completion of the 2021 valuation of the Plan, the Group agreed to no longer pay deficit reduction contributions and pay £25,000 per month in respect of administrative expenses.

In December 2022 the Scheme purchased a bulk-annuity policy which matches the benefits due to members, and in October 2023 the Plan purchased a bulk-annuity policy which matches the benefits due to members. These are reflected in the figures below.

If there is a shortfall against the funding target, then the Company and Trustees will agree on deficit contributions to meet this deficit over a period. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make additional contributions in excess of those above to recover any deficit that arises.

Net amount recognised in the statement of financial position:

	31 December 2023 $m Scheme	**31 December 2023 $m Plan**	31 December 2022 $m Scheme	31 December 2022 $m Plan
Present value of defined benefit obligation	**(127.5)**	**(109.4)**	(119.0)	(102.2)
Fair value of scheme assets	**153.9**	**120.1**	143.8	139.8
Net pension asset	**26.4**	**10.7**	24.8	37.6

24 Employee benefits (continued)

(a) Defined benefit pension schemes (continued)

Changes in the net pension asset recognised in the statement of financial position:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Opening statement of financial position	**24.8**	**37.6**	65.5	48.3
Credit/(expense) to income statement	**1.3**	**(6.2)**	(0.9)	–
Foreign exchange effect	**1.5**	**1.5**	(6.4)	(5.4)
Amount recognised outside income statement	**(1.2)**	**(22.5)**	(33.4)	(7.5)
Contributions paid	**–**	**0.3**	–	2.2
Closing statement of financial position	**26.4**	**10.7**	24.8	37.6

A net pension asset is recognised on the statement of financial position as there is an unconditional right of the Group to be refunded the surplus in the schemes.

Net (expense)/credit recognised in the income statement comprised:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Net interest on net defined benefit asset	**1.9**	**1.8**	1.1	0.9
Past service cost	**(0.3)**	**(7.0)**	(2.0)	–
Running costs	**(0.3)**	**(1.0)**	–	(0.9)
Net credit/(expense)	**1.3**	**(6.2)**	(0.9)	–

For the Scheme, the past service cost is an estimate for the cost of the Trustee's decision to award a one-off discretionary pension increase of 0.5% in February 2024 (in addition to the 5% increase under the Rules).

For the Plan, the past service cost is an estimate for the cost of the Trustee's decision to award a total pension increase on excess pension of 9% in April 2023 and the Trustee decision to augment benefits to provide full RPI pension increases as part of the full buy-in of the Plan in October.

This net (expense)/credit has been recognised in the 'Other operating expenses' line in the Income Statement. Contributions to the Group's defined contribution pension arrangements are in addition to those set out in this note and are charged directly to the Income Statement.

The allocation of the Scheme's and Plan's assets were as follows:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Liability Driven Investment funds (LDI)	**22.3**	**10.2**	146.7	112.0
Cash and net current assets	**6.8**	**0.7**	7.6	27.8
Annuity policy	**124.8**	**109.2**	116.0	–
Net current liability in respect of buy-in premium	**–**	**–**	(126.5)	–
Fair value of scheme assets	**153.9**	**120.1**	143.8	139.8

The 2023 cash and net current assets of the Scheme include a debtor of $1.2m (2022: $6.0m). In April 2022, the Scheme was the victim of a fraud, whereby £6.0m ($7.2m) of the Scheme's assets were diverted. In 2022, £1.0m ($1.2m) of this amount was recovered and returned to the Scheme. In 2023, a further £4.1m ($4.8m) was recovered and returned to the Scheme. At 31 December 2023, the unrecovered amount (£0.9m/$1.2m) was recorded as a debtor as the Scheme's Trustee believed that full recovery is virtually certain. In January 2024, £0.8m ($1.1m) of the outstanding balance was recovered from the Group's insurers.

24 Employee benefits (continued)

(a) Defined benefit pension schemes (continued)

All schemes' assets have quoted prices in active markets apart from the annuity policy and the schemes do not invest directly in property occupied by the Group or in financial securities issued by the Group.

Investment strategy

The Trustee of each scheme determine the scheme's investment strategy after taking appropriate advice from their investment consultants. Both the Scheme and the Plan have now completed full buy-ins meaning the majority of the assets of each scheme are in respect of the buy-in policy. The management of the surplus assets is delegated to the investment managers. The Trustee's investment objectives are to ensure that the scheme has adequate resources to meet the members' entitlements under the Trust Deed and Rules as they fall due, and thereafter to minimise long-term costs of the Scheme by maximising the return on the assets. As both schemes have a full buy-in there is very little investment risk.

Movements in the present value of the defined benefit obligation were as follows:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Opening defined benefit obligation	**119.0**	**102.2**	202.5	182.3
Interest on defined benefit obligation	**5.8**	**5.0**	3.5	3.2
Past service cost	**0.3**	**7.0**	2.0	–
Remeasurements due to:				
Changes in financial assumptions	**2.0**	**0.7**	(64.3)	(64.1)
Changes in demographic assumptions	**(1.9)**	**(1.3)**	(1.6)	(1.3)
Experience on benefit obligations	**2.0**	**(6.6)**	6.6	7.5
Foreign exchange effect	**7.1**	**6.1**	(20.8)	(18.7)
Benefits paid	**(6.8)**	**(3.7)**	(8.9)	(6.7)
Closing defined benefit obligation	**127.5**	**109.4**	119.0	102.2

Movements in the fair value of the schemes' assets were as follows:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Opening fair value of scheme assets	**143.8**	**139.8**	268.0	230.6
Interest income	**7.7**	**6.8**	4.6	4.1
Actual return excluding interest income	**0.9**	**(29.7)**	(92.7)	(65.4)
Running costs	**(0.3)**	**(1.0)**	–	(0.9)
Foreign exchange effect	**8.6**	**7.6**	(27.2)	(24.1)
Contributions by the employer	**–**	**0.3**	–	2.2
Benefits paid	**(6.8)**	**(3.7)**	(8.9)	(6.7)
Closing fair value of scheme assets	**153.9**	**120.1**	143.8	139.8

24 Employee benefits (continued)

(a) Defined benefit pension schemes (continued)

The principal actuarial assumptions at the year-end were:

	31 December 2023 $m Scheme	31 December 2023 $m Plan	31 December 2022 $m Scheme	31 December 2022 $m Plan
Discount rate	**4.53% pa**	**4.55% pa**	4.81% pa	4.81% pa
Retail Prices Index (RPI) inflation	**3.08% pa**	**3.05% pa**	3.35% pa	3.31% pa
Consumer Prices Index (CPI) inflation	**2.28% pa**	**2.54% pa**	2.51% pa	2.68% pa
Pension increases in payment	**2.97% pa**	**3.09% pa**	3.18% pa	3.15% pa
Mortality assumptions:				
Life expectancy of male aged 60 at statement of financial position date	**27.3 years**	**27.3 years**	27.7 years	27.7 years
Life expectancy of female aged 60 at statement of financial position date	**30.1 years**	**29.7 years**	30.4 years	30.1 years
Life expectancy of male aged 60 retiring in 20 years' time	**28.8 years**	**28.8 years**	29.2 years	29.2 years
Life expectancy of female aged 60 retiring in 20 years' time	**31.5 years**	**31.1 years**	31.8 years	31.5 years

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

Sensitivity analysis:

Assumption	Change in assumption	Change in defined benefit obligation at end of the year Scheme	Plan
Discount rate	Decrease by 0.5% pa	Increase by $7.9m	Increase by $8.0m
Future RPI inflation increases	Increase by 0.5% pa	Increase by $5.8m	Increase by $7.4m
Future CPI inflation increases	Increase by 0.5% pa	Increase by $0.9m	Increase by $1.2m
Assumed life expectancy at age 60	Increase by 1 year	Increase by $5.2m	Increase by $2.9m

The calculations in this section have been carried out using the same method and data as the Group's pensions and accounting figures with each assumption adjusted as shown above. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result. Note that as both schemes are now insured any change to the liability would result in a materially equal and opposite change in the annuity asset.

Risks:
The Group is exposed to a number of risks in relation to its defined benefit schemes, the most significant of which are detailed below:

Risk	
Counter-party risk	Most of the liabilities are insured. The remaining risks include counter-party risk of the insurer failing.
Regulatory	In future the schemes may have backdated claims or liabilities arising from future legislation, emerging practice or court judgments.

(b) Brit Group Services Limited – Defined Contribution Personal Pension Plan

Brit Group Services Limited operates a defined contribution group personal pension plan. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by Brit Group Services Limited to the fund and amounted to $9.4m (2022: $7.6m).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

24 Employee benefits (continued)

(c) Brit Insurance Services USA Inc. – 401(k) Safe Harbor Plan

Ambridge USA Service Company Inc. operated a '401(k) Safe Harbor Plan' until acquisition by Amynta on 10 May 2023. Effective this date, the plan closed to any further contributions and all the assets of the scheme have been transferred to an Amynta 401k plan, or another plan of choice selected by the participants.

The pension cost charge represents contributions payable by Ambridge USA Service Company Inc. to the fund up to 10 May 2023 and amounted to $0.5m (2022: $1.1m).

For the period ended 10 May 2023, the date of disposal, $0.5m (2022: $1.1m) of contributions were paid by Ambridge USA Service Company Inc.

For the period ended 10 May 2023 no contributions were payable to the fund (2022: $nil).

The scheme is no longer part of the Group following the disposal of Ambridge on 10 May 2023.

(d) Brit Insurance Services USA Inc. – Nonqualified deferred compensation plan

Brit Insurance Services USA Inc. operated a '409(a) Nonqualified deferred compensation plan'. The assets of the scheme are not held separately from those of the Group. The scheme closed effective 30 November 2023.

No pension payments were made by Ambridge USA Service Company Inc. to the fund in 2023 (2022: $nil).

The scheme is no longer part of the Group following the disposal of Ambridge on 10 May 2023.

(e) BGS Services (Bermuda) Limited – Registered plan

BGS Services (Bermuda) Limited operates a registered plan for Bermudan employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by BGS Services (Bermuda) Limited to the fund and amounted to $93.0k (2022: $88.0k).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

(f) BGS Services (Bermuda) Limited – Unregistered plan

BGS Services (Bermuda) Limited operates an unregistered plan for non-Bermudan employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by BGS Services (Bermuda) Limited to the fund and amounted to $nil (2022: $nil).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

(g) Sussex Capital Management Limited – Unregistered plan

Sussex Capital Management Limited operates a registered plan for non-Bermudan employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by Sussex Capital Management Limited to the fund and amounted to $77.0k (2022: $59.0k).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

(h) Sussex Capital Management Limited – Registered plan

Sussex Capital Management Limited operates a registered plan for non-Bermudan employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by Sussex Capital Management Limited to the fund and amounted to $37.0k (2022: $44.0k).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

24 Employee benefits (continued)

(i) Ambridge Partners LLC – 401(k) Safe Harbor Plan, Profit sharing plan and trust
Ambridge Partners LLC operates a '401(k) Safe Harbor Plan'. The assets of the scheme are held separately from those of the Group in an independently administered fund. Employees may elect to contribute a percentage of their compensation. Ambridge Partners LLC does not match employee contributions.

The scheme is no longer part of the Group following the disposal of Ambridge on 10 May 2023.

(j) Ambridge Europe Limited – Defined Contribution Personal Pension Plan
Ambridge Europe Limited operates a defined contribution group personal pension plan. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by Ambridge Europe Limited to the fund for the period ending 10 May 2023 and amounted to $39.2k (2022: $110.0k).

At 31 December 2022, contributions payable to the fund amounted to $25.0k.

The scheme is no longer part of the Group following the disposal of Ambridge on 10 May 2023.

(k) Ambridge long term incentive award
During the period ended 10 May 2023, the Group operated a variable award scheme in respect of Ambridge. The total cost recorded in the income statement for the period ending 10 May 2023 was $0.5m (year end 31 December 2022 $1.3m) and the carrying amount of the liability under the scheme at 31 December 2022 was $5.0m. The scheme rewards senior employees for performance below a target loss ratio for relevant classes of business over a four-year period. The cost of the award is estimated using the financial performance of Ambridge over the performance period, as adjusted to reflect the timing of award payments subsequent to the performance period.

The scheme is no longer part of the Group following the disposal of Ambridge on 10 May 2023.

(l) Brit Reinsurance (Bermuda) Limited (Brit Re) – Registered plan
Brit Reinsurance (Bermuda) Limited operates a registered plan for Bermudan employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by Brit Reinsurance (Bermuda) Limited to the fund and amounted to $30.0k (2022: $31.2k).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

(m) Camargue Underwriting Managers Proprietary Limited – Defined Contribution Personal Pension Plan
Camargue Underwriting Managers Proprietary Limited participates in a defined contribution umbrella pension fund for employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions paid by Camargue Underwriting Managers Proprietary Limited, following its acquisition by the Group on 4 October 2021, to the fund and amounted to $131.5k (2022: $172.1k).

At 31 December 2023 no contributions were payable to the fund (2022: $nil).

25 Financial investments

This Note summarises the total value of the financial assets of the Group and shows how much has been invested in each class of asset. It also explains how each asset is categorised under three different levels of hierarchy, the methods used to value assets within each level and assets transferred between levels.

	31 December 2023 $m	31 December 2022 $m
Equity securities	**509.2**	544.1
Debt securities	**4,804.4**	3,945.5
Mortgages and loans	**82.2**	34.6
Specialised investment funds	**479.6**	388.2
Total	**5,875.4**	4,912.4

All financial investments have been designated as held at fair value through profit or loss.

