Brit Limited
Annual Report 2022

BRIT

writing the future

writing the future

If the future was predictable, there would be no risk and if change was linear, there'd be no need for experts. There'd be no need for the insurance industry.

But the truth is, the world we live in is unpredictable. It's volatile, uncertain, and subject to change.

At Brit, we believe that the uncertainty of the future should never stand in the way of progress.

That's why we exist. To help people and businesses face the future and thrive.

Every day, we channel our entrepreneurial expertise to write the most opaque risk that the future holds, embracing the change faced by our clients by delivering a service that's open, honest, and fair. One that invests in the new products and claims delivery they need in a world of complex risk.

We are dedicated to innovation, developing client solutions, efficient capital vehicles and a technology-led service that not only lead the market, but drive the future.

Investing in distribution so that we can deliver market-leading analytics to further deepen our relationships with key partners, and investing in our people, so we can amplify the integrity, agility and innovation that define our shared future.

So if you're our partner, broker or an employee, we make you this promise: we won't just react to change, we'll create it for the better.

We won't just write risk, we'll write the future.

Let's do it together.

2022 – a strong and robust underwriting result

- GWP for 2022 of $3,970.0m, an increase of 24.7% over 2021 ($3,238.3m) at constant rates of exchange.
- We achieved a combined ratio of 96.6% (2021: 95.7%[1]) and an underwriting profit of $95.4m (2021: $90.6m) despite exposure to a number of natural catastrophes, claims arising from the Russian invasion of Ukraine and a marginal increase in ultimate claim estimates for prior year reserves, demonstrating the increased resilience of our business.
- We delivered a strong full year attritional ratio of 51.0% (2021: 47.7%[1]).
- Major losses of $338.5m contributed 12.0pps to the combined ratio (2021: $324.4m/15.5pps), including $31.9m in respect of claims arising from the Russian invasion of Ukraine.
- Our investment return was a negative $132.1m or (2.3)%, including $131.5m of unrealised losses, reflecting the market conditions (2021: gains of $171.9m or 3.3%).
- Result on ordinary activities before tax and FX was a loss of $92.8m (2021: profit of $247.1m) and result after tax was a loss of $96.3m (2021: profit of $236.9m), reflecting the underwriting profit offset by the negative investment return, corporate expenses, finance costs and FX. RoNTA of -3.6% (2021: +19.4%).
- Brit's capital position remains strong, with our capital surplus over management entity capital requirements of $709.8m or 52.8% (2021: $617.9m or 39.1%). A significant proportion of our investment portfolio remains invested in cash and fixed income securities (2022: 85.1%; 2021: 85.9%).
- A highly successful second year of trading for Ki, recording GWP of $834.1m (2021: $395.6m), an increase at constant FX rates of 115.4%, and CoR of 99.4%.
- Market conditions continue to harden and we achieved risk-adjusted rate increases of 12.4%, bringing the compound increase since 1 January 2018 to 54.1%.
- Key developments include:
  - Agreed the sale of our Ambridge MGA companies to Amynta Group;
  - Executed our catastrophe strategy;
  - Relaunched our Data and Digital strategy, supported by our new Chief Technology Officer and Chief Data Officer; and
  - Continued to focus on our customers through claims innovation, including deploying our algorithm to enable a faster claims response following Hurricane Ian, and by launching the Direct Pay claims payment solution in the US.

Note 1: The calculation of the combined ratio and other ratios is set out on page 179. The calculation of the 2021 underwriting ratios contains an adjustment whereby the premium paid for the loss portfolio reinsurance (LPR) ($344.1m) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred. The benefit of a $35.0m reserve release resulting from the additional protection afforded by the contract is included in the calculation. This contract was endorsed in 2022, which is reflected in the 2022 ratio calculations, with a return premium ($37.2m) deducted from premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred, and with the resulting reserve strengthening of $0.7m included in the calculation. The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance as they eliminate the distorting effect of the LPR.

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 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 dollar ($), unless otherwise stated.

The calculations of the combined ratio and other underwriting ratios are set out on page 179. The calculations for 2021 contain an adjustment whereby the premium paid for the loss portfolio reinsurance (LPR) ($344.1m) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred. The benefit of a $35.0m reserve release resulting from the additional protection afforded by the contract is included in the calculation. This contract was endorsed in 2022, which is reflected in the 2022 ratio calculations, with a return premium ($37.2m) deducted from premium earned net of reinsurance and an equal and opposite adjustment to net claims incurred, and with the resulting reserve strengthening of $0.7m included in the calculation. The ratios for the year ended 31 December 2018, during which a similar loss portfolio reinsurance was entered into, were prepared on a consistent basis. The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance as they eliminate the distorting effect of the LPR.

This Strategic Report was approved by the Board on 23 February 2023.

Martin Thompson
Group Chief Executive Officer*

Gavin Wilkinson
Group Chief Financial Officer

* Mr Thompson was appointed as Group Chief Executive Officer on 31 October 2022. His appointment is subject to regulatory approval.

officer statements

In late October, Matthew Wilson took the decision to step down from his roles of Group CEO and Executive Chairman of Ki to focus on his health and his family. It is an honour to succeed Matthew, having spent a year as Interim Group CEO experiencing Brit's culture and getting to know its talented people. Matthew leaves a business that is in good shape and I am excited about our potential and how much more we have to achieve.

I am pleased to report that our strategy has delivered a resilient underwriting performance for 2022 with a combined ratio of 96.6%. In a year that saw significant losses arising from natural catastrophes and the Ukraine crisis, this is a robust result and testament to our underwriting discipline, further evidenced by our healthy attritional ratio.

Brit has been shocked and horrified by the unfolding events in Ukraine. Brit's thoughts are with its people and our Fairfax colleagues based there. Brit and its staff have also supported The Red Cross Ukraine Crisis Appeal.

I am also pleased that, alongside delivering a profitable underwriting result, we were able to grow our written premium to $3,970.0m (2021: $3,238.3m), an increase of 22.6%, or 24.7% at constant rates of exchange. This growth reflects a combination of both new business and rate increases across our direct and reinsurance portfolios, as well as Ki's continued expansion in its second year of trading.

The development of Ki continues apace, gaining significant traction in the market. In 2022, Ki wrote $834.1m of premium, an increase of 115.4% at constant FX rates over its first year of trading, and returned a very creditable combined ratio of 99.4%.

Market conditions have also contributed to Brit's premium growth. We achieved risk adjusted rate increases of 12.4%, driven by the rising cost of reinsurance and market pressure on liability lines primarily reflecting social inflation. This gives a compound increase since 1 January 2018 of 54.1%.

As with the wider insurance market, our overall result was impacted by the volatility of financial markets and its impact on our investment return. The majority of this impact is unrealised, and our strong capital position means Brit remains well placed to take advantage of the opportunities we are seeing in the market.

During the year we also made a number of important senior appointments, including Bilge Mert as Chief Technology Officer and Kanika Chaganty as Chief Data Officer. These appointments form part of our broader technology and data strategy, which will help shape Brit as a lead underwriter of the future. This strategy will see us deliver an innovative, data-driven and technology enabled platform that empowers our underwriting and claims teams to thrive. We also made a number of key underwriting and business development appointments.

The major loss events of 2022 brought into sharp focus the crucial role insurance plays in times of crisis, and our ability to deliver a best-in-class claims service continues to be a core focus. We have supported our clients when they need it most, with innovation at the heart of our claims approach. In the immediate aftermath of Hurricane Ian, using our proprietary machine learning algorithm in tandem with ultra-high-resolution aerial imagery, we were able to make our first claim payments one week after the event. We were also delighted that Brit Private Client, 18 months since launch, took overall first place in the Highpoint High Net Worth Insurer Survey, showing that our proposition of underwriting, claims and service excellence has been welcomed by the market.

We are deeply proud of Brit's unique culture and we have continued to make progress against our inclusion and diversity roadmap, focusing on our ongoing commitment to attract and retain diverse talent and support a culture of inclusion. We have continued with our wide-ranging educational and awareness programme.

On 9 January 2023, we announced the sale of our highly regarded and fast-growing international MGA, Ambridge, to Amynta Group. The sale is expected to close in the second quarter of 2023. We are proud of what we have helped to create, but believe now is the appropriate time for Brit to realise the value of its investment as we focus on our strategic priorities of core underwriting capabilities across our broad distribution networks, and investment in our market leading digital capabilities. Importantly, Ambridge and Amynta remain key partners for Brit, and we look forward to a long and successful partnership with them as an independent MGA.

Going into 2023, the industry faces a number of challenges and uncertainties, driven by the volatile geopolitical and economic landscapes, including ongoing inflationary pressures. Wider challenges also continue to exist such as the potential for increased frequency and magnitude of major loss events, excess capacity, the cost of doing business in the London Market, and increased competition. However, against this backdrop we believe Brit is uniquely placed. We have enviable scale and reputation as a lead market, a clear digital and data strategy that will make us more efficient and easier to do business with, and a proven commitment to investing in innovative solutions that improve outcomes for our customers. Underpinning this is a differentiated culture and some of the industry's best talent, taken together we are excited about how Brit is positioned to respond to the opportunities and challenges ahead.

Martin Thompson
Group Chief Executive Officer

In 2022, Brit delivered a robust underwriting result, offset primarily by the impact of the global financial market volatility on our investment portfolio. Brit's result for all operations before FX and tax was a loss of $92.8m and our return on net tangible assets was -3.6%. Brit's result after tax for continuing operations was a loss of $118.0m.

Underwriting profit was $95.4m, with a combined ratio of 96.6%. The attritional ratio for the period was 51.0%, reflecting good underwriting discipline, rigorous risk selection, and healthy compound rate increases.

Major losses of $338.5m contributed 12.0pps (2021: $324.4m/15.5pps) to the combined ratio, and related primarily to Hurricane Ian and provisions established as a result of the shocking events in Ukraine. Given the ongoing nature of events in Ukraine, neither the duration nor the ultimate outcome can be predicted with any certainty, and we continue to monitor the situation closely.

In 2022, as part of our standard reserving process, we marginally increased our ultimate claim estimates for prior years by $6.8m, the equivalent to a combined ratio increase of 0.2pps (2021: release of $100.1m, reduction of 4.8pps), as we considered the potential impact of the current economic conditions and the potential impact of inflation. The 2022 figure includes releases across Property, Specialty, Property Treaty and Ambridge Transactional, offset by strengthening in Programmes and Facilities, Financial and Professional Liability and Casualty Treaty principally.

Our return on invested assets net of fees was a negative $132.1m or -2.3%, including $131.5m of unrealised losses. Losses in the first six months of 2022 totalled $233.4m, which were partly offset by a positive return of $101.3m in the second half of the year. The overall return is primarily as a result of the reaction of investment markets to the conflict in Ukraine, US government bond yields increasing significantly and US and European investment grade credit and high yield spreads widening during the year.

Our balance sheet remains strong, with adjusted net tangible assets of $1,590.6m (2021: $1,740.6m). Our management capital surplus increased to $709.8m or 52.8% (2021: $617.9m or 39.1%) over our Group management capital requirement of $1,343.2m (2021: $1,581.6m), reflecting the impact of the movement in interest rates on our capital requirements, partly offset by the result for the period.

Our investment portfolio retains a large allocation to cash and cash equivalents ($1,084.2m or 18.0%) and fixed income securities ($4,033.1m or 67.1%) on a look through basis. Brit's equity allocation stands at $872.7m, or 14.5%. At 31 December 2022, 71.5% of our invested assets were rated A- or higher, and the duration of the portfolio had increased to 1.7 years.

We remain cognisant of the potential impacts of inflation, with work being undertaken collaboratively across the Group to quantify and mitigate its impact on profitability. We also continue to focus on ensuring that our underwriting and pricing adequately addresses inflationary trends, and we continue to review the key drivers of claim settlement costs and frequency by each class of business. Our reserves continue to be set at a margin above the actuarial best estimate and incorporates our current view of social and economic inflation.

We continue to make good progress with our programme to implement IFRS 17, the new accounting standard for insurance contracts applicable from 1 January 2023. During 2022 the Company's efforts focused on the finalisation and documentation of key accounting policies and significant estimates, and the implementation and testing of information technology systems that support the production of figures on an IFRS 17 basis. The company is currently refining its opening consolidated IFRS 17 balance sheet as at 1 January 2022 and preparing for reporting to our parent on an IFRS 17 basis as at 31 March 2023.

We have continued to experience strong underwriting conditions in 2022. However, the world faces ongoing volatility, continuing challenges arising from inflation, and continued political uncertainty. The insurance market also continues to evolve. We believe that our strategy, discipline and financial strength position us well 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 2022, 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 commencing in 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) from A.M. Best, AA- (Very Strong) from Fitch and A+ (Strong) from Standard & Poor's.

During 2022, A.M. Best reaffirmed a Financial Strength Rating of A (Excellent), 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 2022, we had capital resources equal to 152.8% 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. We have strong links with local producers, which enable us to efficiently provide long-term capacity for risks that would not otherwise reach the Lloyd's market. 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.

Through Ki Syndicate 1618, Syndicate 2988 and Sussex Re, we provide over $1.8bn of underwriting capacity. 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 2022 was $6,011.3m. 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.

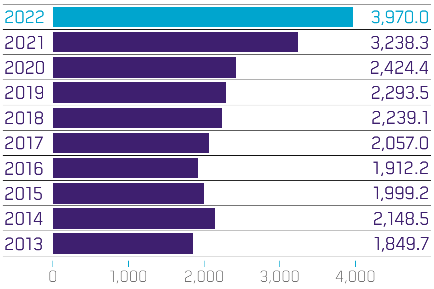
Our values are absolute precision, respect, innovation and pride.

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.

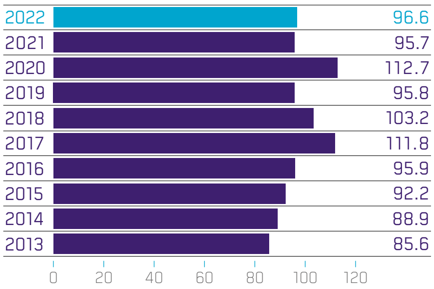
Brit at a glance

Our track record

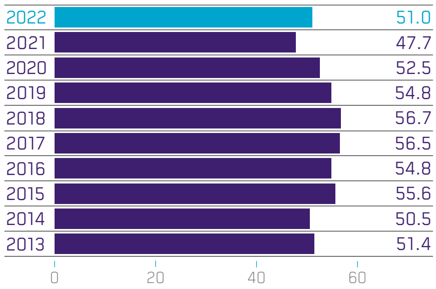
Gross premium written ($m)



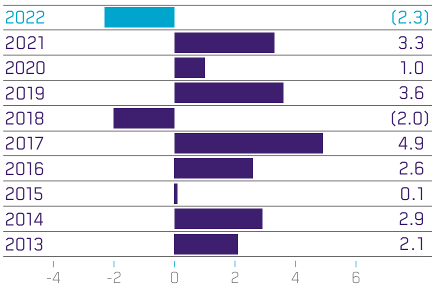
Combined ratio[1] (%)



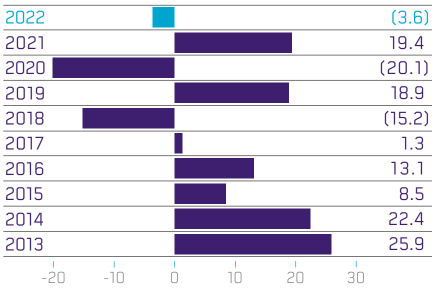
Attritional ratio[1] (%)



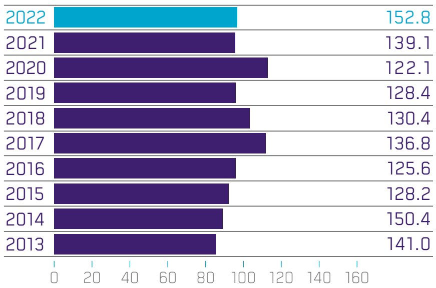
Investment return[1] (net of fees) (%)



RoNTA[1] (%)



Capital ratio (%)



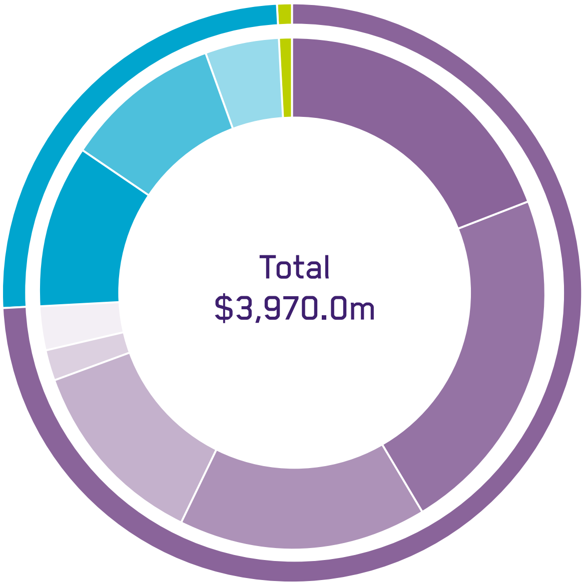
Note 1: The calculations for 2022 and 2021 are set out on pages 178 to 180.

our underwriting

writing the future

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

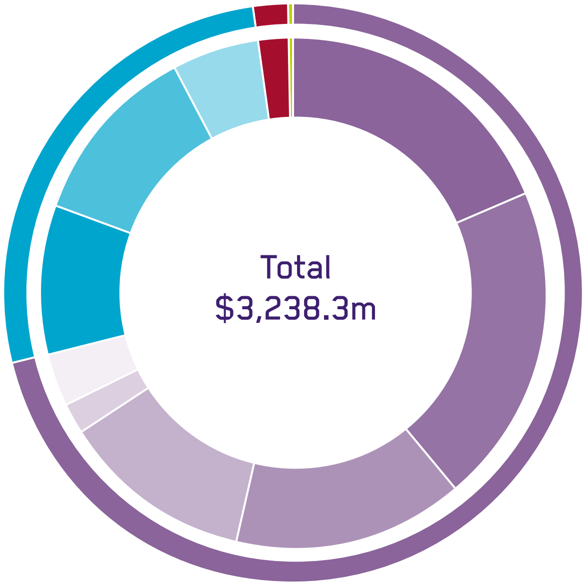
GWP by portfolio 2022 ($m)



2022

- **Total Direct Portfolios, $2,952.9m**
  - Financial and Professional Liability, $767.1m
  - Programmes and Facilities, $881.0m
  - Property, $636.6m
  - Specialty, $481.8m
  - Ambridge Specialty Casualty, $79.8m
  - Ambridge Transactional, $106.6m
- **Total Reinsurance Portfolios, $1,000.9m**
  - Casualty Treaty, $416.9m
  - Property Treaty, $399.9m
  - Ambridge Re, $184.1m
- **Underwriting classes in run-off, $(10.1)m**
- **Other underwriting, $26.3m**

GWP by portfolio 2021 ($m)



2021

- **Total Direct Portfolios, $2,310.3m**
  - Financial and Professional Liability, $603.9m
  - Programmes and Facilities, $658.2m
  - Property, $478.8m
  - Specialty, $398.1m
  - Ambridge Specialty Casualty, $62.7m
  - Ambridge Transactional, $108.6m
- **Total Reinsurance Portfolios, $859.8m**
  - Casualty Treaty, $299.8m
  - Property Treaty, $384.5m
  - Ambridge Re, $175.5m
- **Underwriting classes in run-off, $60.1m**
- **Other underwriting, $8.1m**

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.

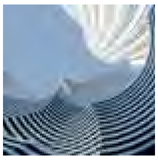
Financial Institutions
As acknowledged leaders in the traditional insurance lines, we also offer exclusive, innovative solutions for organisations of all sizes across mature and emerging economies.

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.

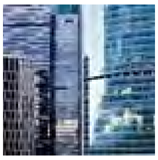


North American Professional Liability
An established leader in this sector, we provide cover on both an open market and binding authority basis. Clients range from small start-ups to the largest multinationals.