Basis for determining the fair value hierarchy of financial instruments
The Group has classified the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. The fair value hierarchy comprises the following levels:

(a) Level one – Valuations based on quoted prices (unadjusted) in active markets for identical assets;

(b) Level two – Valuations based on inputs other than quoted prices included within level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level three – Valuations based on inputs for the assets that are not based on observable market data (unobservable inputs).

25 Financial investments (continued)

Assets are categorised as level one where fair values determined in whole directly by reference to an active market relate to prices which 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, i.e. the market is still active.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period. Fair values for level two and level three assets include:

- Values provided at the request of the Group by pricing services and which are not publicly available or values provided by external parties which are readily available but relate to assets for which the market is not always active; and
- Assets measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

For all assets not quoted in an active market or for which there is no active market, the availability of financial data can vary and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on the models or inputs that are unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised is higher for instruments classified in level three and the classification between level two and level three depends highly on the proportion of assumptions used, supported by market transactions and observable data.

Valuation techniques

Level one

Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets (where transactions occur with sufficient frequency and volume). The fair values of securities sold short and the majority of the Group's equities are based on published quotes in active markets. These also include government bonds and treasury bills issued in the US and in the UK.

Level two

Inputs include directly or indirectly observable inputs (other than level one inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

Level two securities contain certain investments in US and non-US government agency securities, US and non-US corporate debt securities and specialised investment funds. US government agency securities are priced using valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather specific information. Market observable inputs for these investments may include broker-dealer quotes, reported trades, issuer spreads and available bids. Non-US government agency securities are priced with OTC quotes or broker-dealer quotes. Other market observable inputs include benchmark yields and reported trades. Issuer spreads are also available for these types of investments.

Level two common stocks are priced using a combination of independent pricing service providers and internal valuation models that rely on directly or indirectly observable inputs.

Level three

Level three equities include investments in limited partnerships where the fund's underlying investments are not traded/quoted in an active market. In some instances, limited partnerships are classified as level three because they may require at least three months' notice to liquidate. This requirement results in an adjustment to the reported value for illiquidity which is unobservable.

Level three debt instruments include corporate loans with unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

Level three specialised investment funds include securities that are valued using techniques appropriate to each specific investment. The valuation techniques include fair value by reference to net asset values (NAVs) adjusted and issued by fund managers based on their knowledge of underlying investments and credit spreads of counterparties. In some instances, certain investment funds are classified as level three because they may require at least three months' notice to liquidate. This requirement results in an adjustment to the reported value for illiquidity which is unobservable.

25 Financial investments (continued)

Disclosures of fair values in accordance with the fair value hierarchy

	Level one $m	Level two $m	Level three $m	Total $m
31 December 2023				
Equity securities	**220.8**	**–**	**288.4**	**509.2**
Debt securities	**2,709.0**	**2,068.7**	**26.7**	**4,804.4**
Mortgages and loans	**–**	**–**	**82.2**	**82.2**
Specialised investment funds	**–**	**423.3**	**56.3**	**479.6**
	2,929.8	**2,492.0**	**453.6**	**5,875.4**
31 December 2022				
Equity securities	351.5	–	192.6	544.1
Debt securities	2,210.2	1,702.9	32.4	3,945.5
Mortgages and loans	–	–	34.6	34.6
Specialised investment funds	–	328.3	59.9	388.2
	2,561.7	2,031.2	319.5	4,912.4

All unrealised gains of $265.4m (2022: losses of $131.5m) and realised losses of $80.2m (2022: losses of $75.2m) on financial investments held during the year, are presented in 'Other investment return' in the consolidated income statement.

Transfers between fair value levels

Fair values are classified as level one when the financial instrument or derivative is actively traded and a quoted price is available. In accordance with the Group's policy if an instrument classified as level one subsequently ceases to be actively traded, it is immediately transferred out of level one. In such cases, instruments are classified into level two, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level three. All fair value measurements above are recurring as they are required to be measured and recognised at the end of each reporting period.

Transfers from level one to level three

During the year, there were $109.6m (2022: $nil) of equity transfers from level one to level three. In 2023, Poseidon Acquisition Corp (Poseidon) acquired all outstanding common shares of Atlas Corp (Atlas) which was previously a public company. Accordingly, Brit's investment in Atlas common shares has now been converted to a holding in Poseidon common shares. As a result of the privatisation transaction, Brit's original investment has been transferred from level one to level three. Poseidon common shares will be monitored for significant events that could impact the valuation throughout the year, with a more in-depth valuation analysis to be completed in the future.

25 Financial investments (continued)

Reconciliation of movements in level three financial investments measured at fair value

	Equity securities $m	Debt securities $m	Mortgages and loans $m	Specialised investment funds $m	Total $m
At 1 January 2022	134.6	36.5	38.3	60.5	269.9
Total gains/(losses) recognised in the income statement	37.7	(8.9)	–	1.6	30.4
Purchases	36.8	6.0	–	2.5	45.3
Sales	(15.4)	–	–	–	(15.4)
Foreign exchange losses	(1.1)	(1.2)	(3.7)	(4.7)	(10.7)
At 31 December 2022	192.6	32.4	34.6	59.9	319.5
Transfers from level one to level three	**109.6**	**–**	**–**	**–**	**109.6**
Total gains/(losses) recognised in the income statement	**20.3**	**(7.5)**	**1.5**	**(9.1)**	**5.2**
Purchases	**45.6**	**118.9**	**74.7**	**3.2**	**242.4**
Sales	**(80.9)**	**(117.8)**	**(30.5)**	**–**	**(229.2)**
Foreign exchange gains	**1.2**	**0.7**	**1.9**	**2.3**	**6.1**
At 31 December 2023	**288.4**	**26.7**	**82.2**	**56.3**	**453.6**

Total net gains recognised in the Income Statement under 'Other investment return' in respect of level three financial investments for the period amounted to $5.2m (2022: gains of $30.4m). Included in this balance are $6.9m of unrealised losses (2022: gains of $32.2m) attributable to assets still held at the end of the year.

Sensitivity of level three financial investments measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of level three financial investments to changes in key assumptions.

	31 December 2023		31 December 2022	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Equity securities	**288.4**	**6.2**	192.6	7.6
Debt securities	**26.7**	**1.9**	32.4	1.9
Mortgages and loans	**82.2**	**0.6**	34.6	0.8
Specialised investment funds	**56.3**	**0.9**	59.9	0.7
	453.6		319.5	

In order to determine reasonably possible alternative assumptions, the Group has monitored the price movements of the securities invested on a month by month basis during 2023, or since acquisition if acquired during the year. This has resulted in an average expected percentage change in the securities pricing, which forms the basis of this analysis.

26 Derivative contracts

This Note summarises the total value of the derivative contracts of the Group. It also explains how each derivative contract is categorised under three different levels of hierarchy, the valuation methods used to value derivative contracts and amounts transferred between levels. For the current and prior year, the options formed part of the investment management strategy, while the currency forwards formed part of the foreign exchange management strategy.

The disclosure provided in the tables below include derivatives recorded in the Group's statement of financial position.

Derivative contract assets	Gross amounts of receivables on derivative contract assets $m	Gross amounts of payables on derivative contract assets $m	Derivative contract assets presented in the statement of financial position $m
31 December 2023			
Currency forwards	**392.6**	**(379.2)**	**13.4**
Options	**2.4**	**–**	**2.4**
Contingent consideration receivable	**2.4**	**–**	**2.4**
Interest rate swaps	**0.3**	**–**	**0.3**
Equity warrants	**1.7**	**–**	**1.7**
Total	**399.4**	**(379.2)**	**20.2**
31 December 2022			
Currency forwards	601.9	(595.4)	6.5
Industry loss warranty contracts	0.1	–	0.1
Sutton forward contract	1.5	–	1.5
Equity warrants	2.7	–	2.7
Total	606.2	(595.4)	10.8

Derivative contract liabilities	Gross amounts of payables on derivative contract liabilities $m	Gross amounts of receivables on derivative contract liabilities $m	Derivative contract liabilities presented in the statement of financial position $m
31 December 2023			
Currency forwards	**(564.6)**	**547.9**	**(16.7)**
Credit default swaps	**(6.6)**	**–**	**(6.6)**
Interest rate swaps	**(0.4)**	**–**	**(0.4)**
Total	**(571.6)**	**547.9**	**(23.7)**
31 December 2022			
Currency forwards	(457.8)	447.7	(10.1)
Total	(457.8)	447.7	(10.1)

Disclosures of fair values in accordance with the fair value hierarchy	Level two $m	Level three $m	Total $m
31 December 2023			
Derivative contract assets	**16.1**	**4.1**	**20.2**
Derivative contract liabilities	**(23.7)**	**–**	**(23.7)**
31 December 2022			
Derivative contract assets	6.5	4.3	10.8
Derivative contract liabilities	(10.1)	–	(10.1)

26 Derivative contracts (continued)

Valuation techniques

Level two
The fair value of the vast majority of the Group's derivative contracts are based primarily on non-binding third-party broker-dealer quotes that are prepared using level two inputs. Where third-party broker-dealer quotes are used, typically one quote is obtained from a broker-dealer with particular expertise in the instrument being priced.

The valuation technique used to determine the fair value of currency forwards is derived from observable inputs such as active foreign-exchange and interest-rate markets that may require adjustments for certain unobservable inputs.

Level three
Consumer price index (CPI)-linked derivatives are classified as level three and valued using broker-dealer quotes which management has determined utilise market observable inputs except for the inflation volatility input which is not market observable. The reasonableness of the fair values of CPI-linked derivative contracts are assessed by comparing the fair values received from third-party broker-dealers to recent market transactions where available and values determined using third-party pricing software based on the Black-Scholes option pricing model for European-style options that incorporates market observable and unobservable inputs such as the current value of the relevant CPI underlying the derivative, the inflation swap rate, nominal swap rate and inflation volatility. The fair values of CPI-linked derivative contracts are sensitive to assumptions such as market expectations of future rates of inflation and related inflation volatilities.

The forward contract that the Group has in respect of its associated undertaking has been classified as level three as the valuation of this derivative is derived from unobservable inputs that are linked to EBITDA calculations.

Reconciliation of movements in level three derivative contracts measured at fair value

	Level three derivatives $m
At 1 January 2022	6.2
Purchases	4.7
Total losses recognised in the income statement	(0.1)
Sales	(5.0)
Foreign exchange losses	(1.5)
At 31 December 2022	4.3
Purchases	**10.3**
Total losses recognised in the income statement	**(5.4)**
Sales	**(5.9)**
Foreign exchange gains	**0.8**
At 31 December 2023	**4.1**

Sensitivity of level three derivatives measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of level three derivatives to changes in key assumptions.

	31 December 2023		31 December 2022	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Industry loss warranty contracts	**–**	**–**	0.1	–
Equity warrants	**1.7**	**0.3**	2.7	0.1
Sutton forward contract	**–**	**–**	1.5	0.4
Contingent consideration receivable	**2.4**	**–**	–	–
	4.1	**0.3**	4.3	0.5

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs, including inflation volatility inputs and credit risk inputs.

27 Insurance and other receivables

This Note sets out the various categories of amounts which are owed to the Group.

	31 December 2023 $m	31 December 2022 $m
Arising out of direct insurance operations	**200.3**	88.7
Arising out of reinsurance operations	**415.4**	337.9
Receivables from contracts with customers	**21.0**	11.0
Prepayments	**16.2**	10.8
Accrued income	**44.9**	21.8
Outstanding settlements on investments	**44.4**	2.4
Other assets	**118.7**	83.6
Other debtors	**62.7**	46.9
Total	**923.6**	603.1

Other assets relate to shares purchased to settle share-based payment awards. For further information, refer to Note 37.

The carrying amounts disclosed above reasonably approximate fair values as all amounts are receivable within one year of the date of the statement of financial position.

28 Leases where the Group acts as a lessor

This Note analyses the amounts recorded in respect of leases where the Group acts as a lessor. Additional commentary provides qualitative and quantitative information on such activities. Further analysis reconciles undiscounted annual lease payments to the finance lease receivable balance at year-end.

During 2021, the Group entered into a sublease in respect of an office building that it leased in 2017. The sublease was for the whole of the remaining term of the head lease and, consequently, was classified as a finance lease by the Group. In 2022, the carrying amount of net investment in the lease decreased by $0.2m as a result of recognition of finance income, as well as cash received.

The net investment in the lease in respect of this sublease was part of the Ambridge disposal group and was therefore reclassified to 'Assets classified as held for sale' as at 31 December 2022. On 10 May 2023, following the disposal of Ambridge the sublease (and related lease) was derecognised.

The following table sets out a maturity analysis of lease receivables as at 31 December 2022, showing the undiscounted lease payments to be received after that date:

	31 December 2022 $m
Less than one year	0.2
One to two years	0.1
Total undiscounted lease payments receivable	0.3
Net investment in the lease	0.3

29 Cash and cash equivalents

This Note analyses the amounts of cash and cash equivalents. Cash equivalents are investment instruments with less than 90 days left to maturity when purchased by the Group. Additional analysis which explains where cash and cash equivalents are held and why they are being held is also provided.