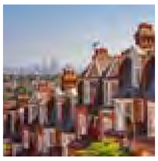
Property

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.

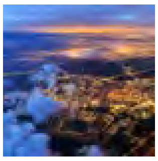


North American Open Market Property
Our technical expertise in the areas of catastrophe modelling, pricing, policy wordings and claims has made our North American Open Market Property team a market of choice for both brokers and clients.



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

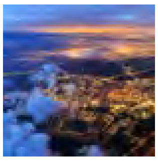


Political and Credit Risk
We cover financial losses as a result of non-payment or performance of counterparties and confiscation, expropriation, nationalisation, deprivation, sequestration or forced abandonment of fixed and mobile assets in foreign countries.

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

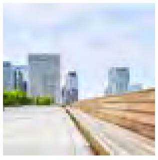
Personal Accident and Medical Expenses

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 (REO) 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

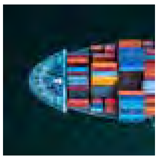
We insure small and medium-sized (SMEs) enterprises in North America for errors and omissions liability through our dedicated team. Smaller enterprises are no less complex and we take the time to write risks that enable a small business to continue on growth path.

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 bluewater, in-land and war risks and specialist operations on a worldwide basis.

Marine Liability

We offer specialist Marine Liability cover not limited to P&I, Charterers' Liability, Pollution, Terminal Operators' Umbrella Liability and Marine and Energy Liability. We also offer Energy Liability with a focus on Upstream, Midstream and Onshore and Offshore Renewable.

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.

Space

For over twenty years we have led the Brit Space Consortium, offering bespoke wordings for both launch and in-orbit risks to carefully selected clients. Our product provides cover for damage to or failure of the satellite or launch vehicle.

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

Ambridge's recent growth and its merger with BGSU in 2021 has allowed it to expand its product offering. Through Ambridge we write the following: Financial and Professional Liability (Cyber and Technology; PI US; Small North American Liability), Property (Property Facilities; Terrorism) 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

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. We also write Casualty Treaty through Ambridge (Ambridge Re).

Property

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 and industry loss warranties.

Ki, the first algorithmically driven Lloyd's of London syndicate

In its second year, Ki continued its strong growth trajectory, more than doubling its GWP to $834.1m, establishing itself at a sustainable scale and confirming the huge potential of the business model. We are extremely proud to report that Ki also delivered an underwriting profit in 2022, with a COR of 99.4% despite the impact of Hurricane Ian and earnings drag as it continues to grow. This combination of stellar growth and profitability demonstrates the truly differentiated value of Ki's digital, data driven business model.

Ki embraces all that is represented by 'The Future at Lloyd's' by bringing data, technology, innovation, and artificial intelligence to the fore in the complex world of commercial and specialty underwriting. Ki is backed by its capital partners, Blackstone Tactical Opportunities (Blackstone) and Fairfax.

Ki has built a platform that is unique in the Lloyd's market, combining algorithmic underwriting with digital distribution to offer a compelling proposition to Lloyd's brokers and clients. The speed and certainty with which Ki offers follow capacity has been embraced by our brokers and demand for our capacity continues to rapidly grow.

Built on strong foundations developed in partnership with Google Cloud and University College London's Computer Science Department, we have continued to develop differentiated technology in our broker platform and proprietary underwriting and risk models. Our in-house team of leading data scientists and engineers has developed new capabilities at pace, bringing new products to our platform and driving even greater service to brokers and control of our underwriting portfolio. It is this spirit of continuous improvement that defines the business.

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.

Against the backdrop of a challenging year with multiple catastrophic events around the globe, Ki's full year 2022 performance is especially pleasing and demonstrates strong control over catastrophe risk. The business has delivered a full year combined ratio of 99.4% (2021: 113.6%) in just its second year of operation.

Ki has scaled ahead of plan with growth of 115.4% in GWP at constant FX rates, rising to $834.1m (2021: $395.6m). This reflects continued, growing support from the Lloyd's broking community for our unique offering and the favourable trading conditions.

Underwriting profitability was achieved against the backdrop of significant catastrophe activity in 2022, with Ki exposed to gross losses from Hurricane Ian, the Australian floods, Ukraine, and winter storm Elliott. The net impact of these events was reduced by our catastrophe reinsurance programme and whole account quota share, resulting in a major loss ratio of 9.7% (2021: 16.0%).

Ki's core proposition of expense efficiency delivered through a digital business model has been successfully demonstrated, with a total operating expense ratio of 34.6% (2021: 44.0%). This is despite the continued impact of earnings drag and start-up expenses.

The net attritional loss ratio is 54.3% (2021: 53.4%). This reflects the latest reserving position on the 2021 and 2022 years of account, including provision for excess inflation and reserve risk.

In November 2022, Ki increased its sustainability linked 'Funds at Lloyd's' letter of credit agreement to $180.0m with new and existing banking partners. 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.

Ki has continued to invest in the wider global community, funding the planting of approximately 117,000 trees. It also sponsored four women to take nano-degrees in computer coding and data, and was pleased to hire three permanently.

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 have hired 49 people during 2022, including three interns who were converted to permanent hires and three apprentices. Separately, we supported six masters students during the year.

We enter 2023 hugely optimistic about the prospects for Ki and anticipate continued growth. We have proven our ability to return an underwriting profit as a technology-led insurer, are seeing growing demand for our capacity and are enjoying consistently high engagement with our digital business model. Our technology continues to develop at pace and our talented people are stronger than ever.

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

business review

2022 underwriting review

Overview

For the twelve months to 31 December 2022, Brit returned a CoR of 96.6% (2021: 95.7%) and an underwriting profit of $95.4m (2021: $90.6m).

The underlying quality of our result has increased significantly compared to 2021. The 2022 CoR of 96.6% was achieved despite a marginal strengthening of 0.2pps to prior year reserves (2021: 4.8pps benefit), and in the absence of a loss portfolio reinsurance benefit (2021: 1.7pps). The impact of major loss in 2022 was reduced, despite another year of significant catastrophe activity and significant market losses, reflecting our focus on managing our exposures and the benefit of our reinsurance programme.

Our premium growth in 2022 was also significant, with GWP increasing by 24.7% at constant FX rates to $3,970.0m (2021: $3,238.3m). Our retention rate, the proportion of our premium that renews, remained stable at 83.7%, (2021: 83.7%). Across all lines, we have retained our underwriting discipline and remain prepared to discontinue accounts that we believe are inadequately priced or outside of our appetite.

Ki has continued to outperform its growth plans and has had a successful second year of trading. Further details are included on page 14.

Market conditions

The market has continued to benefit from strengthening premium rates during 2022. Brit achieved an overall risk adjusted rate increase of 12.4% (2021: 12.9%). All Divisions achieved rate increases, with the largest increases achieved in Financial and Professional, Programmes and Facilities, Property Treaty, Ambridge Re and Ambridge Specialty.

The compound risk adjusted rate increase since 1 January 2018 now totals a very strong +54.1%. Rating increases since 2020 by portfolio are as follows:

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

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 continue to be set at a margin above the actuarial estimate which is set on a best estimate basis. As part of the year-end reserving exercise, the impact of inflation has been 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.

Major loss activity

- **Natural catastrophes**
  2022 again witnessed a high level of natural catastrophe activity, with insured losses estimated at over $140bn, marginally below 2021 levels (source: Gallagher Re). Activity was dominated by Hurricane Ian, accounting for 39% of the loss figure, while it was another year where climate change, exposure growth and inflation had a significant influence. Of the last six years, only 2019 has recorded insured natural catastrophe losses of under $100bn.

  Major natural catastrophe losses amounted to $306.6m and added 10.9pps to the Brit CoR in 2022 (2021: $296.2m/15.5pps), driven by Hurricane Ian ($280.2m net), Australian floods ($16.9m net) and winter storm Elliott ($9.5m net).

- **Russian invasion of Ukraine**
  Brit has been shocked and horrified by the unfolding events in Ukraine. Brit's thoughts are with the Ukrainian people and especially with our Fairfax colleagues based there. Following the invasion, Brit took the decision to cancel or non-renew all (re)insurances of entities domiciled in Russia, entities with risk locations solely in Russia, and Russian owned assets and entities.

  Losses arising from the Russian Invasion of Ukraine totalled $31.9m net, or 1.1 CoR percentage points. This follows an assessment of direct exposures within the Terrorism, Casualty Treaty, Marine War, Contingency and Political and Credit Risk classes, along with potential secondary impacts. Brit does not write Aviation business. Given the ongoing nature of the event, neither the duration nor the ultimate outcome can be predicted with any certainty, and we continue to monitor the situation closely.

COVID-19

In 2022 there has been no material movement in overall reserves held for COVID-19 related claims. We have experienced an increase in incurred claims and a corresponding reduction in the provision for incurred but not reported claims.

Supporting our customers

Our customers are our priority. When a customer has a claim, we understand they are facing difficult and unexpected challenges. They expect the insurance they have purchased to respond and deliver when they need it most. We see each and every 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 pursuing opportunities to reduce claims lifecycle and bring claims to resolution at every opportunity through innovation and technology:

- **Claims response to Hurricane Ian**
  Brit continues to lead the London Market in its use of geospatial technology to advance property claims adjusting capabilities post catastrophe and in normal course claims response. In the immediate aftermath of Hurricane Ian, using our proprietary machine learning algorithm in tandem with ultra-high-resolution aerial imagery to accelerate the accurate identification of US property damage, we were able to virtually adjust and approve claims payments directly from our offices in London. This enabled us to make our earliest claim payment on 8 October 2022, helping the impacted families and businesses. This represents a lifecycle of natural catastrophe impact to payment of approximately one week.

- **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 adoption of Direct Pay solution in the UK.

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. We have reviewed the catastrophe strategy of our US Property portfolio, focusing on Property Treaty, Property Facilities and Property Open Market. As a result, we have focused on achieving minimum rate requirements, have successfully increased inflationary guards and minimum valuations, and have redistributed capacity away from catastrophe intensive regions. The changes are also expected to reduce reliance on reinsurance which is increasingly expensive given the scarcity of capacity in the hardening market.

  The actions are expected to result in a gross exposure reduction for Property Catastrophe across the portfolios of Syndicate 2987 and Syndicate 2988. Syndicate 2988 has exited direct Property business and is focused on writing Property Binders and Property Open Market only via inwards Syndicate 2987 quota shares to benefit from Syndicate 2987's actions and more diversified portfolio.

- **Senior underwriting appointments**
  In 2022, we have continued to strengthen our underwriting teams with some experienced new hires. This has included Cyber, Accident and Health, North American Open Market Property and Property Facilities (Flood and Transportation).

- **Continued portfolio management**
  Where classes remain challenging, we have continued to take action to improve our performance and maintained our rigorous risk selection criteria. During 2022, we ceased writing Ambridge Property Facultative and Property Liability US SCGL.

- **2023 business planning**
  In 2023, Lloyd's market stamp capacity is projected to grow to £48bn ($57.7bn), an increase of c.20% over 2022 levels.

  For 2023, Brit (Syndicates 2987, 2988 and 1618 collectively) has a stamp capacity of £3,410.2m ($4,102.2m), a 33.3% increase over 2022. This makes Brit one of the fastest growing large managing agents in the market, demonstrating the value and strength of Brit to the Lloyd's Market.

  Syndicate 2987's capacity is planned to grow by 27.6% over the 2022 year of account with a commensurate top line increase. As in previous years, we continue to actively manage the portfolios by segmenting classes into 'high performing', 'core', 'managed growth', 'overseas distribution' and 'portfolio management'. Growth (excluding RARC) is driven primarily by the 'high performing' and 'core' segments, while the largest increases in RARC are targeted on the weakest performing segments of the portfolio.

  Syndicate 2988's capacity is planned to grow by 21.0% over the 2022 year of account. The 2023 plan promotes continued diversification of the Syndicate's portfolio, focusing on growth in the 'high performing' segment together with managed shifts in income across the portfolio in such a way as to generate a better balance between Property, Specialty, and Casualty lines. Growth in Syndicate 2988 premium is largely a function of greater penetration into Syndicate 2987's business plus selective growth of existing business.

  Syndicate 1618's GWP is planned to continue to grow in its third year of trading. The first two years of trading have been a great success and its plan for 2023 reflects its rapid progress to date and the significant opportunity that the Ki model presents. Growth is planned to come from a combination of renewals in its existing portfolio and greater penetration into the follow market.

  Brit's non-catastrophe reinsurance renewals at 1 January have been successfully completed, with the erosion of coverage minimised despite challenging market conditions. The cost has increased in several lines, but within our business planning assumptions.

  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.

- **Brit Private Client**
  Brit Private Client took overall first place in the Highpoint High Net Worth Insurer Survey. This survey has been running for eight years and canvassed feedback from 100+ brokers in the UK, covering new business, underwriters, documentation, quality of cover, claims handling, renewals, and market position. Out of the ten insurers covered by the survey, Brit came first or second in all the categories. This significant achievement in just 18 months since launch shows that our proposition of underwriting, claims and service excellence has been welcomed by the market.

Review of other key business developments during 2022

Other key strategic developments during 2022 have included:

- **Ambridge sale agreement and our US strategy**
  On 7 January 2023, Brit entered into an agreement to sell Ambridge Group to Amynta Group. The Company will receive approximately $400m on closing, comprising of cash of $275m and a promissory note of approximately $125m. An additional $100m may be receivable, subject to a clawback based on 2023 performance targets of Ambridge. Closing of the transaction is subject to customary closing conditions, including regulatory approvals, and is expected to occur in the second quarter of 2023.

  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. Jess Pryor, Executive Chairman of Ambridge, and Jeff Cowhey, Chief Executive Officer of Ambridge, will continue to lead the Company. We look forward to continuing our underwriting relationship with Ambridge after the sale.

- **Senior Corporate appointments**
  - **Group CEO and Executive Chairman of Ki:** On 12 September, Matthew Wilson resumed his role as Group CEO and Executive Chairman of Ki Group, following a leave of absence in September 2021 to undergo treatment for health reasons. On 31 October, Matthew took the decision to step down from his roles at Brit to focus on his health and his family. He will continue to work within the Fairfax Group as an Executive Advisory Director.
  - Matthew has been succeeded by Martin Thompson, who acted as Interim CEO during Matthew's leave of absence.
  - **Bilge Mert, Chief Technology Officer (CTO)**, began her role in January 2022. Bilge is responsible for leading Brit's technology and data strategy to further advance the business' focus on delivering an innovative, data-driven and technology empowered platform for underwriting, claims and operations. Bilge is supported by **Kanika Chaganty, Chief Data Officer (CDO)**, who also joined in January 2022 and is responsible for leading Brit's data strategy and leveraging its data and analytics capabilities to support Brit's digital vision.

- **Data and digital strategy**
  We have continued to evolve our technology and digital strategies. Following the appointment in early 2022 of our new CTO and CDO, a review of our digital and data strategy was undertaken. Our ambition is to deliver a digital and data driven technology platform that improves our underwriting performance over the long term, and future proofs Brit's position as an innovative leader in the market. This will be achieved through a modern and flexible technology architecture, strong partnership with the business functions and key talent with digital and data skills. Our strategy focuses on four pillars: Data Modernisation, Digital Foundations, Digital Underwriting, and Finance Modernisation. The roadmap will be phased and prioritised in line with the Brit strategy starting with building the foundations and implementation of the Digital Underwriting capabilities.

- **Brit Group Services Limited Defined Benefits Pension Scheme – bulk annuity contract**
  In December 2022, the Trustee of the Scheme purchased a bulk annuity ('buy-in') policy with a specialist insurer for a premium of £105.2m ($126.5m). This policy, which replaces the majority of the Schemes investments, matches the benefits due to all scheme members and provides the income to the Scheme to fund payments as they fall due. Following this transaction, the Scheme retains a surplus of $24.8m ($16.1m 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

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.

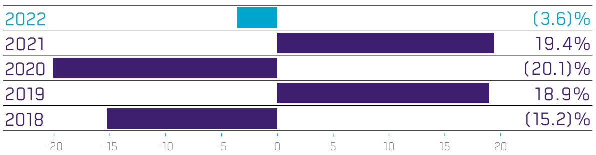
Our four KPIs show the returns that we are generating, the performance of our underwriting activities, our investment portfolio, and our financial strength. The development of our KPIs over the five years (set out below) reflects our focus on underwriting performance and improving underwriting market 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 Annual Report and Accounts starting on page 178 and definitions of each of our KPIs are included in the Glossary starting on page 183.

Overall performance

Return on net tangible assets (RoNTA)

(3.6)%



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 are excluded from both the return and the assets in the calculation.

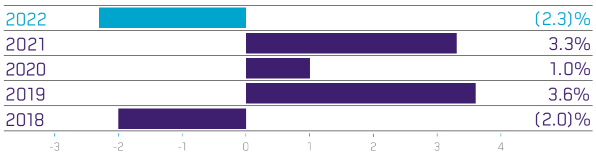
In 2022, our RoNTA in respect of continuing and discontinued operations combined was (3.6)%, reflecting a positive underwriting result, offset by negative investment return.

This return resulted in a five-year average RoNTA of (0.1)%. RoNTA for 2022 after foreign exchange movements was (4.5)% (2021: 18.2%).

Investment management

Investment return

(2.3)%



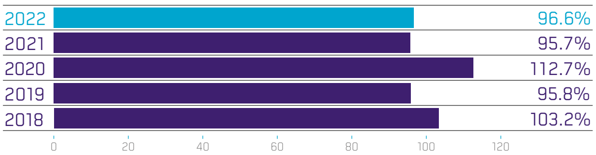
We assess the performance of our investment portfolio by comparing the return generated by our invested assets, net of external investment related expenses, against the average value of those invested assets.

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 0.7%.

Underwriting

Combined ratio

96.6%



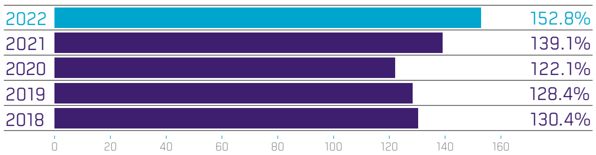
The combined ratio is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every $1 of premium is spent in the total costs of sourcing and underwriting the business and settling claims. A combined ratio under 100% indicates underwriting profitability.

Our combined ratio in 2022 was 96.6%, 12.0pps of which was in respect of major losses (including 1.1pps arising from the Russian invasion of Ukraine). It also included a 0.2pps increase in ultimate claim estimates for prior years. Over the past five years, we have delivered an average combined ratio of 100.8% despite the impact of COVID-19 and extreme catastrophe years of 2017 and 2018. Excluding COVID-19 related claims, our five-year average combined ratio was 97.4%. Our 2022 combined ratio in respect of continuing business was 96.9% (2021: 97.0%).

Capital management

Capital ratio

152.8%



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 2022, Group capital resources totalled $2,053.0m giving surplus management capital of $709.8m (2021: $617.9m), or 52.8% (2021: 39.1%) over our Group management capital requirement. During the period, our capital requirements reduced from $1,581.6m to $1,343.2m, primarily reflecting increased requirements resulting from growth in our 2023 underwriting plans, offset by reduction in capital requirements due to increases in interest rates.

Overview of Results

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

	2022 $m	2021 $m	2020 $m	2019 $m	2018 $m
Gross written premium	**3,970.0**	3,238.3	2,424.4	2,293.5	2,239.1
Net written premium	**3,146.4**	1,998.3	1,775.6	1,656.2	1,482.4
Net earned premium	**2,866.9**	1,754.3	1,710.7	1,641.9	1,468.0
Underwriting result	**95.4**	90.6	(217.3)	69.7	(52.4)
Return on invested assets, net of fees	**(132.1)**	171.9	44.6	148.1	(83.3)
Gain on deconsolidation of subsidiaries	**–**	19.8	–	–	–
Gain on business combination	**–**	6.1	–	10.2	–
Corporate expenses	**(56.9)**	(44.7)	(23.6)	(20.3)	(20.0)
Finance costs	**(20.1)**	(18.3)	(23.6)	(23.7)	(18.8)
Other items	**20.9**	21.7	(15.6)	0.3	(3.4)
(Loss)/profit on ordinary activities before tax and FX	**(92.8)**	247.1	(235.5)	184.3	(177.9)
FX movements	**(15.1)**	(19.8)	5.0	2.0	(12.4)
(Loss)/profit on ordinary activities before tax	**(107.9)**	227.3	(230.5)	186.3	(190.3)
Tax	**11.6**	9.6	(1.5)	(6.4)	23.8
(Loss)/profit after tax	**(96.3)**	236.9	(232.0)	179.9	(166.5)

	2022 $m	2021 $m
(Loss)/profit after tax – continuing operations	**(118.0)**	212.3
(Loss)/profit after tax – discontinued operations	**21.7**	24.6
(Loss)/profit after tax – total	**(96.3)**	236.9

Group performance

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.

Our 2021 result reflected solid a strong attritional performance, prior year reserve releases (partly resulting from a loss portfolio reinsurance), good investment return and a gain on the deconsolidation of subsidiaries, partly offset by major loss activity and the continued impact of COVID-19.

The result on ordinary activities for 2022 before tax and FX was a loss of $92.8m (2021: profit of $247.1m), after FX but before tax was a loss of $107.9m (2021: $227.3m) and after tax was a loss of $96.3m (2021: profit of $236.9m).

The result after tax attributable to continuing operations was a loss of $118.0m (2021: profit of $212.3m) and the result attributable to discontinued operations was a profit of $21.7m (2021: profit of $24.6m). The entities generating the profit attributable to discontinued operations are classified as held for sale and are expected to be deconsolidated in the second quarter of 2023.

Return on adjusted net tangible assets (RoNTA), excluding the effects of FX, was negative 3.6% (2021: positive 19.4%). RoNTA for 2022 after including foreign exchange movements was negative 4.5% (2021: positive 18.2%).

Performance measures

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

- **Premium related:** Risk adjusted rate change (RARC); Retention rate;
- **Claims related:** Claims ratio; Attritional claims ratio; Major claims ratio; Reserve release 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 and Accounts starting on page 178 and a definition of each measure is included in the Glossary starting on page 183. The calculations of the claims and underwriting expense related measures include the adjustment for the loss portfolio reinsurance contract as referenced on page 2.

The performance measures set out below are for continuing and discontinued business combined. Ratios for continuing business are included where they differ from those for the combined business.

Underwriting

Overview

Our underwriting result for the year was a profit of $95.4m (2021: $90.6m) and our combined ratio was 96.6% (2021: 95.7%). The premiums, claims and expenses components of this result are examined below.

Premiums written

Our gross premium written (GWP) across our key reporting segments is as follows:

	2022 $m	2021 $m	Growth %	Growth at constant FX rates %
Core underwriting	**3,116.8**	2,834.1	10.0	11.7
Other underwriting	**19.1**	8.6	122.1	164.9
	3,135.9	2,842.7	10.3	12.2
Ki	**834.1**	395.6	110.8	115.4
Group total	**3,970.0**	3,238.3	22.6	24.7

Note 1: The 2021 figures have been re-presented to reflect the changes to the underwriting class monitoring structure introduced in 2022.

GWP, analysed by portfolio, is as follows:

Portfolio	2022 $m	2021 $m	Growth $m	Growth at constant FX rates %
Direct underwriting portfolios:				
Financial and Professional Liability	**767.1**	603.9	27.0	30.1
Programmes and Facilities	**881.0**	658.2	33.8	34.7
Property	**636.6**	478.8	33.0	37.7
Specialty	**481.8**	398.1	21.0	24.6
Ambridge Specialty	**79.8**	62.7	27.3	27.3
Ambridge Transactional	**106.6**	108.6	(1.8)	2.2
	2,952.9	2,310.3	27.8	30.7
Reinsurance underwriting portfolios:				
Casualty Treaty	**416.9**	299.8	39.1	40.6
Property Treaty	**399.9**	384.5	4.0	5.1
Ambridge Re	**184.1**	175.5	4.9	4.9
	1,000.9	859.8	16.4	17.4
Underwriting classes in run-off	**(10.1)**	60.1	(116.8)	(117.1)
Other underwriting	**26.3**	8.1	224.7	164.9
Total	**3,970.0**	3,238.3	22.6	24.7

Note 1: To aid comparability, the 2021 figures have been re-presented to reflect the changes to the underwriting class monitoring structure introduced for 2022.
Note 2: 'Other Underwriting' is defined in Note 5 to the financial statements.
Note 3: An analysis of GWP by reporting segment by portfolio is included in Note 4 to the financial statements.

Gross written premium (GWP) increased by 22.6% to $3,970.0 m (2021: $3,238.3m). At constant exchange rates, the increase was 24.7%. Our core underwriting segment increased by 10.0% to $3,116.8m (2021: $2,834.1m), while Ki, in its second year of underwriting, continued to gain significant traction, writing $834.1m (2021: $395.6m), an increase of 110.8%. Our other underwriting segment increased by 122.1% to $19.1m (2021: $8.6m).

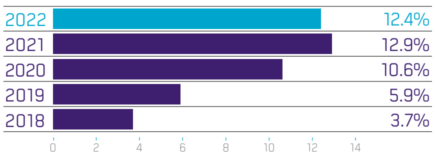
The drivers of the increase in Group GWP, which was in line with expectations, were as follows:

- **Current year premiums:** Increases in our core segment were driven by Programmes and Facilities, Casualty Treaty, Financial and Professional Liability, Property and Specialty. These increases reflected the strong rating environment and targeted growth as we capitalise on market opportunities, partially offset by our withdrawal from a number of underperforming classes, and the non-renewal of certain accounts due to poor performance or pricing inadequacy.

Within Ki, premium growth was seen across all portfolios, especially Property, Financial and Professional, Programmes and Facilities, Casualty Treaty and Specialty, reflecting rate increases and new business opportunities.

- **Prior year premium development:** The book again experienced favourable development on prior year premiums, at a similar rate to that experienced in 2021. This resulted in a year-on-year increase of $17.6m (2021: $6.5m).
- **Foreign exchange:** The impact of foreign exchange resulted in a $58.9m year-on-year reduction in premium, which reflects the movement during 2022 of the US dollar against a number of currencies in which the Group writes business.

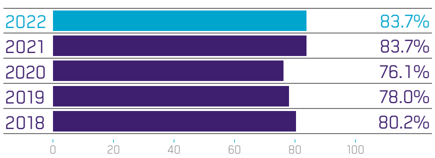
Premium rate change

Measure	Commentary	Track record
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. In 2022, we achieved an overall RARC of 12.4%, bringing the compound RARC since 1 January 2018 to 54.1%.	**Risk adjusted rate change** (%) 

2022 saw a continued positive rate environment, with an overall risk adjusted premium rate increase of 12.4% across the portfolio (2021: 12.9%). The compound increase since 1 January 2018 now totals 54.1%.

In 2022, direct business premium rates increased by 14.4% (2021: 15.4%), while reinsurance business increased by 7.1% (2021: 7.8%). All portfolios achieved rate increases, with the largest achieved in Financial and Professional Liability, Programmes and Facilities, Property Treaty and Ambridge Re.

Retention rate

Measure	Commentary	Track record
Retention rate	The retention rate shows the proportion of our business that renews, on a premium weighted basis, compared to the previous year.	**Retention rate** (%) 

Our retention rate for the period was unchanged 83.7% (2021: 83.7%). We continue to improve our performance by exiting underperforming business and increasing lines on high performing accounts.

Outwards reinsurance

Our reinsurance expenditure in 2022 was $823.6m or 20.7% of GWP (2021: $1,240.0m/38.3%), a decrease of $416.4m.

The 2021 reinsurance expenditure included:

- A loss portfolio reinsurance contract with RiverStone Managing Agency Limited (for and on behalf of Lloyd's syndicate 3500). Excluding this transaction, reinsurance expenditure was $895.9m or 27.7% of GWP.
- $93.0m in respect of a new multi-year XL contract supported by the Brit-sponsored Cat Bond issued in late 2020 by a segregated cell of Sussex UK, additional Cyber protections, and the reinsurance programme for Ki.

The 2022 figure included a return premium of $37.2m following an endorsement to the 2021 loss portfolio reinsurance contract.

In 2022, there was a measured reduction in proportional reinsurance purchased following a decision to retain a greater amount of our most profitable lines while maintaining comprehensive cover. This was partially offset by inwards premium growth in portfolios covered by adjustable excess of loss contracts and proportional reinsurance treaties. Ki's reinsurance expenditure also increased reflecting its premium growth.

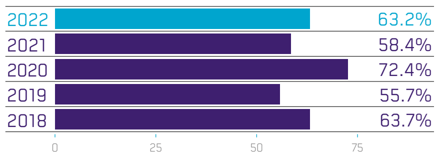
Net earned premium

Net earned premium (NEP) in 2022 increased by 63.4% to $2,866.9m (2021: $1,754.3m). At constant exchange rates, the increase was 67.0%. Excluding the impact of the 2021 loss portfolio reinsurance contract and subsequent endorsement, which impacted core underwriting, NEP increased by 34.9%.

Brit's core underwriting increased by 46.6% to $2,283.4m (2021: $1,557.7m) and Ki increased by 205.7% to $506.3m (2021: $165.6m). Other underwriting increased by 149.0% to $77.2m (2021: $31.0m). These movements reflected premium growth and lower reinsurance spend.

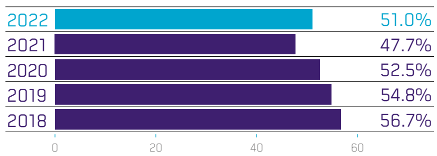
Claims

Measure	Commentary	Track record
Claims ratio	The claims ratio measures the performance of the whole underwriting book, encompassing risks written in the current year and in prior years.	**Claims ratio** (%)

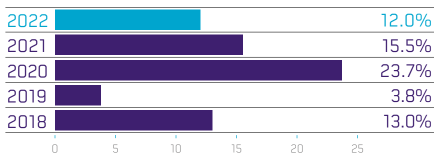


The claims ratio can be further analysed into its underlying components, as follows:

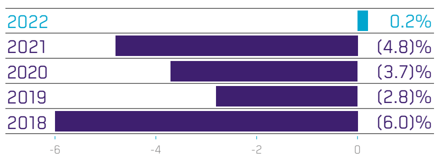
Measure	Commentary	Track record
Attritional claims ratio	The attritional claims ratio measures the performance of the underlying underwriting book by measuring the effect of attritional claims.	**Attritional claims ratio** (%)



Measure	Commentary	Track record
Major claims ratio	The major claims ratio measures the effect of claims arising from major losses on our performance. The 2022 ratio reflects the impact of catastrophe events of 10.9pps and claims of 1.1pps arising from the Russian invasion of Ukraine (2021: 14.2pps from catastrophe events and 1.3pps from COVID-19 related claims).	**Major claims ratio** (%)



Measure	Commentary	Track record
Reserve release ratio	The reserve release ratio measures the performance of reserves held on the statement of financial position at the start of the year. A negative ratio indicates an overall net release, which means that prior year claims are performing better than estimated at the start of the year. A positive ratio indicates that over the course of the year, the amount required to meet those prior year claims has increased.	**Reserve release ratio** (%)



Our underlying claims performance in 2022 remained strong, with an attritional claims ratio of 51.0% (2021: 47.7%).

We continue to see strong underlying performance across our portfolios, with strong pricing and targeted growth in our high-performing segments. The 2022 ratio reflects the impact of increased economic uncertainty, including the impact of inflation. The 2021 attritional ratio benefited from the effects of COVID-19 related restrictions, such as reduced volumes of commercial activity and the suspension of court hearings.

Major losses	2022 $m	2021 $m
Australian Floods	**16.9**	–
Hurricane Ian	**280.2**	–
Winter Storm Elliott	**9.5**	–
Texas winter storms	**–**	77.7
Hurricane Ida	**–**	200.5
European floods (Bernd)	**–**	18.0
Total before Russia/Ukraine and COVID-19 related losses	**306.6**	296.2
Claims arising from the Russian invasion of Ukraine	**31.9**	–
COVID-19 related losses	**–**	28.2
Total	**338.5**	324.4
CoR impact	**12.0pps**	15.5pps

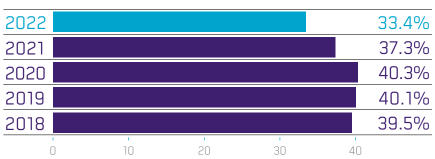
As part of our standard reserving process, we marginally strengthened our overall net reserves established for prior year claims by $6.8m, the equivalent of a combined ratio increase of 0.2pps (2021: release of $100.1m, reduction of 4.8pps), $0.7m of which resulted from the 2022 endorsement of the 2021 loss portfolio reinsurance. The remaining $6.1m reflected the current economic conditions and the potential impact of inflation. The 2022 figure includes releases across Property, Specialty (principally Marine), Property Treaty and Ambridge Transactional, offset by strengthening in Programs and Facilities (principally Property Liability US), Financial and Professional Liability (principally PI US and Healthcare) and Casualty Treaty (principally LT Risk), and Ki.

The 2021 release reflected favourable claims experience across more recent underwriting years (principally Property, Specialty and Ambridge Transactional, Casualty Treaty and Property Treaty), a release of $12.3m in respect of 2020 COVID-19 related claim estimates, the continued overall net favourable development of other prior year catastrophe events, and a release of $35.0m reflecting the additional reinsurance protection afforded by the loss portfolio reinsurance with RiverStone.

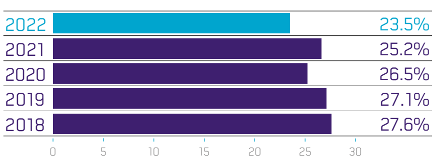
Our financial position remains strong and we continue to operate a robust reserving process.

Underwriting expenses

Our expense ratio was 33.4% (2021: 37.3%).

Measure	Commentary	Track record
Expense ratio	The expense ratio measures the cost we incur to acquire every $1 of premium. There are two key components to this – commission expenses and operating expenses. Our 2022 expense ratio in respect of continuing business was 33.7% (2021: 38.6%).	**Expense ratio** (%) 

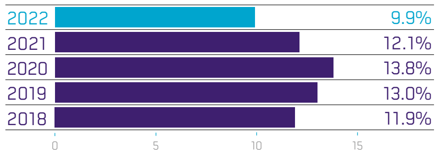
The expense ratio can be further analysed into its underlying components, as follows:

Measure	Commentary	Track record
Commission expense ratio	The commission expense ratio measures our distribution costs and shows how much of every $1 of premium is paid to acquire our business. Our 2022 commission expense ratio in respect of continuing business was 25.1% (2021: 27.4%).	**Commission expense ratio** (%) 

Operating expense ratio

The operating expense ratio helps us understand how much it costs us to support the underwriting activities. This ratio shows how much of every $1 of premium we spend supporting our underwriting activities. Our 2022 operating expense ratio in respect of continuing business was 8.6% (2021: 11.2%).

Operating expense ratio (%)



Commission costs were $664.4m and the commission expense ratio was 23.5% (2021: $528.4m/25.2%). This $136.0m increase was driven by the increase in NEP, while the decrease in the ratio principally reflects a continued drive to reduce overall acquisition costs in the current strong market. Commission costs for continuing business were $710.0m (2021: $574.6m) and for discontinued business were a credit of $45.6m (2021: credit of $46.2m).

Our expenses are analysed below.

Operating expense ratio

Our operating expense ratio decreased to 9.9% (2021: 12.1%). The ratio consists of the following components, each of these is discussed in the sections below.

- Underwriting related operating expenses for 2022 were $323.7m and contributed 11.4pps to the operating expense ratio (2021: $312.8m/14.9pps).
- Underwriting related fee and commission income totalled $42.9m, reducing the operating expense ratio by 1.5pps (2021: $56.6m/2.7pps). These amounts are included in the operating expense ratio as the expenses incurred in generating these fees are included within underwriting expenses.
- Losses on other financial liabilities were $1.3m, with no impact on the ratio (2021: gains of $2.5m, decreasing the ratio by 0.1pps). These amounts are included in the operating expense ratio as they represent the underwriting result in Brit's consolidated income statement attributable to third party capital providers.

Expenses

Total expenses during 2022 increased by 6.5% to $380.6m (2021: $357.5m). At constant rates of exchange, the increase was 14.7%, reflecting that the majority of our expense base is in Sterling. The main contributors to this increase were staff costs, reflecting headcount growth, bonus accrual, and regulatory charges and levies. These increases also include the costs resulting from the growth of Ki.

At 31 December 2022, Group headcount was 969 (2021: 854). 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.

The allocation of expenses within the Consolidated Income Statement and the Segmental Information is as follows:

Disclosure of expenses	2022 $m	2021 $m
Acquisition costs and other insurance related expenses – continuing business	**255.4**	251.6
Other expenses – continuing business	**56.9**	44.7
Total expenses – continuing business	**312.3**	296.3
Acquisition costs and other insurance related expenses – continuing business	**68.3**	61.2
Total expenses	**380.6**	357.5

Other income

Other income totalled $63.8m (2021: $78.3m), as set out below:

Other income	2022 $m	2021 $m
Fee and commission income (Note 1) – continuing operations	**12.3**	14.7
Change in value of ultimate parent company shares (Note 2)	**20.9**	21.7
Total other income – continuing operations	**33.2**	36.4
Fee and commission income (Note 1) – discontinued operations	**30.6**	41.9
Total other income	**63.8**	78.3

Note 1: Total fee and commission income is included within our underwriting result and our combined and expense ratios.
Note 2: Change in value of ultimate parent company shares is included within our corporate result.

Fees and commissions generated by the Group's underwriting management activities decreased in 2022 by 24.2% to $42.9m (2021: $56.6m). The decrease primarily reflects reduced third party commission received by Ambridge, partly offset by increased fees generated by Camargue.

Included in other income was a gain of $20.9m (2021: $21.7m) in respect of the change in value of shares held by Brit in its ultimate parent.

Gains 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)/gains on other financial liabilities'.

In 2022, the income statement impact was a loss of $1.3m (2021: gain of $2.5m). Brit allocates these gains/losses to its underwriting result.

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 negative $132.1m or (2.3)% (2021: positive $171.9m /3.3%). This result is analysed below:

Investment return	2022 $m	2021 $m
Income	**86.1**	58.4
Realised (losses)/gains	**(75.2)**	59.4
Unrealised (losses)/gains	**(131.5)**	63.6
Investment return before fees	**(120.6)**	181.4
Investment management fees	**(13.8)**	(14.2)
Investment return, net of fees	**(134.4)**	167.2
Investment related derivative return	**0.8**	3.0
Return on associated undertakings	**1.5**	1.7
Total return	**(132.1)**	171.9
Total return	**(2.3)%**	3.3%

Of the investment return, $0.1m (2021: nil) related to discontinued operations.

Equity markets had a tumultuous year as concerns around the persistence of inflation and the impact on growth of central bank measures were compounded by the impact of the Russian invasion of Ukraine and continued Chinese lockdowns. Despite the general negative sentiment, our equity portfolio outperformed the market and generated a positive return of $12.7m (2021: $125.9m), benefiting from a value focused approach. Our return on fund investments was a negative $11.3m (2021: gain of $59.8m).

The fixed income portfolio generated a loss of $132.3m (2021: loss of $4.8m), which included unrealised losses of $150.0m, as income was offset by capital losses. These unrealised losses are expected to unwind as the portfolio matures. The US government bond yield curve rose across all tenors, with the two-year yield increasing from 0.73% to 4.43%, the five-year yield increasing from 1.26% to 4.00% and the ten-year yield increasing from 1.51% to 3.88%. Investment grade credit and high yield spreads widened over the twelve months as inflation remained elevated and the US Federal Reserve Bank entered an aggressive rate rising cycle, raising rates 425bps over the year, including four consecutive 75bps hikes. Investment grade spreads in the US widened from 0.49% to 0.90% and in Europe from 0.78% to 1.56%, while high yield spreads in the US widened from 2.83% to 4.68% and in Europe widened from 3.12% to 4.90%.