	31 December 2023 $m	31 December 2022 $m
Cash at bank and on deposit	**194.2**	484.3
Cash equivalents	**659.6**	595.1
Total	**853.8**	1,079.4
Less: Cash reclassified as 'held for sale'	**–**	(138.1)
Total 'Cash and cash equivalents' as presented on the consolidated statement of financial position	**853.8**	941.3

The carrying amounts disclosed above, reasonably approximate fair values.

The source of these amounts can be further analysed as follows:

Classification	Definition	31 December 2023 $m	31 December 2022 $m
Cash within segregated fund mandates	Short-term investment funds, money market funds, treasury bills or cash held within segregated mandates.	**147.0**	285.3
Lloyd's trust funds	Cash within the Lloyd's Overseas Deposits trust funds held to meet regulatory requirements.	**63.2**	49.3
Self-managed cash	Highly liquid instruments held to meet ongoing working capital requirements.	**643.6**	744.8
Total		**853.8**	1,079.4

30 Borrowings

This Note describes the main sources of borrowing available to the Group and the amounts currently borrowed from each of those sources.

			31 December 2023		31 December 2022	
	Maturity	Effective interest rate	Amortised cost $m	Fair value $m	Amortised cost $m	Fair value $m
Non-current						
Subordinated debt	2030	3.7%	**161.9**	**118.3**	162.4	120.6
Revolving credit facility	2027	Daily non-cumulative RFR rate +1.45%	**–**	**–**	10.0	10.0
			161.9	**118.3**	172.4	130.6

As at 31 December 2023 and 31 December 2022, the fair value of the subordinated debt was determined by reference to trading market values on recognised exchanges and was therefore categorised as a level one measurement in the fair value hierarchy. The fair value of the subordinated debt, which is denominated in GBP and has a fixed coupon, has fallen during the reporting period as a result of the rise in market rates of interest and the strengthening of the US Dollar against Sterling. For further information relating to the fair value hierarchy, refer to Note 25.

30 Borrowings (continued)

Subordinated debt
On 14 December 2023 £8.0m ($10.0m) of the notional value of the subordinated debt was repurchased by the Group for £5.9m ($7.3m) and was cancelled.

Revolving credit facility
The Group has a $550.0m (2022: $550.0m) revolving credit facility which expires on 31 December 2027. At 31 December 2023, a $10.0m (2022: $100.0m) uncollateralised letter of credit had been utilised. In addition, there was cash drawings of $nil (2022: $10.0m).

Other borrowings
Syndicate 2987 entered into an agreement for a $150.0m uncollateralised letter of credit facility on 22 November 2021, which was fully utilised at 31 December 2021. This facility expired on 31 December 2022.

As at 31 December 2023, the letter of credit facility to support the business written in Syndicate 1618 was $180.0m, of which $150.0m was partially utilised, and $63.0m was collateralised (2022: fully utilised and uncollateralised $180.0m). This facility expires on 31 December 2025. The facility, which is structured to support Syndicate 1618 as Ki grows, is linked to the ESG rating of Ki's 'Funds at Lloyd's' investment portfolios and Syndicate 1618's assets, with its pricing depending on the compliance of Ki's investment portfolios with ESG targets. This builds on the investment guidelines Ki has established for its third-party managers, which incorporate ESG principles and targets, and will help Ki build a sustainable footprint.

As at 31 December 2023, the letter of credit facility to support Brit Reinsurance (Bermuda) Limited was $25.0m, of which $14.1m was partially utilised (2022: credit facility was $10.0m, of which $6.2m was partially utilised). Of this amount, $15.2m (2022: $6.5m) was collateralised. This is an ongoing facility with no fixed expiry date.

31 Other financial liabilities

This Note sets out the amount of financial liabilities owing to external investors in respect of structured entities consolidated by the Group.

The statement of financial position of the Group includes financial liabilities arising from third-party investments in structured entities that are consolidated by the Group.

These financial liabilities have been designated as held at fair value through profit or loss. As at 31 December 2023, the fair value of the investments by independent third parties was $104.0m (2022: $92.7m), of which $104.0m (2022: $92.7m) related to other financial liabilities owing to investors in collateralised reinsurance arrangements.

The fair value of these liabilities was determined by reference to the underlying net assets of the vehicles and was therefore categorised as level three in the fair value hierarchy. Further information relating to the Group's approach to fair value measurement is available in Note 25.

32 Insurance and other payables

This Note sets out the various categories of amounts which are owed by the Group.

	31 December 2023 $m	31 December 2022 $m
Arising out of direct insurance operations	**54.3**	46.4
Arising out of reinsurance operations	**270.1**	288.7
Other taxes and social security costs	**11.1**	3.7
Accruals and deferred income	**82.0**	55.9
Lease liabilities	**27.8**	37.3
Other creditors	**94.0**	22.4
Total	**539.3**	454.4

With the exception of lease liabilities, the carrying amounts disclosed above reasonably approximate fair values as all amounts are payable within one year of the date of the statement of financial position.

Of the total lease liabilities recognised above, $1.9m is payable within one year (2022: $4.7m). A maturity analysis of the contractual undiscounted cash flows is shown below:

	31 December 2023 $m	31 December 2022 $m
Maturity analysis for lease liabilities – contractual undiscounted cash flows		
Less than one year	**2.7**	5.7
One to five years	**20.6**	22.3
More than five years	**7.5**	13.5
Total undiscounted lease liabilities	**30.8**	41.5
Total lease liabilities included in 'Insurance and other payables'	**27.8**	37.3
Current	**1.9**	4.7
Non-current	**25.9**	32.6

33 Called up share capital

This Note sets out the number of shares the Company has in issue and their nominal value.

	31 December 2023 $m	31 December 2022 $m	31 December 2023 1p each Number	31 December 2022 1p each Number
Ordinary shares:				
Allotted, issued and fully paid	**10.0**	10.0	**669,502,094**	669,502,094

92,364,532 shares are class A shares and the remainder are class B shares. The class A and B shares rank pari passu except that on a distribution of profits by the Company, the class A shareholders are entitled to a cumulative annual dividend which must be settled ahead of any equivalent distribution to class B shareholders.

The number of shares reported is for Brit Limited, the immediate parent of the Brit Group.

During the current year, no share issuances took place.

As at 31 December 2023, Fairfax owns 86.2% of Brit Limited while the remaining 13.8% is owned by OMERS.

34 Dividends

This Note gives details of the amounts paid to shareholders during 2023 and 2022 by way of dividends.

	2023 $/share	2022 $/share	2023 $m	2022 $m
Dividend paid	**0.62**	0.20	**413.6**	18.7

A $28.6m dividend (2022: $18.7m) was paid to the class A shareholders on 3 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.31 per share (2022: $0.20). A further dividend of $12.0m was paid to the class A shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.13 per share.

A $275.0m dividend (2022: $nil) was paid to the class B shareholders on 25 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.48 per share (2022: $nil). A further dividend of $98.0m was paid to the class B shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.17 per share.

35 Cash flows provided by operating activities

The tables below show how the profit for the year translates into cash flows generated from operating activities and provide a reconciliation of the liabilities arising from financing activities.

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Profit on ordinary activities before tax	**890.6**	402.3
Adjustments for:		
Realised and unrealised (gains)/losses on investments	**(185.2)**	206.7
Realised and unrealised losses/(gains) on derivatives	**9.4**	(14.3)
Amortisation of intangible assets	**9.1**	7.2
Depreciation and impairment of property, plant and equipment	**9.5**	2.9
Profit on disposal of property, plant and equipment	**(1.2)**	–
Foreign exchange (gains)/losses on cash and cash equivalents	**(6.9)**	18.4
Share of profit after tax of associated undertakings	**(1.4)**	(1.5)
Profit on disposal of subsidiaries	**(259.1)**	–
Unrealised gains on shares held for share-based payments	**(44.3)**	(20.9)
Charges in respect of share-based payment schemes	**43.2**	20.1
Interest income	**(225.4)**	(77.5)
Dividend income	**(9.0)**	(8.6)
Finance income	**(2.7)**	–
Finance costs on borrowings	**17.5**	20.1
Changes in working capital:		
Insurance and other receivables excluding accrued income	**(278.7)**	(70.1)
Insurance and reinsurance contracts	**357.9**	293.1
Financial investments	**(625.1)**	(1,117.6)
Derivative contracts	**(5.2)**	16.2
Other financial liabilities	**11.3**	(3.1)
Insurance and other payables	**207.2**	(294.7)
Employee benefits	**28.3**	50.2
Provisions	**0.7**	(0.2)
Cash used in operations	**(59.5)**	(571.3)

35 Cash flows provided by operating activities (continued)

Profit on ordinary activities before tax includes profits arising from both continuing and discontinued operations:

Profit on ordinary activities before tax	Continuing operations $m	Discontinued operation $m	Total $m
Year ended 31 December 2023	**623.9**	**266.7**	**890.6**
Year ended 31 December 2022	392.1	10.2	402.3

Reconciliation of liabilities arising from financing activities

			Non-cash changes		
31 December 2023	**Year ended 31 December 2022 $m**	**Cash flows $m**	**Foreign exchange movement $m**	**Other changes $m**	**Year ended 31 December 2023 $m**
Long-term borrowings					
Subordinated debt	**162.4**	**(13.6)**	**9.7**	**3.4**	**161.9**
Short-term borrowings					
Revolving credit facility	**10.0**	**(15.4)**	**–**	**5.4**	**–**
Total liabilities from financing activities	**172.4**	**(29.0)**	**9.7**	**8.8**	**161.9**

			Non-cash changes		
31 December 2022	Year ended 31 December 2021 $m	Cash flows $m	Foreign exchange movement $m	Other changes $m	Year ended 31 December 2022 $m
Long-term borrowings					
Subordinated debt	182.9	(6.1)	(20.5)	6.1	162.4
Short-term borrowings					
Revolving credit facility	45.0	(39.5)	–	4.5	10.0
Total liabilities from financing activities	227.9	(45.6)	(20.5)	10.6	172.4

36 Financial instruments

The Group holds a number of different financial instruments. This Note disaggregates the different classes of the Group's financial assets and liabilities, presents the impact of offsetting, and quantifies the impact of these instruments on the consolidated income statement.

Financial assets and liabilities

The carrying amounts of the financial assets and liabilities held by the Group, and within scope of *IFRS 7 Financial Instruments: Disclosures*, are:

31 December 2023	Note	AC $m	FVTPL Mandatory $m	FVTPL Designated $m	Outside scope of IFRS 9 $m
Equity securities	25	–	509.2	–	–
Debt securities	25	–	4,804.4	–	–
Mortgages and loans	25	–	82.2	–	–
Specialised investment funds	25	–	479.6	–	–
Financial investments		–	5,875.4	–	–
Trade and other receivables[1]		788.8	–	–	–
Other assets (Fairfax shares purchased for LTIPs)[1]		–	118.7	–	–
Derivative contracts	26	–	20.2	–	–
Cash and cash equivalents	29	853.8	–	–	–
Other		1,642.6	138.9	–	–
Total financial assets		1,642.6	6,014.3	–	–
Derivative contracts	26	–	23.7	–	–
Borrowings		161.9	–	–	–
Other financial liabilities		–	–	104.0	–
Trade and other payables[2]		463.4	–	–	–
Lease liabilities[2]		–	–	–	27.8
Total financial liabilities		625.3	23.7	104.0	27.8

36 Financial instruments (continued)

Financial assets and liabilities (continued)

31 December 2022	Note	AC $m	FVTPL Mandatory $m	FVTPL Designated $m	Outside scope of IFRS 9 $m
Equity securities	25	–	544.1	–	–
Debt securities	25	–	3,945.5	–	–
Mortgages and loans	25	–	34.6	–	–
Specialised investment funds	25	–	388.2	–	–
Financial investments		–	4,912.4	–	–
Trade and other receivables[1]		598.7	–	–	0.3
Other assets (Fairfax shares purchased for LTIPs)[1]		–	89.0	–	–
Derivative contracts	26	–	10.8	–	–
Cash and cash equivalents	29	1,079.4	–	–	–
Other		1,678.1	99.8	–	0.3
Total financial assets		1,678.1	5,012.2	–	0.3
Derivative contracts	26	–	10.1	–	–
Borrowings		172.4	–	–	–
Other financial liabilities		–	–	92.7	–
Trade and other payables[2]		425.2	–	–	–
Lease liabilities[2]		–	–	–	41.3
Total financial liabilities		597.6	10.1	92.7	41.3

1. Reconciliation to the financial statements for 'trade and other receivables' and 'other assets' is performed below.
2. Reconciliation to the financial statements for 'trade and other payables' and 'lease liabilities' is performed below.

36 Financial instruments (continued)

Reconciliation to the financial statements for Trade and other receivables and Other assets

	31 December 2023 $m	31 December 2022 $m
As presented in the statement of financial position:		
Assets		
Insurance and other receivables	**923.6**	603.1
Assets classified as held for sale	**15.8**	331.6
Less:		
Goodwill classified as held for sale	**–**	(45.9)
Investment in associate classified as held for sale	**(15.8)**	–
Distribution channels classified as held for sale	**–**	(32.1)
Other intangibles classified as held for sale	**–**	(0.5)
Property, plant and equipment classified as held for sale	**–**	(3.6)
Deferred taxation classified as held for sale	**–**	(10.7)
Current taxation classified as held for sale	**–**	(4.5)
Cash and cash equivalents classified as held for sale	**–**	(138.1)
Balances not in scope of IFRS 7	**(16.1)**	(11.3)
	907.5	688.0
As presented in the financial instruments note:		
Trade and other receivables	**788.8**	599.0
Other assets (Fairfax shares purchased for LTIPs)	**118.7**	89.0
	907.5	688.0

36 Financial instruments (continued)

Financial assets and liabilities (continued)

Reconciliation to the financial statements for Trade and other payables and Lease liabilities.

	31 December 2023 $m	31 December 2022 $m
As presented in the statement of financial position:		
Liabilities		
Insurance and other payables	**539.3**	454.4
Liabilities directly associated with assets classified as held for sale	**–**	49.6
Less:		
Current taxation classified as held for sale	**–**	(4.3)
Balances not in scope of IFRS 7	**(48.1)**	(33.2)
	491.2	466.5
As presented in the financial instruments note:		
Trade and other payables	**463.4**	425.2
Lease liabilities	**27.8**	41.3
	491.2	466.5

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Fair values
For the fair value of borrowings, please refer to Note 30.

'Trade and other receivables' and 'trade and other payables' are short-term in nature where carrying amounts are deemed a reasonable approximation of fair value.

For all other financial instruments, other than 'lease liabilities', the fair value is equivalent to the carrying amount.

Financial liabilities designated as fair value through profit or loss (FVTPL)
The Group has designated other financial liabilities as FVTPL. The amount due to the investors is contractually determined based on the performance of the underlying assets. The effect of this feature on the fair value of the liability is wholly related to asset-specific performance risk, not credit risk of the liability; accordingly, no amount of fair value gain or loss required an allocation to the other comprehensive income.

Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where Brit Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

No amounts were offset in either financial assets or financial liabilities as at 31 December 2023 and as at 31 December 2022.

36 Financial instruments (continued)

Impact of financial instruments on profit or loss

	Note	31 December 2023 $m	31 December 2022 $m
Financial investments	7	**370.6**	(136.3)
Derivative contracts	9	**(9.4)**	14.3
Other assets	11	**44.3**	20.9
Net fair value gains/(losses) on financial assets and liabilities at FVTPL (mandatory)		**405.5**	(101.1)
Net fair value losses on financial liabilities at FVTPL (designated)	11	**(20.8)**	(1.3)
Trade and other receivables		**0.3**	(7.4)
Net gains/(losses) on financial assets at AC		**0.3**	(7.4)
Trade and other receivables	7	**2.1**	0.8
Cash and cash equivalents	7	**46.9**	14.9
Interest revenue on financial assets at AC		**49.0**	15.7
Lease liabilities	15	**(1.1)**	(1.3)
Borrowings	15	**(6.2)**	(6.1)
Interest expense on lease liabilities and financial liabilities at AC		**(7.3)**	(7.4)
Net gains on financial liabilities at AC		**2.7**	–

37 Share-based payments

The Group rewards its employees through various share-based incentive schemes. This Note explains the different schemes used to facilitate those share-based payments and the charge recognised in the consolidated income statement in respect of these schemes.

The compensation cost recognised in the income statement under IFRS 2 'Share-based Payments' for the Group's share-based payments arrangements are shown below:

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Equity-settled plans		
Employee Share Ownership Plan	**1.6**	1.5
Cash-settled plans		
Long Term Incentive Plan	**41.6**	18.6
Total	**43.2**	20.1

The total liability in respect of cash-settled plans at 31 December 2023 was $46.0m (2022: $32.2m). In regard to the Long Term Incentive Plan, no gain or loss (2022: $nil) is included in the consolidated statement of changes in equity in respect of equity settled plans. $6.3m (2022: $4.2m) is included within 'Other creditors' and 'Liabilities directly associated with assets classified as held for sale' in respect of national insurance contributions on the share schemes. A further $1.6m (2022: $1.5m) of charges relating to the Employee Share Ownership Plan are equity-settled in nature but physically-settled in cash and so were not recorded in the consolidated statement of changes in equity.

37 Share-based payments (continued)

(a) Long Term Incentive Plan (Performance Share Plan replacement)

On the Fairfax acquisition of Brit Limited, the 65% of performance share plan (PSP) awards that did not immediately vest were converted by Fairfax into awards under this scheme. The cost of the awards was recorded over the vesting period. The options vested in November 2018 and there are a further seven years to exercise the options.

Reconciliation of movement in the number of awards

	Year ended 31 December 2023 Number of awards	Year ended 31 December 2022 Number of awards
Outstanding at 1 January	**340**	668
Exercised	**(101)**	(328)
Outstanding at 31 December	**239**	340

In order to settle share-based payment awards, in 2015 the Group purchased $10.7m of preference shares in FFHL Share Option 1 Corp and that company has purchased shares in Fairfax. Of the purchase, $3.9m related to this scheme and was recorded within equity so as to offset the share-based payment charges recorded in equity on exercise of the awards. $0.6m worth of options were forfeited prior to the vesting of the scheme and the shares associated with those forfeited awards were awarded as part of the cash-settled long term incentive plan. As such, this amount has been reclassified from equity to other assets, resulting in a $0.6m increase in the statement of changes in equity in 2021. There were no additional shares purchased for this scheme in 2022 and 2023. The remaining 239 shares were exercisable at the year end.

(b) Long Term Incentive Plan

The Company awards selected employees options to acquire shares in Fairfax at a nil exercise price. Subject to continued service, the options vest between two and ten years after the grant date and there are a further five years to exercise the options.

The fair value of the awards are determined by the market price of the underlying shares at the valuation date. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 10% per annum (2022: 10%) prior to vesting, with subsequent adjustments to reflect actual experience.

Reconciliation of movement in the number of awards

	Year ended 31 December 2023 Number of awards	Year ended 31 December 2022 Number of awards
Outstanding at 1 January	**149,075**	153,237
Granted	**18,236**	15,851
Transferred out	**(628)**	–
Exercised	**(28,120)**	(15,354)
Forfeited	**(11,930)**	(4,659)
Outstanding at 31 December	**126,633**	149,075

The total intrinsic value at the end of the period of liabilities for awards that have been vested, but not exercised, amounted to $5.9m (2022: $2.3m). The weighted average share price at the date of exercise for share options exercised during the period was $791.41 (2022: $493.23). The weighted average fair value at date of grant for awards granted during 2023 was $905.84 (2022: $616.48).

In order to settle share-based payment awards, in 2023 the Group purchased $4.9m (2022: $0.4m) of preference shares in FFHL Share Option 1 Corp and that company has purchased shares in Fairfax. This has been recorded within 'Other Assets' so as to offset the share-based payment recorded as a liability within 'Other creditors' that accrues over the vesting period of the awards.

(c) Employee Share Ownership Plan (ESOP)

Under the terms of the ESOP which was established in 2015, eligible employees are given the election to purchase common shares in Fairfax in an amount up to 10% of their annual base salary. The Company purchases, on the employee's behalf, a number of Fairfax's common shares equal in value to 30% of the employee's contribution. In the event that the Company achieves certain performance targets, additional shares are purchased by the Company for the employee's benefit, to an amount equal in value to 20% of the employee's contribution during that year. In respect of both shares purchased by employees and matched by the Company, during the year ended 31 December 2023, the Company purchased a total of 5,419 common shares in Fairfax (2022: 7,631) at an average price of $778.78 (2022: $522.72) in respect of this plan.

38 Consolidated entities

This Note sets out all the entities which are members of the Brit Limited Group and whose results and financial positions are consolidated to produce the Group result and financial position.

All subsidiaries of the Company are 100% owned apart from the Group's special purpose vehicles. For these vehicles, funding is provided through preference share capital or other unitised issuances. The Group also holds 57% and 76% investments in The Diversified Fund and the Specialty Insurance Fund respectively, which are segregated accounts within Sussex Capital Limited. The Group has consolidated all segregated accounts of Sussex Re Limited and protected cells of Sussex Capital UK PCC Limited apart from those where the investment therein has been made directly by investors that are external to the Brit Group.

As mentioned in Note 2.2, 57.67% of the 2021 year of account result and assets of Syndicate 2988 is included in these consolidated financial statements. 67.98% of the 2022 year of account result and assets of Syndicate 2988 is included in these consolidated financial statements. 75.86% of the 2023 year of account result and assets of Syndicate 2988 is included in these consolidated financial statements.

As at 31 December 2023, the Group holds 20.0% of the share capital of Ki Financial Limited and 51.0% of the voting rights. The entity is consolidated in full by the Group. During 2022, Brit Limited invested $38m respectively (2022: $6m on 2 September, $29m on 2 December, and $3m on 15 December).

On 10 May 2023, the Group sold its entire investment in Ambridge Group ('Ambridge Group' refers to the Ambridge US (Brit Insurance USA Holdings Inc. and its subsidiaries) and Ambridge Europe sub-groups (Ambridge Europe Limited and its subsidiaries)). At this point, there was a loss of control and, as such, it has been deconsolidated.

On 13 October 2023, Brit Global Speciality Singapore Pte. Ltd. was dissolved and, as such, it has been deconsolidated.

On 6 November 2023, Ki Shelf Company Two Limited was incorporated as a subsidiary.

On 20 November 2023, Brit Insurance Holdings B.V. was dissolved and, as such, it has been deconsolidated.

On 18 December 2023, Ki Group Services Limited was incorporated as a subsidiary.

The subsidiaries of the Company at 31 December 2023, together with their main function, are listed below by country of incorporation. The registered address and principal place of business of each entity is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB unless otherwise stated.

38 Consolidated entities (continued)

Subsidiary	Principal activity	Registered address and principal place of business
United Kingdom		
Brit Insurance Holdings Limited	Intermediate holding company	The Leadenhall Building
Brit Syndicates Limited	Lloyd's managing agent	The Leadenhall Building
Brit UW Limited	Lloyd's corporate member	The Leadenhall Building
Brit Insurance Services Limited	Service company	The Leadenhall Building
Brit Investment Holdings Limited	Service company (Dormant)	The Leadenhall Building
Brit Group Services Limited	Group services company	The Leadenhall Building
Brit Group Finance Limited	Group services company	The Leadenhall Building
BGS Services (Bermuda) Limited	Service company	The Leadenhall Building
Brit Pension Trustee Limited	Service company (Dormant)	The Leadenhall Building
Brit Corporate Services Limited	Service company (Dormant)	The Leadenhall Building
Brit Corporate Secretaries Limited	Service company (Dormant)	The Leadenhall Building
Sussex Capital UK PCC Limited	Special purpose vehicle	The Leadenhall Building
Nameco (No. 1341) Limited	Lloyd's corporate member	5th Floor, 40 Gracechurch Street, London, EC3V 0BT
Ki Member Limited	Lloyd's corporate member	The Leadenhall Building
Ki Financial Limited	Intermediate holding company	The Leadenhall Building
Ki Capital Solutions Limited	Service company (Dormant)	The Leadenhall Building
Ki Technology Limited	Service company (Dormant)	The Leadenhall Building
Ki Risk Services Limited (formerly Ki Member Limited)	Service company (Dormant)	The Leadenhall Building
Ki Shelf Company Limited (formerly Ki Group Services Limited)	Service company (Dormant)	The Leadenhall Building
Ki Digital Services Limited (formerly Otto Technology Limited)	Service company (Dormant)	The Leadenhall Building
Ki Group Services Limited (incorporated on 18 December 2023)	Service company (Dormant)	The Leadenhall Building
Ki Shelf Company Two Limited (incorporated on 6 November 2023)	Service company (Dormant)	The Leadenhall Building
Brit Syndicates Trustee Limited	Lloyd's trustee (Dormant)	The Leadenhall Building
Bermuda		
Sussex Capital Management Limited	Service company	Ground Floor Chesney House, The Waterfront, 96 Pitts Bay Road, Pembroke, HM 08
Sussex Capital Limited	Special purpose vehicle	Wessex House, 3rd Floor, 45 Reid Street, Hamilton HM 12
Sussex Re Limited	Special purpose vehicle	Wessex House, 3rd Floor, 45 Reid Street, Hamilton HM 12
Brit Reinsurance (Bermuda) Limited	Insurance company	Ground Floor Chesney House, The Waterfront, 96 Pitts Bay Road, Pembroke, HM 08
South Africa		
Camargue Underwriting Managers (Proprietary) Limited	Insurance intermediary	Camargue House, 33 Glenhove Road, Melrose Estate, 2196
Synergy XOL (Pty) Ltd.	Service company	Camargue House, 33 Glenhove Road, Melrose Estate, 2196
Phoenix Underwriting Managers (Pty) Ltd.	Service company (Dormant)	Camargue House, 33 Glenhove Road, Melrose Estate, 2196

39 Related party transactions and Ultimate Parent Company

The Group has a number of related parties which includes its principal investors and its Directors. Sometimes it transacts business with these related parties. This Note sets out those transactions.

The Group carries out a number of transactions with related parties which include, paying management fees, carrying out insurance and reinsurance activities with affiliates of the ultimate parent company, Fairfax Financial Holdings Limited, and trading with its associates. All the transactions with related parties are undertaken on an arm's-length basis.

(a) Ultimate Parent Company
The ultimate parent company and controlling entity, and the largest group of which the Group is a member, is Fairfax Financial Holdings Limited (Fairfax) which is registered in Canada and listed on the Toronto Stock Exchange. The consolidated financial statements for Fairfax are publicly available and can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

(b) Fairfax Financial Holdings Limited
In June 2015, Hamblin Watsa Investment Counsel Limited (HWIC), an affiliate of Fairfax, was appointed as an investment manager to a number of Group companies. During the year ended 31 December 2023, the Group incurred and paid investment management fees to HWIC of $12.7m (2022: $11.5m).