Cash and cash equivalents generated interest of $10.3m (2021: $0.5m). 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.

At 31 December 2022, the running yield (expressed as yield as a percentage of invested assets) of our total portfolio was 4.0% (2021: 0.9%). This has increased over 2022 in line with the increase in the yield curve in the US resulting in better forward looking income to the portfolio, providing a balance to mark to market movements.

In 2022, our share of the net profit of our associated undertaking, Sutton Special Risk Inc., was $1.5m (2021: $1.2m). Sutton Special Risk Inc. is a leading Canada-based managing general underwriter specialising in Accident & Health business in which Brit acquired a 49% share on 2 January 2019. In 2021, a further $0.5m return was recognised from Camargue Underwriting Managers (Proprietary) Limited, a leading South African managing general underwriter, which became a 100% subsidiary of the Group and ceased to be an associated undertaking on 4 October 2021.

Gain on deconsolidation of subsidiaries

No subsidiaries were deconsolidated in 2022. In 2021, a gain of $19.8m arose from:

- The sale of the Commonwealth Insurance Company of America (gain of $3.7m);
- The sale of Scion Underwriting Services Inc. (gain of $18.3m); and
- The deconsolidated of North America Property Insurance Series 2017 Account A-3 (a segregated account within Versutus Limited) (loss of $2.2m).

Gain on a business combination

No business combinations were effected in 2022. In 2021, a gain of $6.1m arose on the acquisition of the remaining 50% of the share capital of Camargue.

Foreign exchange

As explained on page 33, 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 $15.1m in 2022 (2021: loss of $19.8m), 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)	**2022 $m**	2021 $m
Net foreign exchange (losses)/gains – continuing operations	**(30.4)**	(1.4)
Net foreign exchange (losses)/gains – discontinued operations	**1.8**	0.3
Gains/(losses) on derivative contracts – FX related instruments	**13.5**	(18.7)
	(15.1)	(19.8)

Tax

Our tax on ordinary activities for 2022 resulted in a tax credit of $11.6m (2021: tax credit of $9.6m), based on a Group loss before tax of $107.9m (2021: profit before tax of $227.3m), of which $0.1m related to continuing operations (2021: $12.0m) and $11.5m related to discontinued operations (2021: $(2.4)m). This credit comprised a current tax credit of $3.4m and a deferred tax credit of $8.2m. The deferred tax credit reflects the change in the UK tax rate from 19% to 25% from 1 April 2023 in accordance with the Finance Act 2021 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 2022 Group rate varies from the weighted average rate in those jurisdictions due to a number of factors. The principal factors are an increase of $19.9m in the unrecognised deferred tax asset in respect of undeclared Lloyd's syndicate years of account and current tax losses, and the impact of the change in the UK tax rate used for the calculation of deferred taxes, from 19% for brought forward balances to 25% for carried forward balances due to the increase in the UK corporation tax rate to 25% from 1 April 2023 which was substantively enacted on 24 May 2021. The rate is further influenced by the impact of prior year adjustments, US state taxes, US losses not recognised, exempt income such as dividend income, disallowable expenses and by non-UK taxes arising in our Lloyd's syndicates.

financial position and capital strength

Financial position

At 31 December 2022, our adjusted net tangible assets totalled $1,590.6m (2021: $1,740.6m).

Summary consolidated statement of financial position

	2022 $m	2021 $m
Assets		
Intangible assets	**120.0**	205.3
Reinsurance contracts	**2,487.0**	2,291.2
Insurance and other receivables	**1,803.3**	1,615.3
Financial investments, investments in associated undertakings and cash	**5,868.9**	5,540.3
Assets classified as held for sale	**331.6**	–
Investment related derivatives	**4.3**	6.2
FX related derivatives	**6.5**	8.9
Other assets	**546.6**	551.7
Total assets	**11,168.2**	10,218.9
Liabilities		
Deferred tax on intangible assets	**20.8**	33.5
Insurance contracts	**7,779.0**	6,532.9
Borrowings	**172.4**	227.9
Investment related derivatives	**–**	0.3
FX related derivatives	**10.1**	12.2
Insurance and other payables	**917.1**	1,184.1
Liabilities directly associated with assets classified as held for sale	**49.6**	–
Other liabilities	**76.4**	81.4
Total liabilities	**9,025.4**	8,072.3
Net assets	**2,142.8**	2,146.6
Adjusted net tangible assets (Note 1)	**1,590.6**	1,740.6

Note 1: A reconciliation of adjusted net tangible assets to the amounts presented in the financial statements is included in the Annual Report and Accounts on page 178.

Of our net assets of $2,142.8m at 31 December 2022, $1,768.3m (2021: $1,912.4m) were attributable to the owners of Brit Limited, while $374.5m (2021: $234.2m) were attributable to non-controlling interests.

On 7 January 2023, the sale of Ambridge to Amynta Group was agreed, subject to regulatory approval. The transaction is expected to close in the second quarter of 2023. At 31 December 2022, Ambridge 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 (2022: $26.6m net loss; 2021: $12.2m net gain); changes in unrealised foreign currency translation gains on foreign operations (2022: $17.4m net loss; 2021: $1.1m net loss); contribution from parent in relation to the acquisition of the RiverStone pension plan (2022: $3.7m; 2021: nil); dividends paid (2022: $18.7m; 2021: $375.0m); transactions with non-controlling interests (2022: $151.5m 2021: $124.1m). In 2021, we also recognised issuance of share capital of ($406.1m) and a surplus net of deferred tax on the acquisition of a defined benefit pension scheme ($28.5m).

At 31 December 2022, we had $331.6m of assets classified as held for sale and $49.6m of liabilities directly associated with assets classified as held for sale (net $282.0m). These related to Ambridge and are further explained in Note 38 to the financial statements.

Capital strength

Our financial position remains strong, with our capital surplus increasing by $91.9m in the year. At 31 December 2022, Group capital resources totalled $2,053.0m (2021: $2,199.5m), giving surplus management capital of $709.8m (2021: $617.9m), or 52.8% (2021: 39.1%) over our Group management capital requirement of $1,343.2m (2021: $1,581.6m).

Dividends

A dividend of $18.7m (2021: nil) was paid to the class A shareholders on 27 April 2022 in accordance with the Brit Limited shareholders' agreement. No dividend (2021: $375.0m) was paid to the class B shareholders in 2022.

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.

Our reserving policy is to reserve to a best estimate and carry an explicit risk margin above that best estimate. 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.

Asset allocation

Brit's invested assets (financial investments, investments in associates, cash and cash equivalents and derivative contracts) at 31 December 2022 were $6,011.3m (31 December 2021: $5,546.2m).

financial position and capital strength

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

		Statutory basis								
	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**
	Alternative investments	–	–	–	–	–	–	–	–	–
	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**

	31 December 2021	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	–	2,232.6	–	21.8	–	–	–	–	2,254.4
	Corporate debt securities	–	907.2	–	10.9	–	–	–	–	918.1
	Structured products	–	–	–	21.3	–	–	–	–	21.3
	Loan instruments	–	–	38.3	3.0	–	–	–	–	41.3
	Equity securities	480.1	–	–	261.6	–	15.0	–	–	756.7
	Alternative investments	–	–	–	–	–	–	–	–	–
	Cash and cash equivalents	–	–	–	39.0	1,510.3	–	–	–	1,549.3
	Investment related derivatives	–	–	–	(0.8)	–	–	5.9	–	5.1
	Total invested assets (statutory)	480.1	3,139.8	38.3	356.8	1,510.3	15.0	5.9	–	5,546.2

Brit held a short duration position over 2022 which limited mark to market losses on the fixed income portfolio.

We increased our duration and credit allocation in the second half of the year as spreads widened and interest rates have risen, creating more attractive opportunities. 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 assets remain primarily invested in cash and fixed income securities (2022: $5,117.3m or 85.1% of the portfolio; 2021: $4,763.1m or 85.9% of the portfolio). The fixed income portfolio is short dated, with a majority allocation to government bills. Corporate bonds and other loan instruments represent 22.6% (2021: 17.3%) of the total portfolio with 2.6pps (2021: 2.1pps) of this figure being below investment grade.

The exposure to equities, funds and structured products has increased (2022: $891.4m or 14.8% of the portfolio; 2021: $778.0m or 14.0% of the portfolio), due to additional purchases in Q4.

The duration of our portfolio at 31 December 2022 was 1.7 years (2021: 1.5 years), which is shorter than the duration of our liabilities. US rates rose across the curve over 2022, as the Fed rose rates in response to persistent inflation.

At 31 December 2022, 71.5% of our invested assets were rated of A- or higher (2021: 75.4%). An analysis of the credit quality of our invested assets is set out below:

Invested assets by rating	2022 %	2021 %
AAA	**48.5**	51.8
AA	**7.4**	10.2
A	**10.0**	11.1
BBB and below	**10.7**	7.8
P-1 and P-2	**5.6**	2.3
Other	**17.8**	16.8
Total	**100.0**	100.0

Other includes equities, funds and investment related derivatives

Gearing

At 31 December 2022, our gearing ratio was 17.6% (2021: 20.0%).

Brit has in place a $550m (2021: $450m) revolving credit facility (RCF), the expiration date of which is 31 December 2025. Under our capital policy we have identified a maximum of $300.0m (2021: $250.0m) of this facility to form part of our capital resources, with the balance available for liquidity funding.

At 31 December 2022, the cash drawings on the facility were $10.0m (2021: $45.0m) and a $100.0m uncollateralised letter of credit (LoC) was in place (2021: $130.0m/uncollateralised) to support our underwriting activities. At the date of this report, cash drawings had reduced to nil and the $100.0m uncollateralised LoC remained in place.

At 31 December 2022, Ki Financial Ltd, together with Sussex Re and Ki Member Ltd, has a $180.0m LoC facility (2021: $130.0m) to provide a proportion of the Funds at Lloyd's for Syndicate 1618 through a segregated account of Sussex Re. The facility was fully utilised at 31 December 2022 (2021: $130.0m fully utilised).

In addition, we have in issue £135.0m of 3.6757% subordinated debt with a carrying value of £135.0m/$162.4m (31 December 2021: £135.0m/$182.9m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005, matures on 9 December 2030.

Foreign exchange management

At 31 December 2022, our US-dollar denominated net assets were 84.0% of our total net assets (2021: 83.3%), 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	2022 %	2021 %
US dollar	**84.0**	83.3
Sterling	**8.4**	8.0
Canadian dollar	**3.9**	4.7
Euro	**3.5**	2.8
Australian dollar	**0.2**	1.2
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 NTA is, 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.

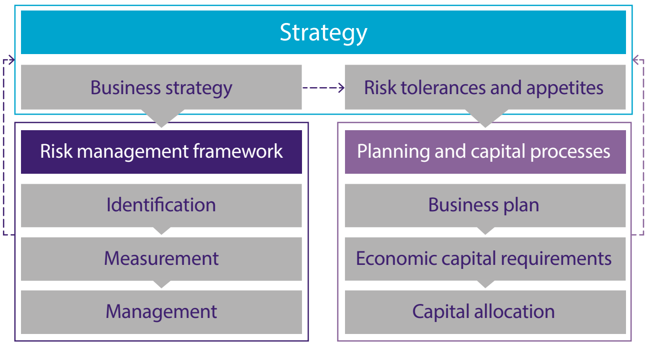
Brit's Risk Management Framework (RMF) applies a consistent methodology and structure to how risks are identified, measured, managed and monitored. This process enables us to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well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



The Risk Management function, led by the Chief Risk Officer (CRO), monitors whether Brit is operating within the risk tolerance levels approved by the Board. 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. The 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.

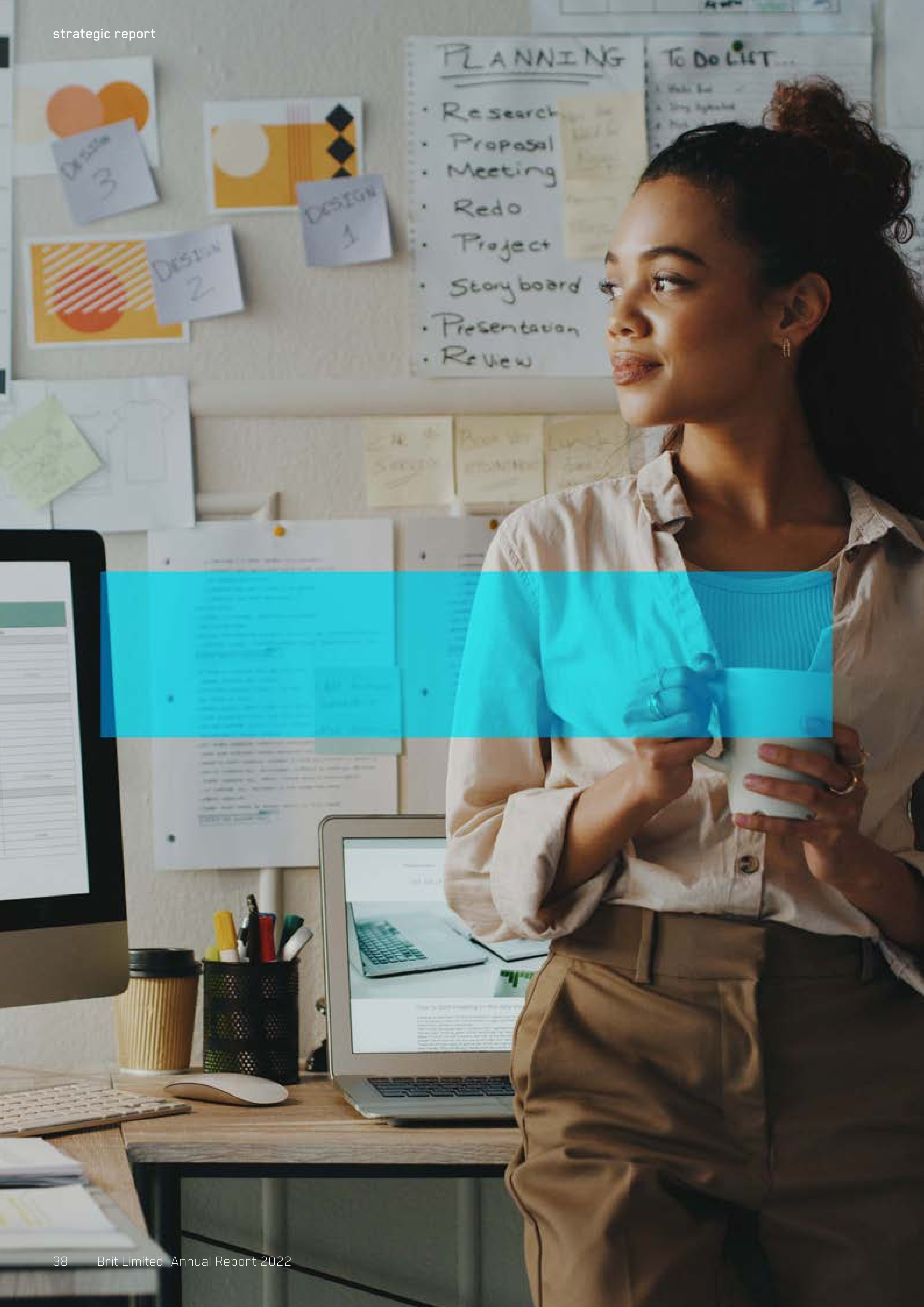
Principal risk	Mitigation tools	Metrics	Status
Underwriting – pricing			
Inadequate pricing could have a material adverse effect on our results for underwriting operations and financial condition.	• Strategic focus on underwriting performance rather than on top line growth. • Strong governance processes 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 (2022: increase of 12.4%; 2021: increase of 12.9%).	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 the Board 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 2022 estimated loss in $m): see table below	Hurricane Ian continued the recent trend of heightened catastrophe activity seen globally since 2017. Management continues to focus 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	1,144	300
Florida Miami windstorm	1,027	217
US North East windstorm	1,124	281
San Francisco earthquake	1,714	528
Japan earthquake	347	213
Japan windstorm	108	68
European windstorm	94	66

Reserving Estimating insurance reserves is inherently uncertain and, if insufficient, may have a material adverse effect on our results and financial condition.	• Best estimate reserving philosophy with a risk margin giving a track record of releases. • Actuarial team recommend reserves independently from underwriting division using established actuarial techniques. • Independent external review of reserving is performed annually.	Reserve release ratio (2022: strengthening of 0.2%; 2021: releases of 4.8%).	Reserves are held at a best estimate and we also carry an explicit risk margin for uncertainty. No change in 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 (2022: -2.3%; 2021: 3.3%). Running yield (2022: 4.0%; 2021: 0.9%).	Financial markets remain volatile following the Russian invasion of Ukraine and general economic uncertainty, with inflation at a ten-year high. Our portfolio remains highly liquid, and was primarily invested in cash and investment grade fixed income securities as at 31 December 2022.
People We could be adversely affected by the loss of key employees or by an inability to attract and retain qualified personnel.	• 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 (2022: 14.0%; 2021: 14.3%).	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.

Emerging risks

Emerging risks, including climate change related financial risks, geopolitical risks and global economic risks (including inflation risk) are discussed in Note 4.7 to the financial statements, starting on page 111.


PLANNING
To Do List...
• Research
• Proposal
• Meeting
• Redo
• Project
• Storyboard
• Presentation
• Review
DESIGN 3
DESIGN 1
DESIGN 2

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

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

During 2022 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. Senior hires included our new Group CEO Martin Thompson, Bilge Mert (Chief Technology Officer) and Kanika Chaganty (Chief Data Officer), as well as significant strengthening across the Ki team.

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 2022 we invested in updating our behavioural and management courses to strengthen our focus on driving performance whilst ensuring a strong cultural environment to work in.

The Brit Underwriting Academy has had another successful year with over 15 different courses, the majority of which have been run by internal subject matter experts.

Health and wellbeing has continued to be a focus throughout 2022. 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 has 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, community and charitable events for employees during the year.

The 2022 staff turnover rate excluding retirements and redundancies was 14.0% (2021: 14.3%).

At 31 December 2022, 29.8% (2021: 33.7%) of staff had completed at least five years of service and 12.0% (2021: 12.3%) had served at least ten years.

Details of Brit's employment policies are given in the 'Employment' section of the Directors' Report on page 55.

Inclusion and Diversity (I&D)

In 2022 Brit has continued to focus on I&D and have run a number of successful initiatives.

We have five employee resource groups, covering 'Race and Belonging', 'LGBT+', 'Gender', 'Disabilities and Neurodiversity' and 'Multigeneration'. We also have a 'Mental Health and Wellbeing' group. These groups have held a 'LGBT+ back to basics session', produced a faith guidance booklet, installed a wishing tree for Lunar New Year and held a 'sip and paint' event. Through an internal focus group, we created gender neutral and non-visible disabilities toilet signage. We also shared guidance for colleagues who wish to add their pronouns and name pronunciation to their email signatures.

We sponsored external activities such as LINK's Pride competition, Howden Group's initiative for Dive In Festival 2022 and Fifty Over 50. Brit also received a nomination for an Inclusion and Diversity award at the National Insurance Awards 2023. We partnered with Code First Girls and four of its five placements at Brit are being converted to permanent hires. We have extended the partnership to nine placements for 2023. We have made several hires through recruitment partners ACIN and VERCIDA. We created the Brit Outreach Programme to attract young females and those from a black and ethnic minority background into insurance.

We completed an I&D maturity index, resulting in improvements in two areas and maintenance of progress in the remaining areas over the previous assessment held in 2020. In late 2022, we launched our holistic I&D data capture, giving colleagues the opportunity to self-report via our new HR system. We achieved a 99% completion rate.