The Group has historically entered into various reinsurance arrangements with affiliates of Fairfax.

In respect of insurance and ceded outwards reinsurance activity, the amounts included in the income statement relating to trading with affiliates of Fairfax were as follows:

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Insurance revenue	**21.7**	18.1
Insurance service expenses (exclusive of commissions costs below)	**(6.9)**	(7.7)
Ceded reinsurance revenue (gross of ceding commissions below)	**(16.7)**	(16.0)
Reinsurance recoveries	**9.5**	5.1
Net finance expenses	**0.4**	1.0
Commission income	**0.7**	0.8
Commission expense	**(5.5)**	(4.6)

The amounts included in the statement of financial position outstanding with Fairfax and its affiliates as at 31 December 2023 were as follows:

	31 December 2023 $m	31 December 2022 $m
Insurance and reinsurance balances		
Insurance contract liabilities	**(43.4)**	(42.6)
Reinsurance contract assets	**25.0**	18.3

39 Related party transactions and Ultimate Parent Company (continued)

(c) Associated undertaking

Sutton Special Risk Inc. ('Sutton')

On 2 January 2019, Brit Insurance Holding Limited, acquired 49% of the issued shares of Sutton and recorded it as an investment in associated undertaking. For more information on Sutton see note 17.

Trading with Sutton is undertaken on an arm's-length basis and is settled in cash. The amounts in the income statement relating to trading with Sutton for the year ended 31 December 2023 included commission for introducing insurance business of $6.2m (2022: $4.8m).

Amounts recorded in the statement of financial position in respect of premium net of commissions due from, and fees payable to, Sutton as at 31 December 2023 and 31 December 2022 were not material.

(d) Bryte Insurance Limited agreement

Prior to the acquisition of Camargue Underwriting Managers Proprietary Limited (Camargue) on 4 October 2021, the entity had already entered into an agreement with Bryte Insurance Limited (Bryte), another subsidiary of the Fairfax group. Camargue acts as an underwriting managing agent for Bryte, administering insurance policies on their behalf and providing risk management services over the lifetime of those policies.

Following the acquisition of Camargue on 4 October 2021, the amounts in the income statement related to trading with Bryte were $0.6m (2022: $1.5m) in respect of administration fees and risk management fees. $0.2m was outstanding at the year-end (2022: $0.3m).

(e) Key management compensation

The amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pension for former members of those bodies, are broken down as follows:

	Year ended 31 December 2023 $m	Year ended 31 December 2022 $m
Salaries and other short-term employee benefits	**11.9**	12.9
Post-employment benefits	**0.9**	1.1
Share-based payments	**16.2**	9.2
Total compensation	**29.0**	23.2

For the purposes of IAS 24, 'Related Party Disclosures', key managers are defined as the Board of Directors and members of the Executive Committee which is the primary vehicle for implementing Board decisions in respect of UK-managed operations.

As at 31 December 2023, $0.4m (2022: $0.4m) was recorded in the statement of financial position in respect of unsecured loans to key management personnel. These loans were recognised during 2020, are expected to be settled in cash, carry an annual interest charge of 2.25%, and have no fixed maturity date.

(f) Brit Group Services Limited Retirement Benefits Scheme

On 26 May 2022, Brit Group Services Limited entered into an agreement with the Brit Group Services Limited Retirement Benefits Scheme (the "Scheme") to advance the Scheme a temporary loan to enable it to meet its short-term expense requirements. The Scheme shall pay interest at a rate equal to the Sterling Overnight Index Average plus 2.45% per annum. The principal balance on the loan was repaid in full on 30 September 2022.

Amounts recorded in the income statement relate to interest earned on the loan and in 2022, amounted to $23.7k. In 2023, no amounts were recorded in the income statement. As at 31 December 2023 and 31 December 2022, no amounts were outstanding.

(g) Crum and Forster

On 1 May 2018, Brit Insurance Services USA, Inc. (BISI) entered into a binding authority agreement with Crum and Forster Specialty (C&F), another subsidiary of the Fairfax group. C&F has authorized BISI to bind certain commercial insurance contracts on their behalf. BISI earns a commission of up to 13.5% for this business including external broker commission. The agreement was discontinued in 2019 and has been in run-off since. During 2023, C&F paid BISI $nil (2022: $4.4k) in respect of commission. BISI was included in the disposal of Ambridge on 10 May 2023. As at 31 December 2022, there was an outstanding payable of $8.0k.

On 2 October 2023, a bond was sold by Brit Insurance Holdings Limited for $111.0m. Further information on this sale is provided per Note 10.

40 Guarantees and contingent liabilities

This Note explains guarantees issued by Group companies and any contingent liabilities they may be exposed to.

(a) Lloyd's

Assets have been pledged, as Funds at Lloyd's, by way of deposits and fixed and floating charges for corporate member companies within the Group that participate on Lloyd's syndicates. The funds are held in trust and can be used to meet claims liabilities should syndicates fail to meet their claims liabilities. Each corporate member has its own funds and can only use its funds to meet its own claims liabilities.

As at 31 December 2023, the Group's total Funds at Lloyd's balance amounted to $1,253.8m (2022: $1,486.9m), of which $160.0m (2022: $280.0m) was attributable to letters of credit placed as Funds at Lloyd's.

(b) Credit facilities

Revolving credit facility

The Group has a $550.0m (2022: $550.0m) revolving credit facility which expires on 31 December 2027. At 31 December 2023, a $10.0m (2022: $100.0m) uncollateralised letter of credit had been utilised. In addition, there was cash drawing of $nil (2022: $10.0m).

Other borrowings

Syndicate 2987 entered into an agreement for a $150.0m uncollateralised letter of credit facility on 22 November 2021, which was fully utilised at 31 December 2021. This facility expired on 31 December 2022.

As at 31 December 2023, the letter of credit facility was $180.0m, of which $150.0m was partially utilised, and $63.0m was collateralised (2022: fully utilised and uncollateralised $180.0m) to support the business written in Syndicate 1618. This facility expires on 31 December 2025. The facility, which is structured to support Syndicate 1618 as Ki grows, is linked to the ESG rating of Ki's 'Funds at Lloyd's' investment portfolios and Syndicate 1618's assets, with its pricing depending on the compliance of Ki's investment portfolios with ESG targets. This builds on the investment guidelines Ki has established for its third-party managers, which incorporate ESG principles and targets, and will help Ki build a sustainable footprint.

As at 31 December 2023, the letter of credit facility was $25.0m, of which $14.1m was partially utilised (2022: credit facility was $10.0m, of which $6.2m was partially utilised) to support Brit Reinsurance (Bermuda) Limited. Of this amount, $15.2m (2022: $6.5m) was collateralised. This is an ongoing facility with no fixed expiry date.

(c) Taxation

The Group operates in a wide variety of jurisdictions around the world through its Lloyd's syndicate and uncertainties therefore exist with respect to the interpretation of complex tax laws and practices of those territories. The Group establishes provisions for taxes other than current and deferred income tax if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. This assessment is made based upon various factors which are continually evaluated.

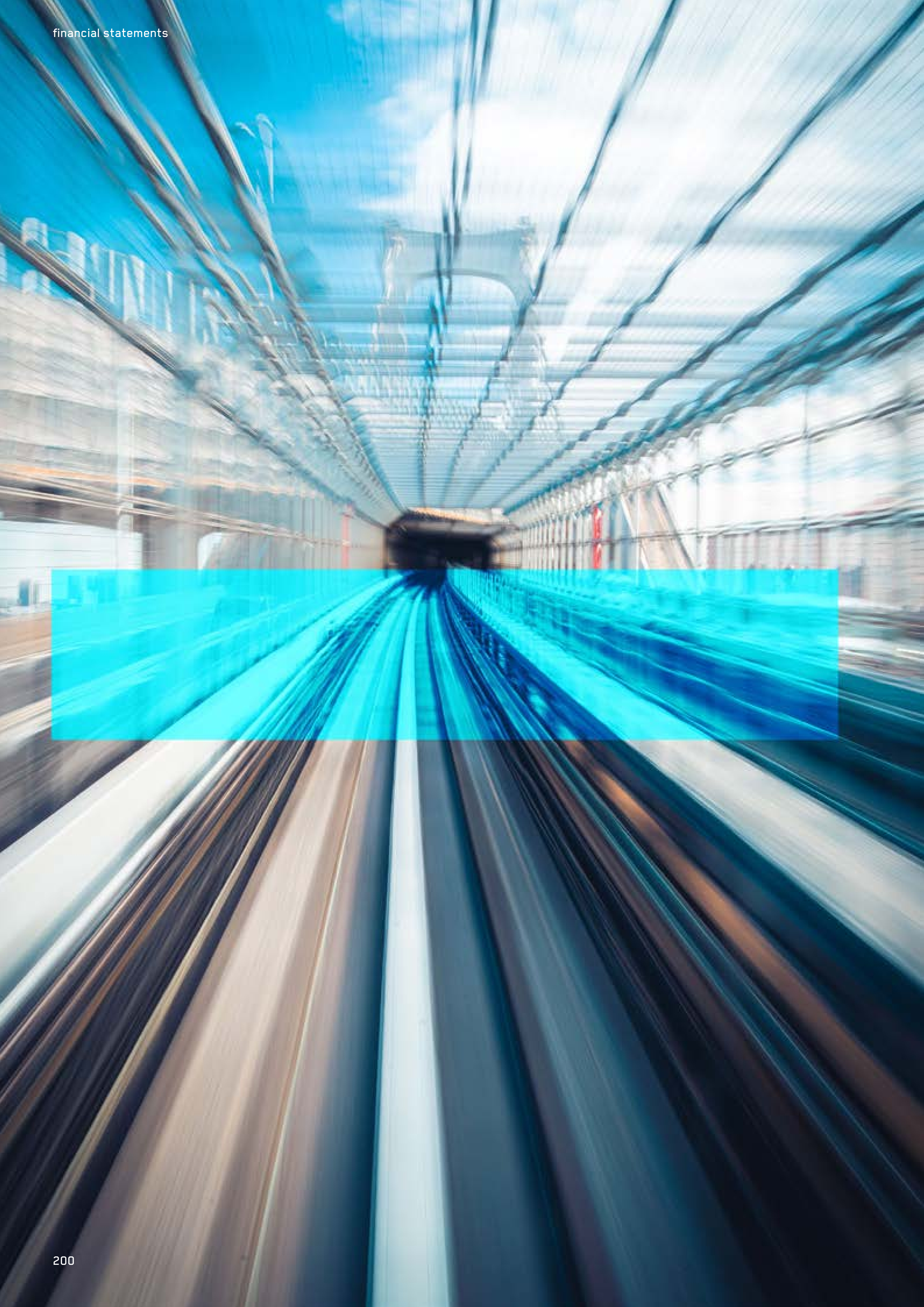
Income taxes are provided for as set out in accounting policy (Note 2.5.8).

41 Events occurring after the reporting date

This Note sets out how events occurring after the reporting date relate to the financial position and performance of the Group in the reporting period.

On 17 November 2023, Brit entered into an agreement with Amynta Group and the other shareholders of Sutton, under which Amynta Group would acquire 100% of Sutton. Following the receipt of UK regulatory approval, this transaction closed on 8 March 2024. The sale proceeds for Brit's 49% holding were $31.0m.

On 21 March 2024, interim dividends of $187.9m were declared, of which $12.9m are in respect of the class A shareholders and $175.0m were in respect of class B shareholders. The dividends were declared in accordance with the Brit Limited shareholders' agreement.



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Index to the Parent Company Financial Statements

Introduction to the Parent Company Financial Statements

Statement of Financial Position
The statement of financial position is a summary of assets and how the assets have been funded through liabilities and equity investment by shareholders.

Statement of Changes in Equity
The statement of changes in equity shows how the various lines in the equity section of the Company's statement of financial position have moved during the year.

statement of financial position

At 31 December 2023

	Note	31 December 2023 $m	31 December 2022 $m
Fixed assets			
Investments:			
Shares in Group undertakings	3	**1,155.5**	1,155.2
Loans to Group undertakings	4	**131.4**	124.0
		1,286.9	1,279.2
Current assets			
Debtors: Amounts falling due within one year	5	**499.5**	526.8
Cash at bank and in hand		**0.3**	0.2
		499.8	527.0
Current liabilities			
Creditors: Amounts falling due within one year	6	**(0.9)**	(1.1)
Net current assets		**498.9**	525.9
Total assets less current liabilities		**1,785.8**	1,805.1
Creditors: Amounts falling due after more than one year	7	**(161.9)**	(162.4)
Net assets		**1,623.9**	1,642.7
Capital and reserves			
Called up share capital	8	**10.0**	10.0
Share premium		**932.6**	1,432.6
Capital redemption reserve		**1.0**	1.0
Capital contribution reserve		**32.2**	32.2
Retained earnings		**648.1**	166.9
Total equity		**1,623.9**	1,642.7

No individual income statement is presented for the Company, as permitted by Section 408 of the Act. The comprehensive income in the financial statements of the Company was a $394.8m profit (2022: $6.4m profit).

The accompanying Notes on pages 204 to 209 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Martin Thompson
Group Chief Executive Officer

Gavin Wilkinson
Group Chief Financial Officer

statement of changes in equity

For the year ended 31 December 2023

	Note	Called up Share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Retained earnings $m	Total equity $m
At 1 January 2023		**10.0**	**1,432.6**	**1.0**	**32.2**	**166.9**	**1,642.7**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**394.8**	**394.8**
Dividends	11	**–**	**–**	**–**	**–**	**(413.6)**	**(413.6)**
Capital reduction[1]		**–**	**(500.0)**	**–**	**–**	**500.0**	**–**
At 31 December 2023		**10.0**	**932.6**	**1.0**	**32.2**	**648.1**	**1,623.9**

1. On 1 November 2023, Brit Limited effected a capital reduction, without the cancellation of any shares, which resulted in a $500.0m reduction to share premium and a corresponding increase in retained earnings. Accordingly, there was no impact on total equity.

For the year ended 31 December 2022

	Note	Called up Share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Retained earnings $m	Total equity $m
At 1 January 2022		10.0	1,432.6	1.0	28.5	179.2	1,651.3
Profit and total comprehensive income for the year		–	–	–	–	6.4	6.4
Dividends	11	–	–	–	–	(18.7)	(18.7)
Contribution from parent in relation to the acquisition of the Riverstone pension plan		–	–	–	3.7	–	3.7
At 31 December 2022		10.0	1,432.6	1.0	32.2	166.9	1,642.7

The accompanying Notes on pages 204 to 209 are an integral part of these financial statements.

notes to the parent company financial statements

1 Accounting policies and basis of preparation

This Note provides details of the basis of preparation and accounting policies applied in producing these parent company financial statements.

1.1 Basis of preparation

The Company financial statements present the information about the Company as a separate entity. The Company is incorporated and registered in England and Wales with registration number 08821629. The registered office of the Company at the date of this report is The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB.

The Company has prepared its financial statements in accordance with Financial Reporting Standard 'FRS 102', the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and provisions of Section 396 of the Companies Act 2006. The Company has applied accounting policies consistently to all the years presented, other than where new policies have been adopted.

The financial statements have been compiled on a going concern basis and prepared on a historical cost basis, except for financial investments and financial liabilities which have been measured initially at fair value. The Company financial statements are presented in US dollars, which is also the functional currency of the Company, and all values are rounded to the nearest $0.1m except where otherwise indicated.

1.2 Accounting policies

(a) Investments
Investments in subsidiary undertakings are stated at cost less provisions for any impairment.

(b) Income from fixed asset investments
Dividend income is recognised when the shareholders' right to receive the payment is established.

(c) Long-term debt
Long-term debt is recognised initially at transaction price which is the fair value. It is subsequently measured at amortised cost using the effective interest rate method, in accordance with section 11 of FRS 102 (Basic Financial Instruments).

Interest payable is recognised using the effective interest rate method.

Interest income is recognised on the de-recognition of sub-debt, arising from the difference between cash settled and the notional amount derecognised.

(d) Loans to Group undertakings
Loans to Group undertakings are recognised initially at transaction price which is the fair value, (including transaction costs incurred except in the initial measurement of financial liabilities that are measured at fair value through profit or loss) and subsequently measured at amortised cost using effective interest rate method, in accordance with section 11 of FRS 102 (Basic Financial Instruments).

Interest receivable is recognised using the effective interest rate method.

(e) Expenses
All expenses are accounted for on an accruals basis.

(f) Foreign currencies
Items included in the financial statements of the Company are measured using the functional currency which is the primary economic environment in which the entity operates. The functional currency of the Company is US dollars.

Transactions in foreign currencies other than US dollars are converted at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions are converted at the average exchange rates for the period. Assets and liabilities in currencies other than Sterling are converted at the rate of exchange ruling at 31 December of each year. Exchange differences arising on conversion are dealt with in the income statement.

1 Accounting policies and basis of preparation (continued)

(g) Deferred taxation
Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the statement of financial position date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax asset/liability shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

2 Auditors' remuneration

This Note sets out the fees paid in respect of the annual audit performed on the Company.

Audit fees borne by the Company amounted to $17,350 (2022: $16,765).

3 Shares in Group undertakings

This Note explains the direct shareholdings of the Company in other Group entities.

	31 December 2023 $m	31 December 2022 $m
Investment in Brit Insurance Holdings Limited	**1,055.0**	1,054.7
Investment in Ki Financial Limited	**100.0**	100.0
Investment in Ki Member Limited	**0.5**	0.5
	1,155.5	1,155.2

During 2022, Brit Limited invested a total of $2.2m into Brit Insurance Holdings Limited (17 January 2022: $0.5m, 17 February 2022: $0.5m, 18 March 2022: $0.5m, 22 April 2022: $0.4m, 30 June 2022: $0.1m, 30 September 2022: $0.1m, and 29 December 2022: $0.1m). During 2023, Brit Limited invested a total of $0.3m into Brit Insurance Holdings Limited (31 March 2023: $0.1m, 30 June 2023: $0.1m, and 30 September 2023: $0.1m).

During 2022, Brit Limited invested $38.0m into Ki Financial Limited (2 September 2022: $6.0m, 2 December 2022: $29.0m, and 15 December 2022: $3.0m).

On 1 January 2022, Brit Limited acquired the share capital of Ki Member Limited for $0.5m.

The subsidiaries of the Company as at 31 December 2023, and their principal activities, are disclosed in the Brit Limited consolidated financial statements.

4 Loans to Group undertakings

This Note sets out moneys lent by the Company to other Group companies.

	31 December 2023 $m	31 December 2022 $m
Loans to Group undertakings	**131.4**	124.0

On 8 September 2014, a long-term loan to another Group company was novated to Brit Limited at fair value. The agreement carries interest at an annual interest rate of 7.05%. The loan is unsecured, has no fixed date of repayment, and is repayable on demand.

5 Debtors: Amounts falling due within one year

This Note sets out moneys owed to the Company that are due before 31 December 2024.

	31 December 2023 $m	31 December 2022 $m
Interest receivable on loans to Group undertakings	**15.7**	19.2
Amounts owed by Group undertakings	**481.6**	506.7
Prepayments	**0.9**	0.9
Other debtors	**1.3**	–
Total	**499.5**	526.8

'Amounts owed by Group undertakings' are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

6 Creditors: Amounts falling due within one year

This Note sets out moneys owed by the Company that are due before 31 December 2024.

	31 December 2023 $m	31 December 2022 $m
Accruals and deferred income	**0.9**	0.7
Amounts owed to Group undertakings	**–**	0.4
Total	**0.9**	1.1

'Amounts owed to Group undertakings' are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

7 Creditors: Amounts falling due after more than one year

This Note sets out moneys owed by the Company that are due after 31 December 2024.

	Maturity	Effective interest rate	31 December 2023 Amortised cost $m	31 December 2023 Fair value $m	31 December 2022 Amortised cost $m	31 December 2022 Fair value $m
Subordinated debt	2030	3.7%	**161.9**	**118.3**	162.4	120.6

The fair value of the subordinated debt has been determined by reference to trading market values on recognised exchanges and is categorised as level one in the fair value hierarchy.

The subordinated debt was novated to the Company from another Group company on 8 September 2014 at fair value. The subordinated debt is listed and callable in whole by the Company on 9 December 2020. Following this date, the interest rate reset to 3.6757%, being the higher of:

i) 3.4% above the gross redemption yield of the 4.75% Treasury Gilt due 2030 quoted on the reset date; and

ii) 3.4% above the gross redemption yield of the 8% Treasury Stock due 2021 quoted on the reset date.

On 14 December 2023 £8.0m ($10.0m) of the notional value of the subordinated debt was repurchased by the Group for £5.9m ($7.3m) and was cancelled.

8 Called up share capital

This Note sets out the number of shares in issue and their nominal value.

	31 December 2023 $m	31 December 2022 $m	31 December 2023 1p each Number	31 December 2022 1p each Number
Ordinary shares:				
Allotted, issued and fully paid	**10.0**	10.0	**669,502,094**	669,502,094

For further information in respect of shares currently in issue and related movements in called up share capital during the current and prior period, please refer to Note 33 accompanying the Brit Limited Group financial statements.

9 Directors' emoluments

This Note gives a breakdown of emoluments paid to Directors both in total and in respect of the highest paid Director.

	31 December 2023 $m	(Restated) 31 December 2022 $m
Aggregate remuneration	**3.8**	5.5
Aggregate contributions to money purchase pension schemes	**0.2**	0.1
Total	**4.0**	5.6
The Directors' remuneration disclosed above includes the following amounts paid to the highest paid Director:		
Aggregate remuneration	**1.5**	3.0

	Number	Number
Number of Directors with benefits accruing under money purchase pension schemes	**2**	2
Number of Directors who exercised share options	**1**	2
Number of Directors in respect of whose qualifying services, shares were received or receivable under long-term incentive schemes	**2**	2

Comparatives for the year ended 31 December 2022 have been restated to exclude amounts related to share-based payments from 'aggregate remuneration' in order to ensure that the disclosures are more consistent with the definition of remuneration in UK legislation.

Shares were received or receivable by the highest paid Director in respect of qualifying services under a long-term incentive scheme during 2023 and 2022. Shares were exercised by the highest paid Director during 2023 and 2022.

10 Guarantees and contingent liabilities

This Note explains guarantees issued by the Company. The Company has no contingent liabilities.

The Company has access to a $550.0m (2022: $550.0m) revolving credit facility which expires on 31 December 2027. The Company and a subsidiary company are both guarantors to the lenders of the revolving credit facility. The Company guarantees amounts utilised through cash drawings or issued letters of credit by the other named borrowers.

At 31 December 2023, a $10.0m (2022: $100.0m) uncollateralised letter of credit had been utilised by the Company in respect of this facility. In addition, there was cash drawings of $nil (2022: $10.0m).

11 Dividends

This Note gives details of the amounts paid to shareholders during 2023 and 2022 by way of dividends.

	2023 $/share	2022 $/share	2023 $m	2022 $m
Dividend paid	**0.62**	0.20	**413.6**	18.7

A $28.6m dividend (2022: $18.7m) was paid to the class A shareholders on 3 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.31 per share (2022: $0.20). A further dividend of $12.0m was paid to the class A shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.13 per share.

A $275.0m dividend (2022: $nil) was paid to the class B shareholders on 25 May 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.48 per share (2022: $nil). A further dividend of $98.0m was paid to the class B shareholders on 6 October 2023 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.17 per share.

12 Share-based payments

The Company rewards its employees through various share-based incentive schemes. This Note explains the different schemes used to facilitate those share-based payments.

Further detail in respect of the Group's share-based incentive schemes can be found in Note 37 of the notes accompanying the Brit Limited Group consolidated Financial Statements.

13 Disclosure exemptions

This Note explains the Company's approach to qualifying exemptions available in FRS 102.

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly, these financial statements do not include the following:

- Statement of cash flows;
- A reconciliation of shares outstanding at the beginning and end of the period;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group;
- Specific information relating to share-based payments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation (included in Note 39 of the Group financial statements).

The Brit Limited consolidated financial statements and accompanying notes provide further detail in respect of these areas.

14 Ultimate parent company and other related undertakings

The ultimate parent company and controlling entity, and the largest group of which the Group is a member, is Fairfax Financial Holdings Limited (Fairfax) which is registered in Canada and listed on the Toronto Stock Exchange. The consolidated financial statements for Fairfax are publicly available and can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

A subsidiary of the Company held a significant investment in Sutton Special Risk Inc ('Sutton'), an associated undertaking, until 8 March 2024 and was reported within 'Assets classified held for sale' on the consolidated statement of financial position at the year end. Sutton is registered in Canada with offices at 3 Yonge Street, Suite 400, P.O. Box 311, Toronto, Ontario, Canada, M5E 1G4.

Further information on other related undertakings of the Company can be found in Note 38 Consolidated Entities of the notes to the consolidated financial statements.

key performance indicators and alternative performance measures

Return on net tangible assets (RoNTA)

Return on net tangible assets (RoNTA) shows the return being generated by our operations compared to the adjusted net tangible assets deployed in our business.