We have introduced several policies including 'Menopause', 'Fertility Treatment', 'Pregnancy Loss', 'Carers' and 'Domestic Abuse'. We have also significantly enhanced our 'Shared Parental Leave', 'Maternity' and 'Adoption' policies. In 2022, we increased our number of mental health first aiders to 12.

We are proud that 2022 saw the largest uptake by women of the Brit Leadership Programme.

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.

Our biennial Employee Engagement Survey was undertaken in the fourth quarter of 2022. The participation rate was 89% (2020: 89%). 75% (2020: 76%) of employees answered positively to questions designed to assess the extent to which they are motivated to contribute to organisational success, and are willing to apply discretionary effort to accomplish tasks important to the achievement of organisational goals. Our overall engagement result is 75% and the results were presented to the Group by the Group CEO in November 2022 and team results and action plans are being cascaded and developed.

At Brit we believe that good communication enables our teams to perform at their best. The Board engages with employees via the executive Directors. To help the executive Directors foster a two-way conversation with colleagues, there are several internal communication methods to help cascade information and to receive feedback including:

- Our Intranet (The Hub) provides colleagues with the latest news and evergreen information from around the Group.
- 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 Stream video channel allows us to share content, ranging from our regular town hall meetings with the Executive Committee to teams sharing meetings and process walkthroughs as reference material.
- Town halls: In 2022 we hosted regular Executive committee updates, allowing all colleagues to hear directly from leadership. Our hybrid town hall events had on average 64% of employees joining the live event, with others choosing to watch later via The Hub.

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 2022, Brit:

- Donated $1.75m (2021: $1.1m) under its charitable initiatives. In addition to this, Brit employees completed 66 volunteering days (2021: 19.5 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 $203k to the Disaster Emergency Committee supporting the Ukraine Humanitarian Appeal to help those displaced by the conflict both inside Ukraine and neighbouring countries.
- Supported Team BRIT, a team of disabled motor racing drivers, since 2017. In 2022, we continued our contract with Team BRIT, as title sponsor, to support their racing academy and success on the race course.
- Continued to run a payroll giving scheme and match any money raised by employees participating in charitable events.

Environmental responsibility

Introduction

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 and take part in ESG initiatives within the Lloyd's market and the wider Fairfax group. Brit also notes the guidance issued by the Taskforce of Climate Change-Related Financial Disclosures (TCFD). In late 2022, an external consultancy was commissioned to spearhead the faster implementation of a granular and specific set of ESG metrics.

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 the following Committees:

- **Audit Committee:** The Audit Committee is responsible for overseeing internal controls, adherence to reporting requirements, and approval of climate-related disclosures.
- **Risk Oversight Committee (ROC):** The ROC has oversight of the identification and management of risks relating to climate change. Climate change is a standing item at every ROC meeting. The Committee also oversees climate-related stress and scenario testing, such as the PRA Climate Biennial Exploratory Scenario (CBES) testing, and reporting of climate-related risk disclosures.
- **Brit Syndicates Limited (BSL) Investment Committee:** We report climate risk metrics to the BSL Investment Committee each month and include ESG reports from external managers. The Committee considers ESG and climate related risks in its investment decision making process.

Management oversight

- **ESG Committee:** Brit's ESG Committee includes senior representation from Underwriting, Investments, Finance, Risk, Operations, Facilities and Communications. The Committee is chaired by Brit's Chief Engagement Officer and is focused on five themes: investments, underwriting, financial risk, Brit as a business, and strategy and external engagement. The Committee reports formally to the Executive Committee, which is responsible for ensuring that climate-related issues are embedded into the relevant operating committees.
- **Climate Change Risk Working Party (CCRWP):** The multi-discipline CCRWP is focused on collaboratively managing the financial risks arising from climate change through our risk management framework. It reports to the ROC and is chaired by Brit's Chief Risk Officer and Chief Actuary.

Strategy

Overview

We have an important role in fighting climate change, and we believe firmly that insurance is a social good. In 2021 we published our ESG strategy. The five components to that strategy are:

1. Working with our clients and business partners to understand and mitigate the impact of climate change;
2. Putting the environment at the centre of our investments and underwriting strategy;
3. Transitioning to be a net-zero business;
4. Ensuring we manage the risks to Brit; and
5. Placing inclusion and diversity at the heart of everything we do.

Further details on these five components can be found at **www.britinsurance.com/culture/esg**.

Underwriting strategy

Across all classes, we recognise the growing importance of ESG and have undertaken various initiatives to align ourselves to the broader Lloyd's market, as well as implementing specific measures and products that will support our clients' transitions.

ESG appetite and underwriting considerations are documented within Brit's underwriting guidelines, ensuring that a suitable level of due diligence is undertaken during the underwriting process, allowing us to reduce exposure to businesses which have poor sustainability practices.

We continue to review and evolve our products to ensure that they promote improvements in ESG standards across our client base, as we continue to support our clients on their ESG journeys and satisfy their changing needs.

We have engaged an external data provider to provide ESG scoring metrics. These scores will assist underwriters' in their assessment of risk. Once a suitable quantum of historic ESG data has been accumulated, we will be able to undertake detailed analysis of our underwriting portfolio to optimise risk selection and business mix.

Additionally, a consultancy firm has been appointed to assist us during 2023 to develop our ESG strategy and framework, and in the setting of measurable targets.

Brit has been working with Lloyd's on its 'Net Zero Emissions' scoring framework, taking part in the pilot scheme in 2022. The pilot involved gathering emissions data on sample accounts to calculate an overall transition score. This is a key component of Lloyd's plans to monitor and oversee Syndicates' transition journeys.

We recognise the risk of increasing frequency and severity of natural catastrophes due to climate change. This risk and how we manage it is discussed in Note 4.7.1 to the financial statements on page 111.

Investment strategy

In line with the Prudent Person Principle, Brit has a well-diversified investment portfolio, with the majority of assets being cash, government bonds and investment grade corporate bonds.

ESG considerations are integrated into our investment decisions. Our approach is to engage with our investment managers to ensure that appropriate consideration is given to ESG and climate risk in investment decisions. This allows us to understand both risks and opportunities, and allows us to invest in businesses which are actively improving from an ESG perspective, thereby supporting their transition. We also prohibit new investments in the more environmentally damaging sectors (such as thermal coal and oil sands) in our portfolios, and will divest from existing holdings by the end of 2025. In 2021, we performed analysis of our equity positions, which showed the overall ESG risk rating to be low-medium. Our overall portfolio is relatively low risk, reflecting its large allocation to US government bonds and cash holdings.

We have continued to provide Board-member training on investments and capital, including a session on responsible investment. Brit's monthly investment reports also include details on its exposure to climate sensitive sectors. We expect these metrics to evolve over time as ESG data availability improves.

ESG matters are regularly discussed with all our investment managers, both on an ongoing basis and as part of our formal annual due diligence reviews. For our primary investment manager, climate risk is a category of business risk applied to all investments. We continue to engage with our managers to enhance our ESG investment strategy as best practice in this area continues to evolve.

Risk management

We manage the risks associated with climate change in line with our Risk Management Framework (RMF). The Group's approach to managing climate change related financial risks is discussed in Note 4.7 to the financial statements, starting on page 111.

Metrics and targets

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 during 2023.

Greenhouse Gas reduction, carbon management and staff engagement

As part of our dedication to our environmental responsibilities we continually seek to improve the sustainability of our business. In 2022 we have continued to focus on greenhouse gas (GHG) reduction, carbon management and staff engagement.

Our key activities are below:

- **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 2022 we remained fully Energy Saving Opportunities Scheme (ESOS) compliant.

  We measure and monitor our carbon footprint. In 2022 our carbon emissions per employee before offset were 2.1 tonnes (2021: 0.7 tonnes; 2020: 2.4 tonnes), all of which has been offset (2021: negative 0.7 tonnes after offset, reflecting our purchase of further tonnage to offset additional emissions generated by our employees while working from home during periods of government restrictions). The sources of these emissions were as follows:

Emission source	2022 CO2 (tonnes)	2021 CO2 (tonnes)
Gas (note 1)	**203**	111
Electricity (note 1)	**254**	222
Business travel – air (note 2)	**1,498**	218
Business travel – hotels (note 2)	**39**	10
Business travel – other (note 2)	**2**	–
Total carbon footprint before offset	**1,996**	561
Offset	**(1,996)**	(1,122)
Total carbon footprint after offset	**–**	(561)
Number of employees at 31 December, excluding NEDs	**947**	804
Carbon footprint per employee before offset	**2.1**	0.7
Carbon footprint per employee after offset	**–**	(0.7)

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 2022 there was a significant increase in gas and electricity consumption and related carbon emissions, as more normal working patterns were resumed. The data for 2021 reflects active measures to reduce energy consumption during office closure periods.

The increase in travel related emissions for 2022, 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) disclosures are as follows:

	2022 kWh	2022 GHG (CO2 tonnes)	2021 kWh	2021 GHG (CO2 tonnes)
Scope 1 (note 3)	**1,113,902**	**203**	601,996	111
Scope 2 (note 4)	**965,285**	**197**	690,711	177
Scope 3 (note 5)	**–**	**–**	–	–
Total before offset	**2,079,187**	**400**	1,292,707	288
Per UK employee before offset	2,714	0.52	2,001	0.45

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: 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 3: Includes gas purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.
Note 4: Includes electricity purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.
Note 5: In 2021 and 2022, Brit had de-minimis emissions from business travel in rental or employee-owned vehicles.
Note 6: Details of efficiency actions are set out above and below.

- **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. As noted above, 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 the booking of lower carbon-intensive flights. Brit has also heavily invested in transforming the way it works by introducing flexible working and by upgrading its digital and video conferencing systems throughout Brit's offices.
- **Recycling:** We continue to strive to reduce the levels of recyclable and non-recyclable waste we generate. During 2022, Brit recycled 2.0 tonnes of paper and card waste (2021: 6.8 tonnes) and we sent 7.1 tonnes of general waste to energy recycling (2021: 4.2 tonnes). In 2022, we also recycled 1.3 tonnes of glass (2021: 0.4 tonnes) and 4.0 tonnes of food waste (2021: 0.5 tonnes). During 2022, we have continued to:

  - work with our building managers to reduce waste sent to landfill;
  - use a business dining and internal hospitality provider that is committed to the principles of sustainable food procurement. It recognises that it is important to the future wellbeing of the UK that farming communities are supported and able to contribute to their supply chains; and
  - encourage our employees to be more environmentally aware and climate conscious.
- **Staff engagement:** Brit provides ESG e-learning to all employees. We also encourage our staff to participate in environmental volunteering days.

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 is 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 65% of our GWP. 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 mitigatethe 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.

stakeholder engagement

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 the Board and Investment Committee Board.	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 on Ki, Syndicate 2988 and Sussex 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 Sussex, 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, Syndicate 2988 and Sussex 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

Regulators are key stakeholders and Brit's Board is 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.

Form of engagement

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 Board is kept up-to-date on regulatory matters as communicated by regulators.

Impact of engagement

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

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.

Form of engagement

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.

Impact of engagement

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. 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 Company. It is also responsible for conduct risk strategy and appetite, for recommending dividends and for setting dividend policy.

The Company'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 Company's resilience. The Directors determine and monitor underwriting, reserving, business, operational, credit, market and liquidity risk appetites and tolerances. They ensure the Company has an effective risk management framework in place, approve its conduct risk strategy and appetite.

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 chairs of its principal subsidiaries' boards including those of Brit Syndicates Limited and Brit Reinsurance (Bermuda) Limited. It also receives the minutes of meetings of these bodies. 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'.

From time to time the Board receives detailed reports on specific areas for it to consider. During 2022, such reports included a 'Group Capital Update' and a 'Group Investment Update'.

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 page 39.

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 page 45, 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 40. We also monitor and manage our environmental impact, as set out on page 40.

Key decisions made by the Directors during the year

Sale of Ambridge

The Board approved the sale of Brit USA Holdings Inc and Ambridge Europe Limited (together 'Ambridge') to the Amynta group.

In approving the sales and realising the Group's investment in Ambridge, the Board considered the Group's strategic priorities of focusing on its core underwriting capabilities across a broad distribution network, and its strategy of investing in building out market leading digital capabilities to support this. The Board also considered the wishes of its shareholders and the interests of other stakeholders including employees.

Dividends

During 2022, the Board considered and approved a $18.7m dividend in respect of its class A shares, held by its minority shareholder, OMERS.

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 this dividend payment.

Ki Financial Limited

In 2022, the Board approved further investment in Ki Financial Limited.

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 ongoing initiative would position the Group and other stakeholders well for the longer term. Brit also liaised closely with its principal shareholder and with Ki management over this further investment. This two-way dialogue helped determine the quantum and form of the investment.

2021 financial statements and reserving position

The Directors approved the financial statements for the year ended 31 December 2021, on 22 February 2022. 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.

2023 business plan and capital requirements

The Directors reviewed and approved the 2023 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 2023 and the longer term.

Revolving credit facility

During 2022, the Board considered and approved an increase to the limit of the Group's revolving credit facility, from $450.0m to $550.0m.

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.

Ki letter of credit facility

The Board considered and approved amendments to the Ki letter of credit facility, increasing the limit of the facility and extending the banking partners supporting it.

The Board discussed the terms of the revised facility. They concluded that it appropriately supported the Ki's future plans and was in the interests of its members, employees and wider stakeholder base. It also concluded that the structure of the facility was aligned to its ESG objectives, those of Ki and its capital providers, and Lloyd's. Brit liaised closely with Ki management and other Ki investors.

Approval of policies

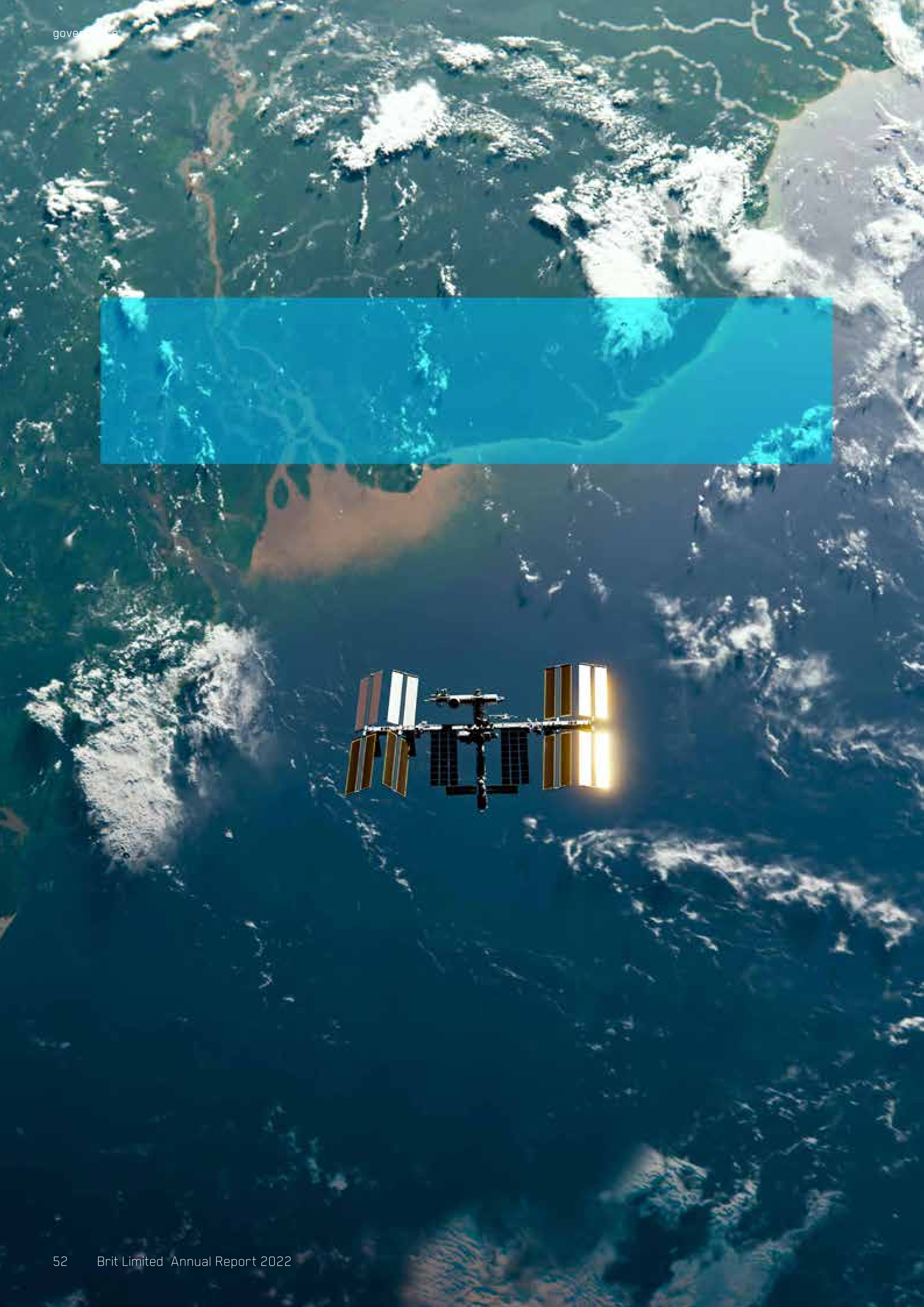
During 2022, the Directors reviewed and approved the Company's key policies, including the Capital Policy, Whistleblowing Policy, Financial Crime Policy, Fit and Proper Policy, and Internal Control Framework Policy. The Board also approve the Tax Strategy and the Code of Conduct.

In approving these policies, the Directors considered whether they support the strategic aims of the Company, and whether all relevant considerations were satisfactorily embedded in the key operations of the business. Such integration helps ensure the Group's approved operational practices are clearly articulated and understood by all relevant employees, ensuring our reputation for high standards of business conduct is maintained. Such practices in turn will help ensure our longer-term strategic aims are delivered, in the interests of all our stakeholders.

Appointment of Martin Thompson

In November 2022, the Board appointed Martin Thompson as a Director.

In appointing Mr. Thompson, the Board considered his background as a highly experienced leader in the insurance sector, being a former President and CEO of RSA Canada and a current Fairfax executive. The Board also considered his contribution while acting as Brit's Interim Group CEO in 2021-2022, and the views of Brit's shareholders.



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 2022.

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

On 31 October, Matthew Wilson stepped down as Group Chief Executive Officer. Matthew returned as Brit Group Chief Executive Officer in September 2022 following a leave of absence for health reasons. Matthew has been succeeded by Martin Thompson, who acted as Interim Group Chief Executive Officer during Matthew's leave of absence. Mr Thompson assumed the role of Group Chief Executive Officer on 31 October 2022, subject to regulatory approval.

The following Directors held office at the date of this report:

Gordon Campbell

Martin Thompson (resigned 8 September 2022, re-appointed 10 November 2022)

Gavin Wilkinson

Mark Allan

Andrew Barnard

Ken Miner

Andrea Welsch

Matthew Wilson (resigned 15 November 2022)

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 Company and of the profit and loss of the Company 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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; 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

On 27 April 2022, in accordance with the Company's articles of association, the Company paid a dividend of $18.7m to the holder of its class A ordinary shares. The Directors do not recommend a final dividend.

Share capital

The Company's ordinary issued share capital at 31 December 2022 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 2022, 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 2025, and the RCF terminates on 31 December 2025, 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 2022, the cash drawings on the facility were $10.0m (2021: $45.0m) and a $100.0m uncollateralised letter of credit (LoC) was in place (2021: $130.0m/uncollateralised) to support our underwriting activities. At the date of this report, cash drawings had reduced to nil and the $100.0m uncollateralised LoC remained in place.

Employment

Brit is an equal opportunities employer. This means we will not unlawfully discriminate against any person on grounds of colour, religion or belief, race or ethnic origin, nationality or national origin, sex or sexual orientation, marital status, disability, age, pregnancy or maternity, paternity, or gender reassignment. We have established policies to ensure that there is no discrimination against applicants for a job or whilst in employment.