(i) RoNTA from all operations

	Comment/financial statements reference	2023 $m	(Restated) 2022 $m
Profit for the year after tax attributable to the owners of the parent	Consolidated income statement	**836.2**	292.8
Add back: Tax adjusted amortisation	Amortisation of intangibles, adjusted by the tax rate	**7.0**	9.5
Add back: Tax adjusted pension charge in income statement	Defined benefits schemes' impact on income statement	**3.7**	0.7
Add back: Tax adjusted FX	FX effect for the year, adjusted by the tax rate	**74.9**	(88.1)
Return, as adjusted for RoNTA calculation		**921.8**	214.9
Adjusted NTA at start of year	See '(iii) Adjusted net tangible assets' section below.	**2,025.1**	1,797.1
Less: Pension asset net of deferred tax at start of year	'Employee benefits' per Consolidated Statement of Financial Position less deferred tax at 35%	**(40.1)**	(73.9)
External distributions, share issuances and capital contributions	Weighted adjustment to reflect distributions and shares issued during the year.	**(210.5)**	(11.2)
NTA, as adjusted for RoNTA calculation		**1,774.5**	1,712.0
RoNTA	Return, as adjusted for RoNTA calculation, divided by NTA, as adjusted for RoNTA calculation.	**51.9%**	12.6%

(ii) RoNTA from continuing operations

	Comment/financial statements reference	2023 $m	(Restated) 2022 $m
Profit for the year after tax attributable to the owners of the parent, excluding discontinued operation	Consolidated income statement	**570.0**	271.1
Add back: Tax adjusted amortisation	Amortisation of intangibles, adjusted by the tax rate	**7.0**	9.5
Add back: Tax adjusted pension charge in income statement	Defined benefits schemes' impact on income statement	**3.7**	0.7
Add back: Tax adjusted FX	FX effect for the year, adjusted by the tax rate	**74.9**	(88.1)
Return, as adjusted for RoNTA calculation		**655.6**	193.2
Adjusted NTA at start of year	See '(iii) Adjusted net tangible assets' section below.	**2,025.1**	1,797.1
Less: NTA relating to discontinued operations		**(203.7)**	(212.1)
Less: Pension asset net of deferred tax at start of year	'Employee benefits' per Consolidated Statement of Financial Position less deferred tax at 35%	**(40.1)**	(73.9)
External distributions, share issuances and capital contributions	Weighted adjustment to reflect distributions and shares issued during the year.	**(210.5)**	(11.2)
NTA, as adjusted for RoNTA calculation		**1,570.8**	1,499.9
RoNTA	Return, as adjusted for RoNTA calculation, divided by NTA, as adjusted for RoNTA calculation.	**41.7%**	12.9%

(iii) Adjusted net tangible assets

Adjusted net tangible assets at the end of each year are calculated as follows:

	Comment/financial statements reference	2023 $m	(Restated) 2022 $m
Total equity attributable to owners of the parent	Consolidated statement of financial position	**2,617.2**	2,202.8
Less: Intangible assets	Consolidated statement of financial position	**(122.7)**	(120.0)
Less: Intangible assets	Note 10: Discontinued operation	**–**	(78.5)
Net tangible assets		**2,494.5**	2,004.3
Add back deferred tax liability on intangible assets	Note 22: Deferred taxation	**21.5**	20.6
Add back deferred tax liability on intangible assets	Note 22: Deferred taxation	**–**	0.2
Adjusted net tangible assets		**2,516.0**	2,025.1

Combined ratio, claims ratio and expense ratio

The combined ratio is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every $1 of premium is spent in the total costs of sourcing and underwriting the business and settling claims. A combined ratio under 100% indicates underwriting profitability.

The component parts of the combined ratio are the claims ratio and the expense ratio (consisting of the commission expense ratio and the operating expense ratio). The calculations of each of the ratios are set out below:

Year ended 31 December 2023		Core underwriting		Total Brit Underwriting (excluding Ki)		Ki Segment		Group Underwriting (including Ki)	
$m	Comment/financial statement reference	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted
Claims ratio	'Net claims' divided by 'net insurance revenue'	59.6%	48.8%	59.2%	48.7%	56.3%	49.7%	58.4%	49.0%
Commission ratio	'Insurance service expense – commissions' divided by 'net insurance revenue'	15.8%	16.0%	15.8%	16.0%	24.4%	24.7%	18.0%	18.2%
Operating expense ratio	'Net expenses' divided by 'net insurance revenue'	9.0%	9.1%	8.9%	9.1%	8.7%	8.8%	8.9%	9.0%
Expense ratio	Sum of the 'commission ratio' and the 'operating expense ratio'	24.8%	25.1%	24.7%	25.1%	33.1%	33.5%	26.9%	27.2%
Combined ratio	Sum of the 'claims ratio' and the 'expense ratio'	84.4%	73.9%	83.9%	73.8%	89.4%	83.2%	85.3%	76.2%
Insurance revenue	Note 5: Segmental information	2,680.8	2,636.9	2,694.9	2,650.8	880.7	866.3	3,575.6	3,517.1
Allocation of reinsurance premiums	Note 5: Segmental information	(639.2)	(620.9)	(639.2)	(620.9)	(169.2)	(165.0)	(808.4)	(785.9)
Net insurance revenue		2,041.6	2,016.0	2,055.7	2,029.9	711.5	701.3	2,767.2	2,731.2
Insurance service expense – claims	Note 13: The element of insurance service expenses relating to claims	(1,741.6)	(1,432.4)	(1,742.0)	(1,438.6)	(476.9)	(411.5)	(2,218.9)	(1,850.1)
Amount recoverable from reinsurers for incurred claims	Note 5: Segmental information	525.5	449.3	525.5	449.3	76.1	63.3	601.6	512.6
Net claims		(1,216.1)	(983.1)	(1,216.5)	(989.3)	(400.8)	(348.2)	(1,617.3)	(1,337.5)
Insurance service expense – commissions	The element of insurance service expenses relating to commissions	(322.4)	(322.4)	(324.7)	(324.7)	(174.0)	(174.0)	(498.7)	(498.7)
Insurance service expense – directly attributable acquisition costs	The element of insurance service expenses relating to directly attributable acquisition costs	(113.0)	(113.0)	(113.0)	(113.0)	(27.0)	(27.0)	(140.0)	(140.0)
Insurance service expense – directly attributable non-acquisition costs	The element of insurance service expenses relating to directly attributable non-acquisition costs	(70.9)	(70.9)	(70.9)	(70.9)	(34.6)	(34.6)	(105.5)	(105.5)
Net expenses		(183.9)	(183.9)	(183.9)	(183.9)	(61.6)	(61.6)	(245.5)	(245.5)

Year ended 31 December 2022		Core underwriting		Total Brit Underwriting (excluding Ki)		Ki Segment		Group Underwriting (including Ki)	
$m	Comment/financial statement reference	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted
Claims ratio	'Net claims' divided by 'net insurance revenue'	70.0%	61.1%	70.3%	61.5%	61.2%	57.3%	68.3%	60.6%
Commission ratio	'Insurance service expense – commissions' divided by 'net insurance revenue'	14.5%	14.5%	15.0%	15.0%	25.3%	25.3%	17.3%	17.2%
Operating expense ratio	'Net expenses' divided by 'net insurance revenue'	11.3%	11.4%	11.3%	11.3%	8.5%	8.5%	10.6%	10.7%
Expense ratio	Sum of the 'commission ratio' and the 'operating expense ratio'	25.8%	25.9%	26.3%	26.3%	33.8%	33.8%	27.9%	27.9%
Combined ratio	Sum of the 'claims ratio' and the 'expense ratio'	95.8%	87.0%	96.6%	87.8%	95.0%	91.1%	96.2%	88.5%
Insurance revenue	Note 5: Segmental information	2,678.0	2,678.0	2,695.8	2,695.8	644.3	644.3	3,340.1	3,340.1
Allocation of reinsurance premiums	Note 5: Segmental information	(759.5)	(766.2)	(759.5)	(766.2)	(97.6)	(97.6)	(857.1)	(863.8)
Net insurance revenue		1,918.5	1,911.8	1,936.3	1,929.6	546.7	546.7	2,483.0	2,476.3
Insurance service expense – claims	Note 13: The element of insurance service expenses relating to claims	(2,005.5)	(1,768.3)	(2,023.7)	(1,786.5)	(432.5)	(394.9)	(2,456.2)	(2,181.4)
Amount recoverable from reinsurers for incurred claims	Note 5: Segmental information	661.8	600.2	661.8	600.2	98.0	81.5	759.8	681.7
Net claims		(1,343.7)	(1,168.1)	(1,361.9)	(1,186.3)	(334.5)	(313.4)	(1,696.4)	(1,499.7)
Insurance service expense – commissions	The element of insurance service expenses relating to commissions	(277.6)	(277.6)	(290.6)	(290.6)	(138.1)	(138.1)	(428.7)	(428.7)
Insurance service expense – directly attributable acquisition costs	The element of insurance service expenses relating to directly attributable acquisition costs	(137.5)	(137.5)	(137.5)	(137.5)	(25.4)	(25.4)	(162.9)	(162.9)
Insurance service expense – directly attributable non-acquisition costs	The element of insurance service expenses relating to directly attributable non-acquisition costs	(80.0)	(80.0)	(80.0)	(80.0)	(21.1)	(21.1)	(101.1)	(101.1)
Net expenses		(217.5)	(217.5)	(217.5)	(217.5)	(46.5)	(46.5)	(264.0)	(264.0)

Insurance revenue and insurance premium written

Insurance revenue and insurance premium written are used by the Group to measure and monitor levels of incoming business. Insurance revenue is a required measure of revenue under IFRS 17, while insurance premium written is equivalent to gross written premium under the old insurance accounting standard, IFRS 4.

	Comment/financial statements reference	2023 $m	2022 $m
Insurance revenue	Consolidated income statement	**3,517.1**	3,340.1
Commission expense	Reclassification of commissions expense on assumed business to net off against insurance revenue	**307.5**	254.1
Profit commissions and reinstatement premiums	Reclassification of profit commissions in relation to assumed business and reinstatement premiums between insurance revenue and insurance service expense	**20.8**	31.4
Non-distinct investment components and other adjustments	Net down of non-distinct investment components; and other GAAP adjustments	**(37.0)**	40.5
Gross earned premium		**3,808.4**	3,666.1
Change in gross unearned premiums	Movement in the gross unearned premium reserve	**(54.9)**	303.9
Insurance premium written		**3,753.5**	3,970.0

Investment return

We assess the performance of our investment portfolio by comparing the return generated by our invested assets, net of external investment related expenses, against the value of those invested assets.

	Comment/financial statements reference	2023 $m	2022 $m
Share of net profit of associates	Consolidated income statement	**1.6**	1.5
Return on financial investments and cash and cash equivalents	Note 7: Investment return	**400.0**	(134.4)
Return on investment related derivatives	Note 9: Return on derivative contracts	**(7.2)**	0.8
Return on invested assets		**394.4**	(132.1)
Investment in associated undertaking	Note 17: Investment in associated undertaking	**15.8**	15.2
Financial investments	Note 25: Financial investments	**5,875.4**	4,912.4
Derivative contracts (investment related)	Note 26: Derivative contracts	**(0.2)**	4.3
Cash and cash equivalents	Note 29: Cash and cash equivalents	**853.8**	941.3
Cash and cash equivalents	Note 10: Discontinued operation	**–**	138.1
Invested assets		**6,744.8**	6,011.3
Opening invested assets		**6,011.3**	5,546.2
Closing invested assets		**6,744.8**	6,011.3
Average invested assets		**6,378.1**	5,778.8
Investment return (%)	Return on invested assets divided by average invested assets	**6.2%**	(2.3)%

Capital ratio

The capital ratio measures the strength of our statement of financial position by comparing our available capital resources to the capital we need to hold to meet our management entity capital requirements.

	Comment/financial statements reference	2023 $m	(Restated) 2022 $m
Adjusted net tangible assets	Calculated earlier in this section	**2,516.0**	2,025.1
Subordinated debt	Note 30: Borrowings	**161.9**	162.4
Letters of credit/contingent funding	Under our capital policy we have identified a maximum of $300.0m (2022: $300.0m) of our revolving credit facility to form part of our capital resources.	**300.0**	300.0
Total available capital resources		**2,977.9**	2,487.5
Management entity capital requirements	The capital required by an entity for business strategy and regulatory requirements	**(1,927.4)**	(1,777.7)
Excess of resources over management entity capital requirements		**1,050.5**	709.8
Capital ratio	Total available capital resources divided by management entity capital requirements	**154.5%**	139.9%

Risk adjusted rate change

The risk adjusted rate change (RARC) shows whether premium rates are increasing, reflecting a hardening market, or decreasing, reflecting a softening market. A hardening market is one indicator of increasing profitability.

The data reflects internal estimates by Brit's underwriters, based on available year-on-year underlying renewal data after allowing for changes to terms and conditions. Generally, no adjustment is made to the figures to reflect the impact of inflation beyond the level of inflation in the underlying exposure measure used in pricing.

By its nature, this metric cannot be reconciled to the financial statements.

company information

Directors

Mr Gordon Campbell – Chair
Mr Martin Thompson – Group Chief Executive Officer
Mr Gavin Wilkinson – Group Chief Financial Officer
Mr Mark Allan – Executive Director
Mr Aviral Goel – Non-executive Director (appointed 1 January 2024)
Mr Simon Lee – Non-executive Director (appointed 8 May 2023)
Mr Michael Wallace – Non-executive Director (appointed 2 November 2023)
Ms Andrea Welsch – Non-executive Director
Mr Andrew Barnard – Non-executive Director (resigned 31 October 2023)
Mr Ken Miner – Non-executive Director (resigned 1 January 2024)

Company Secretary

Mr Joe Marinelli (appointed 9 November 2023)
Mr Tim Harmer (resigned 9 November 2023)

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
England
EC3V 4AB
UK

Telephone: +44 (0) 20 3857 0000

Website

www.britinsurance.com

The Company website provides information about Brit Limited including information on the business, annual reports, half yearly reports and announcements to the London Stock Exchange.

Registered Number

08821629

Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

glossary

A

Acquisition costs/acquisition cashflows: Costs incurred in the course of writing business and issuing policies including commissions paid to intermediaries and related internal expenses such as underwriter related costs.

Adjusted net tangible assets or **adjusted NTA**: Total equity, less intangible assets net of the deferred tax liability on those intangible assets, less non-controlling interest.

Amortised cost: Other than cash and cash equivalents, financial assets measured at amortised cost.

Aggregate exposure: The expected maximum total of claims that could be incurred by an insurer in respect of any event or series of similar events. Also see 'realistic disaster scenarios'.

Asset allocation: The allocation of our investments across different kinds of asset classes, such as equities, bonds, and cash, in order to achieve a balance between return and risk.

Attritional claims/losses: Common claims/losses, as opposed to major or catastrophe losses, incurred from ordinary insurance and/or reinsurance operations.

Available capital resources: Adjusted net tangible assets, subordinated debt and letters of credit/contingent funding.

B

Binding authority: See 'delegated underwriting authority'.

BISI: Brit Insurance Services USA, Inc., a company incorporated in Illinois, USA, which was part of the Group until its disposal on 10 May 2023.

Brit Re: Brit Reinsurance (Bermuda) Limited.

Business model (when referring to financial assets): Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics.

Broker: An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered.

C

Camargue: Camargue Underwriting Managers (Proprietary) Limited, a South African coverholder 100% owned by Brit.

Capital ratio: Total available capital resources divided by management entity capital requirements.

Capital resources: Total equity attributable to owners of the parent, less intangible assets net of related plus subordinated debt, plus deferred tax, plus a proportion (as agreed from time to time) of our revolving credit facilities.

Captive: An entity that provides risk-mitigation services for other entities within the same Group only.

Catastrophe or **Cat**: Perils including earthquakes, hurricanes, hailstorms, severe winter weather, floods, fires, tornadoes, explosions and other natural or man-made disasters. Catastrophe losses may also arise from acts of war, acts of terrorism and political instability.

Claims: Moneys demanded by an insured for indemnity under an insurance contract.

Claims development triangles: Tabulations of claims development data, set out with underwriting years along one axis and calendar years of development along the other.

Claims incurred: Claims arising from events that have occurred, regardless of whether or not they have been reported to the insurer.

Claims ratio: Insurance service expense (claims) divided by net insurance revenue.

Claims reserves: Outstanding claims and claims incurred but not reported.

Combined ratio (CoR): The sum of the claims ratio and the expense ratio.

Commission expense ratio: Insurance service expense (commissions) divided by net insurance revenue.

Contract boundary: The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

Contractual service margin (CSM): A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group.

Constant FX rates: An increase or decrease in figures between two years after eliminating the effect of foreign exchange rate movements.

Corporate member: A company providing the capital to support the underwriting activity of a syndicate at Lloyd's. Brit's corporate members are Brit UW Limited, Nameco (No. 1341) Limited and Ki Member Limited.

Coverholder: An entity authorised by an insurer to enter into a contract of insurance on its behalf.

glossary of terms

D

Deferred acquisition costs or DAC: Costs incurred for the acquisition or renewal of insurance policies which are capitalised and amortised over the term of those policies.

Delegated underwriting authority: An authority granted by an underwriter to an agent (known as a coverholder) whereby that agent is entitled to accept, within certain limits, insurance business on behalf of the underwriter. The coverholder has full power to commit the underwriter within the terms of the authority.

Dollar ($): Refers to the US dollar.

E

Earned premium: That proportion of a premium which relates to the portion of a risk which has expired during a given period.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA): A measure of operating performance.

ENID (events not in data): A loading in the claims and premium provisions intended to cover the difference between a best estimate of all possible outcomes and whatever the Group has a best estimate on an accounting or other basis.

ESOS: The energy savings opportunity scheme or ESOS, is a mandatory government initiative to promote energy efficiency in large businesses.

Excess and Surplus or **E&S**: A generic US regulatory classification referring to insurance coverage not ordinarily written by insurers fully admitted in various states. The E&S lines of business is largely unregulated as to rate and form but insurers must be authorised to write such business in a state by the local regulator.

Excess of loss or **XL**: A type of reinsurance that covers specified losses incurred by the reinsured party in excess of a stated amount (the excess) up to a higher amount of limit, for example $5m excess of $1m. Such coverage can operate on a per loss basis or an aggregate basis.

Executive Committee or **EC**: A committee at Brit consisting of the senior management and the Group CEO.

Expected credit loss (ECL): The weighted average of credit losses with the respective risks of a default occurring as the weights.

Expense ratio: The sum of the commission expense ratio and the operating expense ratio.

F

Fair value through other comprehensive income (FVOCI): For financial assets and liabilities measured at fair value through other comprehensive income, some changes in fair value are recognised in other comprehensive income.

Fair value through profit or loss (FVTPL): For financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

FCA: The UK Financial Conduct Authority, established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct regulation of all firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA.

Fulfilment cash flows (FCF): An explicit, unbiased and probability-weighted estimate (i.e. expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the Group fulfils insurance contracts, including a risk adjustment for non-financial risk.

Funds at Lloyd's or **FAL**: Funds held in trust at Lloyd's to support a Lloyd's underwriter's underwriting activities.

G

Gearing ratio: Calculated as total borrowings (subordinated debt, revolving credit facility cash drawdowns and uncollateralised drawn letters of credit) divided by adjusted net tangible assets and subordinated debt.

General measurement model (GMM): The default measurement model for liability calculation for insurance contracts. Also known as the Building Block Approach ("BBA").

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

H

Hardening or **hard market**: An insurance market where prevalent prices are high, with more restrictive terms and conditions offered by insurers.

HMRC: His Majesty's Revenue and Customs.

I

ILS or **Insurance-linked securities**: ILSs are essentially financial instruments which are sold to investors whose value is affected by an insured loss event.

Incurred but not reported or **IBNR**: Claims incurred but not reported, including claims which are incurred but not enough reported (i.e. where the amount of the notification is insufficient).

Insurance acquisition cash flows: Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance revenue: Insurance revenue arising from insurance contracts and exclude any investment components.

Insurance service expense: Insurance service expenses arising from insurance contracts and exclude repayments of investment components.

Insurance service result: Insurance service result comprises insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.

Insurance premium written: A measure used by the Group to measure and monitor levels of incoming business. It is equivalent to gross written premium under the old insurance accounting standard, IFRS 4.

International Accounting Standards or **IAS**: See 'International Financial Reporting Standards'.

International Financial Reporting Standards or **IFRS**: Accounting and reporting Standards established by the International Accounting Standards Board, as adopted in the UK. UK listed entities have reported on an IFRS basis since 2005.

Invested assets: Financial investments, investment in associated undertaking, cash and cash equivalents and investment related derivatives.

Investment related derivatives: Includes options and interest rate swaps. Excludes currency forwards.

Investment return percentage: Investment return expressed as a percentage of average invested assets.

L

Letter of credit or **LoC**: A written undertaking by a financial institution to provide funding if required.

Liability for incurred claims (LIC): The Group's obligation to investigate and pay claims for insured events that have already occurred. This includes events that have occurred but have not been reported, and other incurred insurance expenses.

Liability for remaining coverage (LRC): The Group's obligation for insured events related to the unexpired portion of the coverage period.

Line size: The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept.

Lloyd's of London: The Society of Lloyd's and Corporation of Lloyd's created and governed by the Lloyd's Acts 1871-1982, including the Council of Lloyd's (and its delegates and other persons through whom the Council may act), as the context may require.

London Market: The London insurance market, which includes the Lloyd's market.

Long-tail: The term used to describe business where the difference between the timing of the average premium receipt and the timing of the average claim payment is over three years.

Loss component: Loss component for onerous contracts.

Loss portfolio transfer (LPT): A financial reinsurance transaction in which loss obligations that are already incurred and will ultimately be paid are ceded to a reinsurer.

M

Major claims or **Major losses**: Major claims are defined as claims which are initially assessed as having the potential to exceed $15.0m (net of reinsurance and allowing for reinstatements), incurred from natural or man-made catastrophes, or from large single risk loss events.

Management entity capital requirement: The capital required by an entity for business strategy and regulatory requirements.

N

Net earned premium or **NEP**: The net written premium adjusted by the change in net unearned premium (i.e. the premium for which insurance exposure has yet to be incurred) for a year.

Net tangible assets or **NTA**: The total assets of a company, minus any intangible assets, less all liabilities.

Net written premiums or **NWP**: Gross premiums written during a specified period less outwards reinsurance premiums ceded.

Non-controlling interest: The equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-distinct Investment component (NDIC): IFRS 17 defines investment components as the amounts that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for.

O

Operating expense ratio: Insurance service expense (directly attributable acquisition costs and directly attributable non-acquisition costs) divided by net insurance revenue.

Other directly attributable expenses: To the extent the fulfilment cash flows defined in IFRS 17.B65 are not allocated as insurance acquisition cash flows, then they are considered other directly attributable expenses.

Outstanding claims: Claims which have been notified at the reporting date but not settled.

glossary of terms

Own risk and solvency assessment or **ORSA**: The name given to the entirety of the processes and procedures employed by an insurer to identify, assess, monitor, manage and report the short and long-term risks it faces or may face and to determine the capital necessary to ensure that the insurer's overall solvency needs are met at all times.

P

Premium allocation approach (PAA): Simplified measurement of insurance contracts where the coverage period of each contract in the group of contracts is one year or less; or the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage would not differ materially from the result of applying the accounting policies of contracts not measured under PAA.

PRA: The UK Prudential Regulation Authority established pursuant to the Financial Services Act 2012 and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

Protected cell company or **PCC**: A company that has been separated into legally distinct portions or cells. The revenue streams, assets and liabilities of each cell are kept separate from all other cells. Each cell has its own separate portion of the PCC's overall share capital, allowing shareholders to maintain sole ownership of an entire cell.

Q

Quota share or **QS**: A type of reinsurance which provides that the reassured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or of all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured business.

R

Rate change: See risk adjusted rate change.

Realistic Disaster Scenarios or **RDS**: Specific scenarios which the Group uses to test its ability to settle claims arising from certain types of disaster.

Reinsurance: The transfer of some or all of an insurance risk to another insurer. The company transferring the risk is called the 'ceding company' and the company assuming the risk is called the 'assuming company' or the 'reinsurer'.

Reinsurance to close (RITC): A reinsurance which closes a year of account by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium.

Reserve releases: The amount of the reserves at the end of the previous period determined as being excess to requirements at the end of the current period.

Risk adjusted rate change: Change in premium rates during the year expressed as a percentage of opening premium rates. The data reflects internal estimates by Brit's underwriters, based on available year-on-year underlying renewal data after allowing for changes to terms and conditions. Generally, no adjustment is made to the figures to reflect the impact of inflation beyond the level of inflation in the underlying exposure measure used in pricing.

Risk adjustment for non-financial risk: The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts.

Risk free rate (RFR): Theoretical rate of return on an investment with zero risk.

Risk management framework or **RMF**: The Group's own internal framework for risk management.

Return on net tangible assets (RoNTA): Profit/(loss) for the year after tax attributable to the owners of Brit Limited (adjusted for amortisation net of tax, defined benefit pension scheme's charges/credits net of tax, and foreign exchange movements net of tax), divided by total equity attributable to the owners of Brit Limited at start of year (less intangible assets net of deferred tax, and pension asset net of deferred tax), adjusted on a time weighted basis for any distributions and shares issued during the year.

Running yield: The income return, expressed either as a percentage or a monetary amount, on invested assets.

S

Service companies: Subsidiary companies set up to operate a binding authority on behalf of the Syndicate to write business from non-Lloyd's brokers or direct from policymakers.

Short-tail: The term used to describe business where the difference between the timing of the average premium receipt and the timing of the average claim payment is under three years.

Softening or **soft market**: An insurance market where prevalent prices are low, and terms and conditions offered by insurers are less restrictive.

Solvency capital requirement or **SCR**: The higher of the two capital levels required by Solvency II. The SCR is the prudent amount of assets to be held in excess of liabilities and functions as an early warning mechanism if it is breached. The SCR is calculated using either the standard formula or an approved internal model.

Solvency matched: The matching of the currencies of the Group's liabilities and management entity capital requirements with the currencies of the assets held by the Group.

Solvency II: A combination of several EU Directives that codify and harmonise EU insurance regulation, primarily concerning the amount of capital that EU insurance companies must hold to reduce the risk of insolvency. Principal components are Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance and Directive 2012/23/EU on the financial position of insurance undertakings. Solvency II came into force in all EU member states on 1 January 2016.

Strategic asset allocation or **SAA**: The Group's strategic asset allocation defines the overall Group investment strategy and reflects entity-level considerations and governance matters. See 'asset allocation'.

Syndicate: A group of underwriting members of Lloyd's or a single corporate member managed as a unit to underwrite insurance business at Lloyd's to which a particular syndicate number is assigned by or with the authority of Lloyd's of London.

T

Tail: See 'short-tail' and 'long-tail'.

Technical price: The price for the risk which is expected to produce the long-term required return on capital for the Group.

The Company: Brit Limited.

The Group: Brit Limited and its subsidiaries.

The Syndicate: Brit Syndicate 2987, Brit Syndicate 2988 or Ki Syndicate 1618.

Total invested assets: See 'Invested assets'.

Total operating expenses: These represent all expenses incurred by the Group, excluding commission costs.

Treaty: A reinsurance contract pursuant to which the reinsurer is obliged to accept, within agreed limits, all risks underwritten by the reinsured within specified classes of business in a given time period.

U

Ultimate claims: The total forecast claims expected to arise from a policy or class of business. Ultimate claims include those losses paid, those notified and IBNR.

Underwriting capacity: The maximum premium income which a Lloyd's syndicate is permitted to underwrite. A capacity figure is assigned to each underwriting year and the relevant premium income is defined as gross written premiums less commission payable.

Underwriting profit: Operating profit generated by our underwriting segments less investment return.

Unearned premium reserve or UPR: The portion of premium income written in the calendar year that is attributable to periods after the reporting date. It is accounted for as unearned premiums in the underwriting provisions.

Unrealised gains or Unrealised losses: Gains or losses that are yet to be crystallised in the form of a cash movement from disposals of invested assets.

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