The Company is committed to ensuring equal opportunities in relation to job advertisements, recruitment and selection, assessment of work performance or conduct, disciplinary and grievance procedures, conditions of service, promotion and training, pay and benefits and termination of employment.

In the event of employees becoming disabled, every effort is made to ensure their employment with the Group continues and appropriate training arranged. So far as possible, the Company ensures that the training, career development and promotion of any disabled person are identical to that of a colleague who does not suffer from such a disability.

The Company maintains procedures by which all employees are systematically encouraged to express matters that may affect them and are provided with information on matters of concern.

The employee share scheme, as well as other means provide an opportunity for staff involvement 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 42.

Political donations

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

Disclosure of information to the 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 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 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 Company's auditor is aware of that information.

Auditor

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

Events occurring after the reporting date

On 7 January 2023 Brit entered into an agreement to sell Ambridge Group, its Managing General Underwriter operations, to Amynta Group. The Company will receive approximately $400m on closing, comprised principally of cash of $275m and a promissory note of approximately $125m. An additional $100m may be receivable, subject to a claw back based on 2023 performance targets of Ambridge. Closing of the transaction is subject to customary closing conditions, including regulatory approvals, and is expected to occur in the second quarter of 2023.

Going concern

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

- **Brit's baseline 2023 financial plan and 2023 outlook:** For Brit's main underwriting platform, Syndicate 2987, capacity is planned to grow by 27.6% in 2023. The Board noted that as in previous years, Brit continues to actively manage the portfolios by segmenting Classes into 'High Performing', 'Core Growth', 'Core New Initiatives', 'Core Opportunistic' and 'Portfolio Management'. Growth (excluding RARC) is driven primarily by the 'High Performing' and 'Core Growth' segments, while the largest increases in RARC are targeted on the weakest performing segments of the portfolio. In assessing the plan, the Board considered, amongst other factors:
  - **Brit's recent underwriting performance:** During 2022, Brit demonstrated the strength of its underlying business with an attritional ratio of 51.0%. This strong ratio is partly driven by market conditions which continue to improve. Brit's overall combined ratio of 96.6% also reflected a robust underwriting performance, achieved in a year with significant natural catastrophe activity and no prior year reserve releases. In considering this, the Directors were able to assess the underlying quality of the underwriting portfolio and its reflection in the 2023 plan.
  - **Execution of catastrophe strategy:** The Director's considered the changes to the Goup's catastrophe strategy implemented in 2022 and how this, together with further changes, was reflected in the 2023 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.
  - **Improving market conditions:** In 2022, Brit achieved an overall risk adjusted rate increase of 12.4%, giving a compound increase since 1 January 2018 of 54.1%. Brit's 2023 plan envisages these strong market conditions continuing in 2023.

- **Brit's reserving policy and track record:** Brit has a policy of reserving on a best estimate basis and carrying an explicit risk margin above that estimate. This policy has led to a track record of modest annual reserve releases. In 2022, we marginally increased our ultimate claim estimates for prior years, as we considered the potential impact of the current economic conditions and the potential impact of inflation. This reserving approach, which has been adopted unchanged for the 2023 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 2023 plan.
- **Liquidity:** The Directors considered the liquidity position of the Group. The Group ended 2022 in a strong position, with cash and cash equivalents of $1,084.2m on a look through basis. The Directors also considered the duration of the investment portfolio and the forecast yields for 2023. The Directors also noted the increase in size in late 2022 of the Revolving Credit Facility from $450m to $550m. Brit's 2023 plan envisages the Group's liquidity position of the Group continuing in 2023.

- **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 page 34 and in Note 4 to the financial statements.

A review of the financial performance of the Group is set out on pages 20 to 29. The financial position of the Group, its cash flows and borrowing facilities are set out on pages 31 to 33.

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 17 to 18.
- **Employee engagement**
  Disclosures regarding employee engagement can be found on pages 39 to 40.
- **Stakeholder engagement**
  Disclosures regarding stakeholder engagement can be found on pages 45 to 47.
- **Charitable donations**
  Disclosures regarding charitable donations can be found on page 40.
- **Financial instruments**
  Details of the Group's risk management framework supporting our investment in financial instruments is set out on pages 34 to 37.
- **Environmental related disclosures**
  Disclosures environmental matters can be found on pages 40 to 43.

By order of the Board

Tim Harmer
Company Secretary
23 February 2023

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 has seven Directors and the full board meets on a regular basis.

Independence of Directors
The Board considers Gordon Campbell to be an independent non-executive Director of the Company. Gordon Campbell was appointed Chair of the Board with effect from 1 January 2019, chair of the Company's Audit Committee with effect from 1 January 2019, chair of the Company's Nomination Committee with effect from 1 January 2019 and chair of the Company's Remuneration Committee with effect from 1 January 2019.

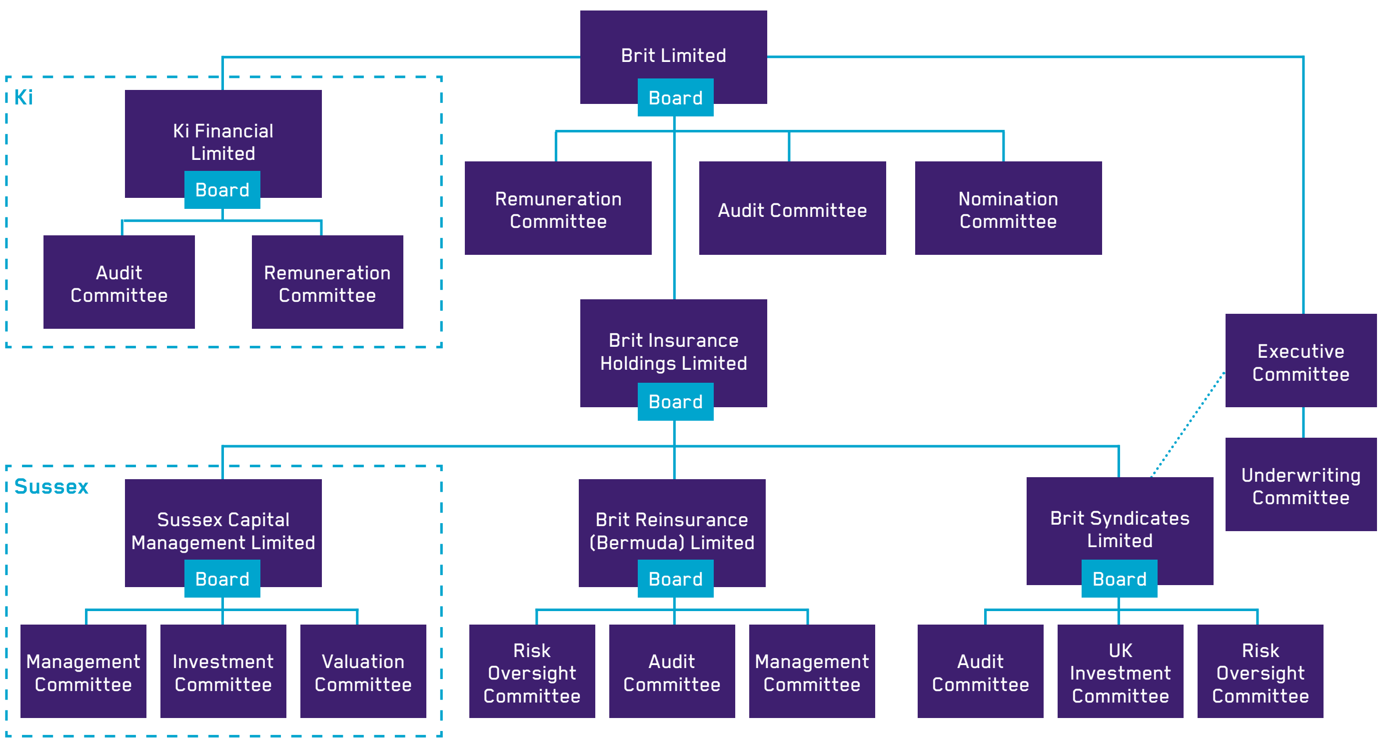
Chair
The Chair is responsible for leadership of the Board ensuring its effectiveness on all aspects of its role and setting its agenda. The Chair is responsible for setting the agenda for Board deliberations, with the help of the executive Directors and the Company Secretary, The agendas are primarily 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 running the Group's business. In October 2022, Matthew Wilson, stepped down as Group Chief Executive Officer for health reasons. Martin Thompson, who was interim Group Chief Executive Officer during Matthew's prior leave of absence, was appointed as Group Chief Executive Officer.

Conflicts of Interest
Under the Companies Act 2006, all Directors must seek authorisation before taking up any position with another company that conflicts or may possibly conflict with the Company's interests. The Directors are required to notify the Company of any conflicts so that they can be considered and if appropriate authorised by the Board. The Board carries out an annual review of conflicts of interest and each authorisation is set out in the conflicts register.

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 is responsible for overseeing the Group's financial reporting processes, internal control and risk management framework and the work undertaken by the internal and external auditors. Regular updates are provided to the Board by the committee chair.



corporate governance report

Remuneration Committee
The Remuneration Committee is responsible for setting the Group's remuneration policy. The Company aims to reward employees fairly. The Committee is also responsible for setting the remuneration of all executive Directors.

Nomination Committee
The composition of the Board is reviewed regularly by the Nomination Committee. In considering the Board's composition, the Committee is mindful of the need to maintain a well-balanced Board in terms of skills, knowledge, experience, and background. The appointment of all new Directors is led by the Nomination Committee.

By order of the Board

Tim Harmer
Company Secretary
23 February 2023

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 the US, Bermuda, South Africa, Germany and Japan.

We operate globally via our own international distribution network and broker partners. The average number of employees working at Brit during 2022, including non-executive Directors, was 946 and the result after tax in 2022 was a loss of $96.3m.

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

As part of any due diligence exercise during supplier on-boarding or at regular intervals, potential slavery concerns must be assessed and addressed.

Our Procurement and Material 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 Operational Risk Manager 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 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 staff to conduct verification checks on those staff (including verification of identity, references, evidence of qualifications and criminal and financial checks). We also carry out the same checks on direct hires.
- 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.

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 training to appropriate 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 2022.

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

Tim Harmer
Company Secretary
23 February 2023

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 2022 and of the group's loss 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 Statements of Financial Position as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Parent Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to 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 14, 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 three of the group's components, namely, Brit Syndicates Limited – Syndicate No. 2987, Brit Syndicates Limited – Syndicate No. 2988, Brit Syndicates Limited – Syndicate 1618.
- 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

- Valuation of the gross claims incurred but not reported (IBNR) component of insurance contracts, and the associated reinsurers' share; (group)
- Risk of inappropriate revenue recognition (including fraud risk); (group)
- Valuation of financial investments with valuations modelled using unobservable inputs; (group)
- Valuation of the deferred tax asset (DTA); (group)
- IAS 8 presentation and disclosure in relation to the adoption of IFRS 17; (group)
- Valuation of shares in group undertakings (parent)

Materiality

- Overall group materiality: $31.80m based on 0.8% of gross written premiums.
- Overall company materiality: $11.50m based on 1% of total assets (net of intercompany assets).
- Performance materiality: $23.85m (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 valuation of shares in group undertakings (parent) and the IAS 8 presentation and disclosure in relation to the adoption of IFRS 17 (group) are new key audit matters this year. The valuation of the pension scheme transferred into the group from the Riverstone group in the prior year (group), which was a key audit matter last year, is no longer included because it was a one-off transaction which was executed in August 2021. We determined that the valuation at the date of transfer was the only key audit matter. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of the gross claims incurred but not reported (IBNR) component of insurance contracts, and the associated reinsurers' share; (group) *See notes 2.5.1 (d & e), 3.2, 4.1.3 and 22 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* The gross IBNR component of insurance contracts, and the associated reinsurers' share (together 'IBNR reserves'), are material balances within the financial statements. Recognised actuarial techniques are used to derive gross and reinsurance ultimate claims (together 'ultimate claims') which are earned through to the period end. The difference between the earned ultimate claims and incurred claims is the IBNR reserves. The valuation of ultimate claims, and therefore IBNR reserves, rely on a large degree of judgement and underpinning assumptions. Relatively small changes in these assumptions can lead to significant movements in ultimate claims and the associated IBNR reserves.	We tested the group's IBNR reserves, with the assistance of our actuarial specialists, by performing the following work: • Understood, assessed and tested the design and operating effectiveness of key controls over the group's estimation of ultimate claims. 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; • Tested, on a sample basis, the underlying source data including claims incurred and claims payments to supporting documentation; • Developed a point estimate of ultimate claims related to non-catastrophe claims. We used our point estimate to challenge management's; • Understood the approach used to establish the ultimate claims in relation to catastrophe events and the consistency of its application across the group. For a sample of classes of business impacted by a catastrophe event we tested the process by which management identified exposed insurance contracts, and assessed key assumptions used by management in arriving at the ultimate claims. In concluding on the reasonableness of management's estimates in this area, we also considered PwC's market view for major events; and • Tested the earning of the ultimate claims through to year end and the derivation of the IBNR reserves booked within insurance contracts. Based on the work performed, the valuation of the booked IBNR reserves 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
Risk of inappropriate revenue recognition (including fraud risk); (group) *See notes 2.5.1 (a) and 3.3, of the group financial statements for disclosures of related accounting policies, judgements and estimates.* Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all businesses. We have determined the key risk of fraud in this area to be within the estimation of premium income (as it involves judgement) and unusual journals to revenue. *Estimated premium income:* For certain contracts, premium is initially recognised based on estimates of ultimate premiums. This is particularly the case where business is conducted through a delegated authority arrangement ('DUA'). There is generally a level of uncertainty regarding the timing and amount of premium that will be underwritten by the DUA on behalf of the group and as such this gives rise to a need to estimate how much premium income should be recognised in any given year. *Journal entries:* Journal entries could be used to inappropriately recognise revenue.	*Estimated premium income:* We tested the group's estimated premium income by undertaking the following work: • Understood, assessed and tested the design and operating effectiveness of the governance and controls over the monitoring of estimated premium income estimates; • Assisted by our actuarial specialist, we reprojected ultimate premiums by class of business and by underwriting year for the 2021 and prior underwriting years, challenging management to provide explanations where differences were identified. For premium estimates on the 2022 underwriting year, we understood how management derived them and challenged them accordingly based on our understanding of the business; • 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; and • Tested the writing and earning of ultimate premiums through to year end and the derivation of gross written premiums booked within the group's financial statements. Based on the above procedures the estimated premium estimates were found to be consistent with the evidence obtained. *Journal entries:* We also tested unusual journals to revenue in the year based on risk criteria. There were no unsupported journals identified in our testing.
Valuation of financial investments with valuations modelled using unobservable inputs; (group) *See notes 2.5.5, 3.6, and 24 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* The group investment portfolio contains $319.5m 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 accordingly these investments require additional audit focus as they require a greater degree of judgement to value.	We coordinated with our internal valuation specialists based in Toronto 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 review of models and key inputs. For a sample of level 3 investments we performed the following: • Obtained management's valuation memos and/or models, and developed an understanding of the investment and valuation methodology used; • Engaged our specialists (and experts, where applicable) to review the appropriateness of the valuation methodology/models applied and key inputs/assumptions used in the valuation; and in certain instances developed an independent point estimate to challenge management's valuation; • 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 were 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 the deferred tax asset (DTA); (group) *See notes 2.5.11 (b), 3.9, and 21 of the group financial statements for disclosures of related accounting policies, judgements and estimates.* At 31 December 2022, the group has recognised a DTA of $102.5m (net of deferred tax liabilities this equates to $50.1m). 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.	With the assistance of our tax specialists, we performed the following procedures in order to assess the valuation of the DTA: • 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; • Agreed inputs to management's calculation to audited financial information, submitted tax computations, and approved business forecasts as appropriate; • 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; • Assessed the reasonableness of assumptions relating to future forecasts and performed sensitivity testing in regards to those assumptions; and • Read and reviewed 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.
IAS 8 presentation and disclosure in relation to the adoption of IFRS 17; (group) *See notes 2.1 (b) of the group financial statements for disclosures of related accounting policies, judgements and estimates.* IFRS 17 is applicable for accounting periods commencing on or after 1 January 2023. IFRS 17 requires entities to measure insurance contracts using current estimates of fulfilment cash flows, which includes all future cash flows associated with insurance contracts, using one of three measurement models. The Standard must be applied retrospectively with restatement of comparatives unless impracticable. The transition to IFRS 17 is complex and it involves a series of policy decisions and the application of a number of judgements and assumptions. For the year ended 31 December 2022, IAS 8 requires companies to disclose 'known or reasonably estimable information' on the potential impact of new standards prior to implementation and therefore this disclosure was a focus of our audit. The Brit Limited group opening balance sheet has been prepared for the purposes of reporting to Fairfax as the group's ultimate parent. This has been prepared to a Fairfax materiality level which is significantly higher than the Brit Limited group stand-alone materiality. Further refinement is needed to prepare the Brit Limited group's IFRS 17 opening balance sheet for its own stand-alone reporting. This includes moving the derivation of the opening balance sheet out of the IFRS 17 programme environment and into the 'business as usual' environment where appropriate controls and validation processes will be in place to govern the accuracy and completeness of the more detailed numbers reported.	Together with our actuarial specialists, we performed procedures to assess the reasonableness of the IAS 8 disclosures related to the group's implementation of IFRS 17. We reviewed the group's key accounting policy decisions and considered the consistency of those decisions with IFRS 17. Key areas of focus were as follows: • Unit of account – The determination of a unit of account is a new consideration required by the Standard. There is an element of judgement in how these are determined and these initial considerations have downstream implications for Premium Allocation Approach (PAA) eligibility and testing for onerous contracts; • PAA eligibility – Many of the group's policies have relatively short coverage periods, however, management's choice to mix contracts <=12 months and >12 months within the same unit of account has necessitated eligibility testing across almost the entirety of the book of business. There is a small amount of business around the group that is not eligible for PAA and for these groups of contracts the General Measurement Model is applied. Ensuring the measurement model is appropriate is a key judgement for management; • Discounting – A key change from IFRS 4 is the need to discount fulfilment cash flows except in the case of the PAA measurement model for the liability for remaining coverage if it is not deemed significant. Management are discounting the liability for incurred claims using the EIOPA risk free rate plus an illiquidity premium; and • Risk adjustment – Management have taken the decision to use a confidence level technique to estimate the risk adjustment. Determining an appropriate risk adjustment is a key area of judgement for management. We have assessed the appropriateness of the judgements made by management in the above areas and undertaken testing accordingly. In light of this work we assessed the appropriateness of the IAS 8 disclosure. Based on these procedures, the IAS 8 disclosures were found to be consistent with the evidence obtained.

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.	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 the United States of America and Bermuda, and writes insurance business internationally. The group is structured into six segments (see Note 5 to the consolidated financial statements) and is a consolidation of over 26 separate legal entities. A full scope audit was performed for three significant components located in the United Kingdom. The three significant components were: (i) Brit Syndicates Limited - Syndicate No. 2987, (ii) Brit Syndicates Limited - Syndicate No. 2988, and (iii) Brit Syndicates Limited - Syndicate No. 1618. 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. We also performed specific procedures in respect of the Ambridge group classified as held for sale as at year end. This included auditing specific account balances of the Ambridge group where these were considered to be significant in size in relation to the discontinued operations balances. 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 process management adopted to assess the extent of the potential impact of climate risk on the group's financial statements and support the disclosures made within Note 4 – Risk management policies. In addition to enquiries with management, we also:

- Read management's climate risk reporting provided to those charged with governance;
- Read additional reporting made by the group on climate including its PRA submission. We challenged the completeness of management's climate risk assessment by:
  - Challenging the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks; and
  - Reading the group's website/communications for details of climate related impacts. Management considers the impact of climate risk does not give rise to a potential material financial statement impact.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

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	$31.80m (2021: $18.06m).	$11.50m (2021: $11.15m).
How we determined it	0.8% of gross written premiums	1% of total assets (net of intercompany assets)
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 premium based metric was relevant to the users especially in light of the growth noted across the group in the year. This represents a change from prior year when a combined operating ratio ('COR') benchmark was applied. A premium 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. We compared our materiality against other relevant benchmarks (COR, profit/loss before tax, earned premium, and net assets) to ensure the materiality selected was appropriate for our audit.	Due to the nature of operations of the parent company, i.e. a holding company, total assets (net of intercompany assets) is an appropriate and generally accepted auditing 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 $0.17m to $31.50m. 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% (2021: 75%) of overall materiality, amounting to $23.85m (2021: $13.55m) for the group financial statements and $8.63m (2021: $8.36m) 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 $1.59m (group audit) (2021: $0.9m) and $0.58m (company audit) (2021: $0.56m) 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:

- Validating management's analysis and supporting documentation as it related to the group and company's going concern;
- Performing sensitivity analysis on management's going concern assessment and assessing the impact on 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, those regulations set by the Council of Lloyd's and UK tax legislation, 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. 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 regulation 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 Regulatory 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 gross claims incurred but not reported component of insurance contracts and the associated reinsurers' share, and the valuation of the deferred tax asset;
- 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 7 years, covering the years ended 31 December 2016 to 31 December 2022.

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

24 February 2023

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Index to the Consolidated Financial Statements

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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 2022

	Note	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Continuing Operations			
Revenue			
Gross premiums written	5	**3,970.0**	3,238.3
Less premiums ceded to reinsurers	5	**(823.6)**	(1,240.0)
Premiums written, net of reinsurance		**3,146.4**	1,998.3
Gross amount of change in provision for unearned premiums		**(303.9)**	(370.4)
Reinsurers' share of change in provision for unearned premiums		**24.4**	126.4
Net change in provision for unearned premiums		**(279.5)**	(244.0)
Earned premiums, net of reinsurance		**2,866.9**	1,754.3
Investment return	6	**(134.5)**	167.2
Return on derivative contracts	7	**14.3**	(15.7)
Gain on deconsolidation of subsidiaries	8	**–**	19.8
Gain on business combination	37(c)	**–**	6.1
Other income	9	**33.2**	36.4
(Losses)/gains on other financial liabilities	9	**(1.3)**	2.5
Total income		**2,778.6**	1,970.6
Expenses			
Claims incurred:			
Claims paid:			
Gross amount		**(1,481.9)**	(1,321.5)
Reinsurers' share		**439.9**	437.6
Claims paid, net of reinsurance		**(1,042.0)**	(883.9)
Change in the provision for claims:			
Gross amount		**(993.2)**	(402.7)
Reinsurers' share		**210.2**	405.0
Net change in the provision for claims		**(783.0)**	2.3
Claims incurred, net of reinsurance	5	**(1,825.0)**	(881.6)
Acquisition costs	11	**(857.2)**	(694.2)
Other operating expenses	11	**(165.1)**	(176.7)
Net foreign exchange losses	10	**(30.4)**	(1.4)
Total expenses excluding finance costs		**(2,877.7)**	(1,753.9)
Operating (loss)/profit		**(99.1)**	216.7
Finance costs	13	**(20.5)**	(18.1)
Share of net profit of associates	15, 37(c)	**1.5**	1.7
(Loss)/profit on ordinary activities before tax		**(118.1)**	200.3
Tax credit	17(a)	**0.1**	12.0
(Loss)/profit from continuing operations		**(118.0)**	212.3
Discontinued operation			
Profit from discontinued operation, net of tax	38	**21.7**	24.6
(Loss)/profit for the year		**(96.3)**	236.9
(Loss)/profit attributable to:			
Owners of the parent		**(85.2)**	248.5
Non-controlling interests	16	**(11.1)**	(11.6)

The accompanying Notes on pages 78 to 167 are an integral part of the consolidated financial statements.

consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
(Loss)/profit for the year		**(96.3)**	236.9
Other comprehensive (expense)/income			
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	23	**(40.9)**	18.7
Deferred tax gain/(loss) relating to remeasurements of post-employment benefit obligations	17(b)	**14.3**	(6.5)
Items that may be reclassified to profit or loss in subsequent periods:			
Change in unrealised foreign currency translation losses on foreign operations		**(17.4)**	(1.1)
Total other comprehensive (expense)/income		**(44.0)**	11.1
Total comprehensive (expense)/income recognised for the year		**(140.3)**	248.0
Total comprehensive (expense)/income for the year attributable to:			
Owners of the parent		**(129.2)**	259.6
Non-controlling interests	16	**(11.1)**	(11.6)
Total comprehensive (expense)/income for the year		**(140.3)**	248.0

The accompanying Notes on pages 78 to 167 are an integral part of the consolidated financial statements.

consolidated statement of financial position

At 31 December 2022

	Note	31 December 2022 $m	31 December 2021 $m
Assets			
Intangible assets	18	**120.0**	205.3
Property, plant and equipment	19	**41.8**	57.6
Deferred acquisition costs	20	**376.8**	321.8
Investment in associated undertaking	15	**15.2**	15.0
Reinsurance contracts	22	**2,487.0**	2,291.2
Employee benefits	23	**62.4**	113.8
Deferred taxation	21	**50.1**	47.9
Current taxation		**15.5**	10.6
Financial investments	24	**4,912.4**	4,015.0
Derivative contracts	25	**10.8**	15.1
Insurance and other receivables	26	**1,803.3**	1,615.3
Assets classified as held for sale	38(c)	**331.6**	–
Cash and cash equivalents	28	**941.3**	1,510.3
Total assets		**11,168.2**	10,218.9
Liabilities and Equity			
Liabilities			
Insurance contracts	22	**7,779.0**	6,532.9
Borrowings	29	**172.4**	227.9
Other financial liabilities	30	**92.7**	95.8
Provisions		**2.2**	2.4
Deferred taxation	21	**1.8**	12.9
Current taxation		**0.5**	3.8
Derivative contracts	25	**10.1**	12.5
Insurance and other payables	31	**917.1**	1,184.1
Liabilities directly associated with assets classified as held for sale	38(c)	**49.6**	–
Total liabilities		**9,025.4**	8,072.3
Equity			
Called up share capital	32	**10.0**	10.0
Share premium	32	**1,432.6**	1,432.6
Capital redemption reserve		**1.0**	1.0
Capital contribution reserve		**32.2**	28.5
Foreign currency translation reserve		**(102.6)**	(85.2)
Retained earnings		**395.1**	525.5
Total equity attributable to owners of the parent		**1,768.3**	1,912.4
Non-controlling interests	16	**374.5**	234.2
Total liabilities and equity		**11,168.2**	10,218.9

The accompanying Notes on pages 78 to 167 are an integral part of the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 23 February 2023 and were signed on its behalf by:

Martin Thompson
Group Chief Executive Officer

Gavin Wilkinson
Group Chief Financial Officer

consolidated statement of cash flows

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Cash flows from operating activities			
Cash (used in)/provided by operations	34	**(571.3)**	622.5
Tax paid		**(5.1)**	(8.1)
Interest received		**81.1**	57.9
Dividends received		**8.3**	10.1
Purchase of shares for share-based payment schemes		**(0.4)**	(16.9)
Net cash (outflows)/inflows from operating activities		**(487.4)**	665.5
Cash flows from investing activities			
Purchase of intangible assets	18	**(9.2)**	(12.8)
Purchase of property, plant and equipment	19	**(2.1)**	(1.7)
Disposal of subsidiary undertakings, net of cash disposed	8	**–**	31.8
Acquisition of subsidiary undertaking, net of cash acquired	37(c)	**–**	(6.4)
Dividends from associated undertakings		**1.1**	0.7
Net cash (outflows)/inflows from investing activities		**(10.2)**	11.6
Cash flows from financing activities			
Proceeds from issue of shares and other capital contributions	32	**3.7**	406.1
Repayment on revolving credit facility		**(35.0)**	(85.0)
Interest paid		**(11.8)**	(9.7)
Transactions with non-controlling interests	16	**151.5**	124.0
Dividends paid	33	**(18.7)**	(375.0)
Net cash inflows from financing activities		**89.7**	60.4
Net (decrease)/increase in cash and cash equivalents		**(407.9)**	737.5
Cash and cash equivalents at the beginning of the year		**1,510.3**	775.7
Effect of exchange rate fluctuations on cash and cash equivalents		**(23.0)**	(2.9)
Cash and cash equivalents at the end of the year	28	**1,079.4**	1,510.3

The accompanying Notes on pages 78 to 167 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		**10.0**	**1,432.6**	**1.0**	**28.5**	**(85.2)**	**525.5**	**1,912.4**	**234.2**	**2,146.6**
Loss for the year		–	–	–	–	–	(85.2)	(85.2)	(11.1)	(96.3)
Other comprehensive expense		–	–	–	–	(17.4)	(26.6)	(44.0)	–	(44.0)
Total comprehensive expense recognised		–	–	–	–	(17.4)	(111.8)	(129.2)	(11.1)	(140.3)
Issuance of share capital	32	–	–	–	–	–	–	–	–	–
Dividend	33	–	–	–	–	–	(18.7)	(18.7)	–	(18.7)
Contribution from parent in relation to the acquisition of the RiverStone pension plan		–	–	–	3.7	–	–	3.7	–	3.7
Transactions with non-controlling interests	16	–	–	–	–	–	0.1	0.1	151.4	151.5
At 31 December 2022		**10.0**	**1,432.6**	**1.0**	**32.2**	**(102.6)**	**395.1**	**1,768.3**	**374.5**	**2,142.8**

The accompanying Notes on pages 78 to 167 are an integral part of the consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2021

	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 2021		8.6	1,027.9	1.0	–	(84.1)	639.2	1,592.6	121.7	1,714.3
Profit/(loss) for the year*		–	–	–	–	–	248.5	248.5	(11.6)	236.9
Other comprehensive (expense)/income*		–	–	–	–	(1.1)	12.2	11.1	–	11.1
Total comprehensive (expense)/income recognised		–	–	–	–	(1.1)	260.7	259.6	(11.6)	248.0
Reallocation of forfeited rollover shares to LTIP schemes	35	–	–	–	–	–	0.6	0.6	–	0.6
Issuance of share capital	32	1.4	404.7	–	–	–	–	406.1	–	406.1
Dividend	33	–	–	–	–	–	(375.0)	(375.0)	–	(375.0)
Contribution from parent in relation to the acquisition of the Riverstone pension plan	23	–	–	–	28.5	–	–	28.5	–	28.5
Transactions with non-controlling interests	16	–	–	–	–	–	–	–	124.1	124.1
At 31 December 2021		10.0	1,432.6	1.0	28.5	(85.2)	525.5	1,912.4	234.2	2,146.6

* The statement has been re-presented to include additional line items not reported in the prior year

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 78 to 167 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 2022 were authorised for issue in accordance with a resolution of the Directors on 23 February 2023. 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 2022 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.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure in the prior period reported as a result of the change in framework.

The consolidated financial statements have been compiled on a going concern basis and prepared on a historical cost basis, except for financial investments, derivative contracts and certain 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 insurance liability reserves, 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 considered the impact of the current inflationary environment and the Russia-Ukraine conflict on the principal risks and uncertainties faced by the Group as summarised in Note 4.7.

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 55 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.

(a) 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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- References to Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The 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.

2 Accounting policies and basis of preparation (continued)

(b) 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
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Periods commencing on or after 1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Periods commencing on or after 1 January 2023
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Periods commencing on or after 1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Periods commencing on or after 1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	N/A (In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.)

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

At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective:

Standard	Effective
IFRS 9 Financial Instruments (2014)	Periods commencing on or after 1 January 2018
IFRS 17 Insurance Contracts (2017)	Periods commencing on or after 1 January 2023

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. IFRS 9 (2014) addresses all three aspects of the IASB's accounting for financial instruments project, including classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Currently, the Group's investment and derivatives portfolios are recorded at fair value through profit or loss under IAS 39. Brit expects to continue to record these items at fair value through profit or loss under IFRS 9.

In September 2016 the IASB issued amendments to IFRS 4 that provided two approaches for insurers applying the requirements of IFRS 9, including an optional temporary exemption from applying IFRS 9 until 2021 for those companies whose activities are predominantly connected with insurance. In line with the deferral of the effective date of IFRS 17 to 1 January 2023 the IASB has agreed to extend the IFRS 9 exemption for insurers to the same date. Brit has taken advantage of this temporary exemption on the basis that, at the time of its initial assessment, the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was greater than 80% and it does not engage in significant activity unconnected with insurance. The Group will apply IFRS 9 for the period beginning 1 January 2023. Given the nature of the Group's investments, this is not expected to have a significant impact on the financial position and financial performance of the Group.

IFRS 17 'Insurance Contracts'

In May 2017 the IASB issued IFRS 17, a comprehensive standard for the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to the standard were issued in June 2020 that included targeted improvements and the deferral of the effective date to 1 January 2023. The standard must be applied retrospectively with restatement of comparatives unless impracticable. IFRS 17 replaces the existing insurance contracts accounting standard, IFRS 4. The standard was approved by the UK Endorsement Board in May 2022 for application to annual periods beginning on or after 1 January 2023.

(b) New standards and interpretations not yet adopted

IFRS 17 requires entities to measure insurance contracts using current estimates of fulfilment cash flows, which includes all future cash flows associated with insurance contracts, using one of three measurement models:

- General measurement model: The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract.
- Premium allocation approach: A simplified measurement approach permitted for the liability for remaining coverage where it provides a measurement that is not materially different from the GMM or if the coverage period is one year or less. Claims incurred are measured based on the building blocks of discounted, risk-adjusted, probability-weighted cash flows, but no CSM is required.
- Variable-fee approach: A measurement approach required for insurance contracts that specify a link between payments to the policyholder and returns on underlying items.

2 Accounting policies and basis of preparation (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted (continued)
Therefore, the measurement of insurance contracts under IFRS 17 introduces new requirements, the most notable being that the measurement of insurance contracts reflect both the time value of money and an explicit risk adjustment as an allowance for uncertainty related to the timing and amount of cash flows arising for non-financial risk, compared with the Group's current accounting policy under IFRS 4, where insurance contract liabilities do not reflect an explicit risk adjustment or a discount for the time value of money.

The Group has assessed that the majority of its insurance contracts will be eligible for the premium allocation approach, with the remainder of the Group's insurance contracts (including loss portfolio transfers) using the general measurement model. The premium allocation approach results in the measurement of insurance contracts which is most similar to how insurance contracts are measured under IFRS 4.

For the majority of the Group's insurance contracts, under IFRS 17, the carrying amount of a group of insurance contracts at each reporting date will be measured as the sum of the liability for remaining coverage, which principally includes premium receipts net of acquisition cash flows, discounted where required, and the liability for incurred claims, which includes a probability weighted best-estimate of future cash flows for losses on claims and expenses that have been incurred but have not yet been paid.

A key judgement involved in this process is the determination of the unit of account. The creation of the unit of account at an appropriate level drives many of the downstream considerations of the Standard including onerosity testing and the basis on which business is assessed for eligibility to be measured under the PAA model.

The unit of account consists of portfolios of similar risks managed together, a portfolio is then further segregated by expected profitability. Brit has identified that current Brit divisions comprise similar risks managed together with a further split made at the syndicate level to take into account different levels of exposure.

In addition, the standard requires consideration of expected profitability such that a portfolio may be further split into three groups of contracts if required: onerous; no significant risk of becoming onerous; and remaining contracts. Brit has used approved planned combined ratios adjusted for IFRS 17 factors including expenses, risk adjustment and discounting to assess profitability groupings.

IFRS 17 will also see a significant change to the reporting of expenses, with a significantly wider definition of acquisition expenses included within insurance contract measurement than is applied under IFRS 4.

The measurement, presentation and disclosure of the insurance contracts within the Group's consolidated financial statements will change considerably under IFRS 17. However, it will not affect the Group's underwriting strategy, cash flows (except for the inclusion of ENIDs), or the practice of establishing an actuarial best estimate of reserves. The Group will be required to present insurance contract balances differently, including differentiating in the consolidated income statement between the insurance service result, which includes insurance revenue and insurance service expenses, and insurance finance income or expenses, which includes the effects of discounting.

In 2022, the Group finalised the implementation and testing of information technology systems across its insurance and reinsurance subsidiaries and completed its work and documentation over key accounting policy decisions. Key areas of judgement have included, amongst other items, determining where the Premium Allocation Approach can be applied, identifying an appropriate risk adjustment methodology, and determining discount rates that are appropriate to the portfolios of insurance contracts of the Group. In particular, it has been concluded that loss portfolio transfer arrangements entered into by the Group are not eligible for the premium allocation approach, that a confidence interval basis is appropriate for risk adjustment purposes, and that discount rates based on published EIOPA rates plus an illiquidity premium should be used. Additionally, work on IFRS 17 opening balance sheet (as at 1 January 2022) continues to focus on information that will be required for the wider Fairfax Group's periodic reporting. The Group has assessed that it will be able to apply IFRS 17 to its insurance contracts on a fully retrospective basis.

The Group has worked to meet deliverables required by, and subject to the higher materiality levels of, the Fairfax Group. These deliverables have been prepared within a project environment and, prior to transitioning to business as usual, will be subject to further testing and review, as a consequence of the Group's lower level of materiality. This work is expected to inform the IFRS 17 comparative numbers that will be reported by the Group in the year ended 31 December 2023 accounts. Based on work performed to date, upon adoption of IFRS 17, the Group anticipates recording an increase to opening shareholders' equity at 1 January 2022, primarily reflecting a decrease to insurance contract liabilities from the introduction of discounting claim reserves and the deferral of additional insurance acquisition costs which were previously expensed as incurred, partially offset by IFRS 17 risk adjustment as an allowance for uncertainty related to the timing and amount of cash flows arising from non-financial risks. The Group does not anticipate material changes to revenue or the selection of actuarial projection methodologies or the development of significant new assumptions to determine the estimation of its reserves on adoption of IFRS 17.

2 Accounting policies and basis of preparation (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates 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 2022:

- 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 60.70%, 57.67%, and 67.98% of the capital for the 2020, 2021, and 2022 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 (formerly known as Riverstone Corporate Capital 4 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 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 income statement reflects the Group's share of the post-acquisition results of operations of the associated undertaking and the 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 Product classification
Insurance contracts are those contracts that transfer significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect to the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

2.4 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 2.5.7(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 acquisition date fair value 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 IAS 39 is measured at fair value through profit or loss (FVTPL).

2.5 Other accounting policies

2.5.1 Insurance contracts

(a) Premiums
Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. Premiums are accreted to the income statement on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly over the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are recognised where, under an insurance policy that contains a contractual right to reinstatement, a loss event occurs that triggers reinstatement. Premiums are shown net of premium taxes and other levies on premiums. Pipeline premium estimates are derived from ultimate premium estimates which are typically based on standard actuarial projection techniques (e.g. Basic Chain Ladder) on the key assumption that historical development of premiums is representative of future development.

(b) Profit commissions
Profit commission income arising from whole account quota share contracts is recognised when the economic benefits are highly probable. They are netted off against commission costs which are included within the 'acquisition costs' line in the income statement.

(c) Deferred acquisition costs
Commission and other acquisition costs incurred during the financial period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

2 Accounting policies and basis of preparation (continued)

2.5.1 Insurance contracts (continued)

(d) Claims incurred

Claims incurred comprise claims and claims handling costs paid in the year and changes in the outstanding claims provisions, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years. Claims handling costs are mainly external costs related to the negotiation and settlement of claims.

Internal costs to negotiate, manage, and settle claims (unallocated loss adjustment expenses) are apportioned to paid claims. The apportionment utilises the annual ULAE assumption that is agreed by the Reserving Committee. See Note 11 for more detail.

(e) Outstanding claims provisions

Outstanding claims represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the date of the statement of financial position, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. The Group does not discount its liabilities for unpaid claims, the ultimate cost of which cannot be known with certainty at the date of the statement of financial position.

(f) Provision for unearned premiums

The proportion of written premiums that relate to unexpired terms of policies in force at the date of the statement of financial position is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis. The movement in the provision is taken to the income statement in order that revenue is recognised over the period of the risk.

(g) Liability adequacy tests

At the date of each statement of financial position, liability adequacy tests are performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs, employing the current estimates of future cash flows under its insurance contracts. If as a result of these tests, the carrying amount of the Group's insurance liabilities is found to be inadequate in comparison to the value of these future cash flows, the deficiency is charged to the income statement for the period by establishing an unexpired risk provision. The tests are performed at a Group level and at reportable segment level at the statement of financial position date to ensure the estimated costs of future claims and related deferred acquisition costs do not exceed the unearned premium provision.

(h) Reinsurance

The Group assumes and cedes reinsurance in the normal course of business. Premiums and claims on reinsurance assumed are recognised in the income statement along the same basis as direct business, taking into account the product classification. Reinsurance premiums ceded and reinsurance recoveries on claims incurred are included in the respective expense and income accounts. Reinsurance outwards premiums are earned according to the nature of the cover. Losses occurring during policies are earned evenly over the policy period. 'Risks attaching' policies are expensed on the same basis as the inwards business being protected. Reinstatement premiums on both inwards and outwards business are accreted to the income statement on a *pro rata* basis over the term of the original policy to which they relate.

Reinsurance assets include amounts recoverable from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts recoverable from reinsurers are calculated with reference to the claims liability associated with the reinsured risks. Revenues and expenses arising from reinsurance agreements are therefore recognised in accordance with the underlying risk of the business reinsured.

Gains or losses on buying reinsurance are recognised immediately in the income statement.

If a reinsurance asset is impaired, the Group reduces its carrying amount accordingly and will immediately recognise the impairment loss in the income statement. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the asset, that the Group may not receive all amounts due to it under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Gains or losses on buying retroactive reinsurance are recognised immediately in the income statement and are not deferred and amortised. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position as appropriate.

2 Accounting policies and basis of preparation (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 Investment return

Investment income comprises all interest and dividend income and realised and unrealised gains and losses less investment management fees. Interest income is recognised using the effective interest method. Dividend income is 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.

2.5.4 Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the contract. A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred, and the transfer qualifies for derecognition under a combination of risks and rewards and control tests. A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

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.

2.5.5 Investments

The Group has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). This is in accordance with the Group's documented investment strategy and 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.

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 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.

2 Accounting policies and basis of preparation (continued)

2.5.5 Investments (continued)

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 and which make the maximum use of observable inputs.

Gains and losses on investments designated as FVTPL are recognised through the income statement. Interest income from investments in bonds and short-term investments is recognised at the effective interest rate. Interest receivable is shown separately in the statement of financial position based on the instruments' stated rates of interest.

2.5.6 Derivatives

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. All derivatives are initially recognised in the statement of financial position at their fair value, which represents their cost. They are subsequently remeasured at their fair value, with movements in this value recognised in the income statement. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models.

All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are 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.

2.5.7 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 non-controlling interests 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.

2 Accounting policies and basis of preparation (continued)

2.5.7 Intangible assets (continued)

(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.

(g) Regulatory licences

Regulatory licences 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 do not expire and will provide benefits over an indefinite future period and are therefore not subject to an annual amortisation charge. The carrying value of the licences is reviewed for impairment annually by reference to the expected future profit streams to be earned from the respective licences, with any impairment in value being charged to the income statement.

2.5.8 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 costs, office machinery, furniture and equipment	5-15 years
Computers, servers, data storage devices, networks and other IT infrastructure	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.

2.5.9 Impairment

Goodwill, syndicate participation rights, trade names and regulatory licenses 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, 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 (cash-generating units). 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 Accounting policies and basis of preparation (continued)

2.5.10 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.

2.5.11 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.

(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.

2.5.12 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.

On 18 August 2021, the Group assumed responsibility for the liabilities of the RiverStone Management Pension and Life Assurance Plan (the Plan) from Riverstone Holdings Limited and RiverStone Management Limited, through a Flexible Apportionment Agreement (FAA). No consideration was paid by the Group, with the transfer taking place as part of wider Fairfax group transactions. The Group has recorded a pension surplus in respect of the Plan, which is recognised as an asset in the statement of financial position, with a corresponding capital contribution recorded in equity.

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)

2.5.13 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.

2.5.14 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.

2.5.15 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)

2.5.15 Leases (continued)

Right-of-use assets are measured at cost comprising 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.

2.5.16 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.

2.5.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Fair value is normally determined by reference to the fair value of the proceeds received. Any difference between the initial carrying amount and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

2.5.18 Other financial liabilities

The Group has designated its financial liabilities in respect of third-party investments in consolidated structured entities and investment funds at fair value through profit or loss (FVTPL). 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. Gains or losses in respect to change in fair value is recognised through the income statement.

2 Accounting policies and basis of preparation (continued)

2.5.19 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.

2.5.20 Other receivables
Other receivables are financial assets with fixed or determinable payments. Other receivables are measured at amortised cost, using the effective interest rate method, less provision for impairment. Individual receivables known to be uncollectible are written off by reducing the carrying amount directly. Other receivables are assessed collectively to determine whether there is objective evidence that an impairment has occurred but not yet been identified and, where necessary, the estimated impairment losses are recognised in a separate provision for impairment.

2.5.21 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.

2.5.22 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.

2.5.23 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.

2.5.24 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 Estimation and judgement in relation to determining the ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The recoverability of amounts due from reinsurers; and
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

The assumptions used and the manner in which 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:

- 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, claims provision 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; and
- Following review of the actuarial estimate, the Reserving Committee recommends the committee estimates to be adopted in the financial statements.

The estimates and judgements are applied in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate, undiscounted basis. A management risk margin is also applied over and above the actuarial best estimate to allow for the inherent uncertainty within the best estimate reserve position.

Brit has carefully considered the impact of the higher levels of inflation. Our reserves continue to be set at a margin above the actuarial estimate which is set on a best estimate basis. As part of the year-end reserving exercise, the impact of inflation has been 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.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

The Russia-Ukraine conflict arising from the Russian invasion of Ukraine is a cause for uncertainty. Brit has analysed its potential exposures across its (re)insurance portfolio as well as the wider financial and operational challenges brought about by the conflict. We have direct exposures within the Terrorism, Casualty Treaty, Marine War, Contingency and Political and Credit Risk classes, along with secondary impacts across the Cyber class and potential recessionary impacts. Brit's exposures continue to be actively monitored and managed.

Brit has continued to adopt a comprehensive approach to reserving for COVID-19 related losses. COVID-19 related reserves at 31 December 2022 are materially unchanged from those at 31 December 2021.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation with consideration being given to the level of internal and third-party loss adjustment expenses incurred annually. The estimated loss adjustment expenses are expressed as a percentage of gross claims reserves and the reasonableness of the estimate is assessed through benchmarking. Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, internal and external ratings, payment experience with them and any disputes of which the Group is aware.

The carrying value at the date of the statement of financial position of gross claims reported and loss adjustment expenses and claims incurred but not reported were $6,082.8m (2021: $5,140.9m) as set out in Note 22 to the financial statements. The amount of reinsurance recoveries estimated at that date is $2,070.3m (2021: $1,894.4m).

3.3 Estimated premium income

Premium income reported by the Group includes estimates of premium for certain contracts, in particular those written under delegated authority agreements. The Group considers relevant information when determining estimates, including information provided by brokers and coverholders, past underwriting experience, market conditions, and the contractual terms of policies. As updated information relating to such variables becomes available, for example when bordereaux are received, adjustments to estimates are recorded in the period in which they are determined, and will impact gross premiums written and provisions for unearned premium in the consolidated income statement.

3.4 Estimation 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 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: $14.4m (2021: $61.3m); trade names: $0.8m (2021: $1.3m); and syndicate participation rights: $70.8m (2021: $70.8m). There is 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 18.

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 and judgements in respect of fair values of financial investments

Financial investments are carried in the statement of financial position at fair value. The carrying amount of financial investments at the date of the statement of financial position was $4,912.4m (2021: $4,015.0m). Determining the fair value of certain investments requires estimation.

3 Critical accounting estimates and judgements in applying accounting policies (continued)

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). To the extent that valuation is based on models or inputs that are unobservable in the market, the determination of fair value requires more judgement and, accordingly, those instruments included in level three will require a greater degree of judgement to be exercised during valuation than for those included in level two or level one. At 31 December 2022, financial investments amounting to $319.5m (2021: $269.9m) 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 24.

3.7 Estimation 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. All assumptions are reviewed at each reporting date.

The carrying amount of the pension asset at the date of the statement of financial position was $62.4m (2021: $113.8m). For further information, refer to Note 23.

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 2022, 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 or protected cells thereof) during the financial year.

The Group's investment in another Bermuda-domiciled special purpose vehicle, Versutus Limited, was divested during 2021. Prior to this, it had also met the criteria for consolidation and as such, was consolidated up to the date of that divestment.

3.9 Estimation of deferred tax asset in respect of carried forward losses

The deferred tax asset includes an amount of $89.6m which relates to current year losses carried forward and US$nil (2021: US$18.8m) which relates to carried forward tax losses in respect of Lloyd's undeclared year of account losses for 2020, 2021 and 2022 which will be taxed under the Lloyd's declaration basis in the years 2023, 2024 and 2025 respectively. The Group has concluded that the deferred tax asset is recoverable based on Lloyd's approved plan for the year of account 2022 and forecast profits for the Brit Group UK entities which are available for group relief. This forecast information includes 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 losses can be carried forward indefinitely and have no expiry date, however a further deferred tax asset of $91.2m (2021: $71.3m) 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 2029 and the year of account 2026. This forecast period of 6.25 years represents a reduction compared to that applied in previous reporting periods, where a forecast period of 7 years was typically applied.

For further information, refer to Note 21.

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.

4.1.1 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 the Sussex Capital collateralised reinsurance platform. Through Sussex Re Limited the platform writes direct collateralised property catastrophe reinsurance in addition to providing collateralised reinsurance to Brit's Property Treaty portfolio. Please refer to section 4.10 for details on the governance structure relevant to the Sussex platform.

4 Risk management policies (continued)

(b) Controls over underwriting strategy

The Board sets the Group's underwriting strategy for accepting and managing underwriting risk. The BSL Underwriting Committees (including the Ki Portfolio and Underwriting Committee) 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. 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.

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, 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 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, 97% of the GWP for the Group in 2022 was sourced in London (2021: 84%). Other business was sourced via Brit's extensive international distribution network, including its broker partnerships and its wholly owned MGAs. In 2022, 21% (2021: 38%) of the Group's GWP was reinsured to third parties.

4 Risk management policies (continued)

(d) Geographical concentration of premium

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 premium before and after reinsurance by the location of the underlying risk is summarised below:

	Gross premiums written $m	Net premiums written $m
2022		
United States	**2,117.1**	**1,674.3**
United Kingdom	**263.7**	**175.5**
Canada	**156.0**	**119.3**
Europe (excluding UK)	**115.8**	**78.5**
Other (including worldwide)	**1,317.4**	**1,098.8**
	3,970.0	**3,146.4**
2021		
United States	1,732.6	870.3
United Kingdom	186.6	132.1
Canada	129.5	92.0
Europe (excluding UK)	84.3	58.2
Other (including worldwide)	1,105.3	845.7
	3,238.3	1,998.3

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. Premiums written on a multi-territory or worldwide basis are included in 'Other' in the table above.

(e) Portfolio mix

The Group underwrites business in a wide variety of classes. The breakdown of premium before reinsurance by principal lines of business is summarised below:

	2022 Gross premiums written		2021 Gross premiums written	
	$m	%	$m	%
Core Underwriting	**3,116.8**	**78.5**	2,834.1	87.5
Other Underwriting	**19.1**	**0.5**	8.6	0.3
Ki	**834.1**	**21.0**	395.6	12.2
	3,970.0	**100.0**	3,238.3	100.0

4 Risk management policies (continued)

	2022 Gross premiums written $m	2022 %	2021 Gross premiums written $m	2021 %
Core Underwriting	**3,116.8**	**78.5**	2,834.1	87.5
Financial & Professional	**566.1**	**14.3**	497.5	15.4
Programs & Facilities	**704.2**	**17.7**	568.9	17.6
Property	**413.8**	**10.4**	378.4	11.7
Specialty	**387.4**	**9.8**	349.3	10.8
Ambridge Speciality	**63.2**	**1.6**	62.7	1.9
Ambridge Transactional	**76.3**	**1.9**	91.7	2.8
Casualty Treaty	**334.8**	**8.4**	266.0	8.2
Property Treaty	**399.9**	**10.1**	384.5	11.9
Ambridge Re	**176.6**	**4.4**	175.5	5.4
Classes in run-off & Other lines	**(5.5)**	**(0.1)**	59.6	1.8
Other Underwriting	**19.1**	**0.5**	8.6	0.3
Ki	**834.1**	**21.0**	395.6	12.2
Financial & Professional	**201.0**	**5.1**	106.4	3.3
Programs & Facilities	**176.8**	**4.4**	89.3	2.8
Property	**222.8**	**5.5**	100.4	3.1
Specialty	**94.4**	**2.4**	48.8	1.5
Ambridge Speciality	**16.6**	**0.4**	–	–
Ambridge Transactional	**30.3**	**0.8**	16.9	0.5
Casualty Treaty	**82.1**	**2.1**	33.8	1.0
Ambridge Re	**7.5**	**0.2**	–	–
Classes in run-off & Other lines	**2.6**	**0.1**	–	–
	3,970.0	**100.0**	3,238.3	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.

Underwriting risk is mainly driven by the Group's US catastrophe exposure. Casualty Treaty is also a driver due to its long-tail exposure. 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.

4 Risk management policies (continued)

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.

(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.
Transport	Coverage of 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.

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.

* Classes of business not underwritten by Ki

4 Risk management policies (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

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. Outwards reinsurance is purchased to mitigate this large loss risk.

* Classes of business not underwritten by Ki

(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.

* Classes 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.

(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.

4 Risk management policies (continued)

(iv) Aggregate exposure management
The Group closely monitors aggregation 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.

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 2022.

Overall, the Group, for major catastrophe events (as measured by Worldwide All Perils net, 1-in-5, 1-in-30 and 1-in-250 Aggregate Exceedance Probability (AEP)) has tolerances for each return period expressed as a percentage of the Brit Limited Group net tangible assets.

Stress and scenario tests are also run, such as Lloyd's and internally developed Realistic Disaster Scenarios (RDSs). Below are the key RDS losses to the Group for all classes combined (unaudited):

	Estimated Industry loss	Modelled Group loss at 1 October 2022		Modelled Group loss at 1 October 2021	
		Gross	Net	Gross	Net
	$m	$m	$m	$m	$m
Gulf of Mexico windstorm	**111,000**	**1,144**	**300**	1,072	216
Florida Miami windstorm	**131,000**	**1,027**	**217**	1,190	170
US North East windstorm	**81,000**	**1,124**	**281**	1,103	142
San Francisco earthquake	**80,000**	**1,714**	**528**	1,581	415
Japan earthquake	**60,488**	**347**	**213**	326	190
Japan windstorm	**12,854**	**108**	**68**	58	35
European windstorm	**25,487**	**94**	**66**	98	63

Actual results may differ materially from the losses 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.

(v) Sensitivity to changes in net claims ratio
The Group profit/loss on ordinary activities before taxation is sensitive to an independent 1% change in the net claims ratio (excluding the effect of foreign exchange on non-monetary items) for each segment of business as follows:

	Impact on profit of 1% change in claims ratio			
		year ended 2022		year ended 2021
	$m	%	$m	%
Core Underwriting				
	22.8	**39.1**	15.6	40.0
Other Underwriting	**20.5**	**35.1**	13.4	34.2
Ki	**15.1**	**25.8**	10.0	25.8
Total	**58.4**	**100.0**	39.0	100.0

Subject to taxation, the impact on shareholders' equity would be the same as that on profit following a change in the net claims ratio.

4 Risk management policies (continued)

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.

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 Risk management policies (continued)

4.1.3 Reserving risk

Reserving risk arises as the actual cost of losses for policyholder obligations incurred before 31 December 2022 from the established reserves due to inaccurate assumptions or unforeseen circumstances. This is a key risk for the Group as the reserves for unpaid losses 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 Reinsurance (Bermuda) Limited Management Committee performs a similar function for Brit Reinsurance (Bermuda) Limited. The Ki Reserving Committee is responsible for managing Syndicate 1618's reserving risk.

The Group has a rigorous process for establishing reserves for insurance claim liabilities and a number of controls are used to mitigate reserving risk. The reserving 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. Case reserves are set for notified claims using the experience of specialist claims adjusters, underwriters and external experts where necessary.

Whilst the case reserve is expected to be sufficient to meet the claims amount when it is settled, incurred but not reported (IBNR) claims require additional reserves. 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 reserve is appropriate. The actuarial team work 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 22. Inflation is considered as part of the reserve setting 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 Reinsurance (Bermuda) Limited 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 management risk margin 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 reserves in the financial statements are presented to the Audit Committee for recommendation to the BSL Board who are responsible for the final sign-off.

The reserves 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 within the Group's reserves 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 reserve profile and claims development tables can be found in Note 22.

4.2 Investment risk management

4.2.1 Introduction

This section describes the Group's approach to managing its 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 Risk management policies (continued)

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 Board has overall responsibility for determining the investment strategy, including defining the risk tolerance. 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 Reinsurance (Bermuda) Limited 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 Risk Oversight Committee ensures that the investment risk is managed within the framework and also reports to the Board. 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 Risk Oversight Committee and the Board.

4.2.3 Risk tolerance
Investment risk tolerances are set by the Board, 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.

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 which HWIC 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 fair value or future cash flows of a financial instrument 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 Risk management policies (continued)

4.3.2 Interest rate risk

Introduction

Interest rate 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 through its investment portfolio, borrowings and cash and cash equivalents. 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 banded durations of the Group's financial investments and cash and cash equivalents (including those reclassified as 'held for sale') 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 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**
	2,066.3	**2,261.4**	**752.1**	**368.0**	**544.0**	**5,991.8**
At 31 December 2021						
Cash and cash equivalents	1,510.3	–	–	–	–	1,510.3
Financial investments	1,669.2	606.3	994.1	265.4	480.0	4,015.0
	3,179.5	606.3	994.1	265.4	480.0	5,525.3

The duration of the investment portfolio is set within an allowable range relative to the targeted duration and monitored on a quarterly basis.

As the claims liabilities are measured on an undiscounted basis, the reported liabilities are not sensitive to changes in interest rates. Therefore, there is a balance to be struck between targeting a longer duration to protect the solvency position against movements in interest rates, and targeting a shorter duration that will reduce the possible volatility around the income statement.

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 2022.

Impact on profit before tax	2022 $m	2021 $m
Increase		
25 basis points	**(25.3)**	(21.3)
50 basis points	**(50.7)**	(42.5)
100 basis points	**(101.4)**	(85.1)
Decrease		
25 basis points	**25.3**	21.3
50 basis points	**50.7**	42.5
100 basis points	**101.4**	85.1

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 Risk management policies (continued)

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 Group matches assets to liabilities for each of the main currencies. 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 2022						
Total assets	**8,516.1**	**1,198.9**	**879.0**	**490.8**	**83.4**	**11,168.2**
Total liabilities	**6,947.9**	**1,156.8**	**397.2**	**403.6**	**119.9**	**9,025.4**
Net assets/(liabilities) excluding the effect of currency derivatives	**1,568.2**	**42.1**	**481.8**	**87.2**	**(36.5)**	**2,142.8**
Adjustment for foreign exchange derivatives	**230.9**	**138.9**	**(399.2)**	**(11.9)**	**41.3**	**0.0**
Adjusted net assets	**1,799.1**	**181.0**	**82.6**	**75.3**	**4.8**	**2,142.8**
At 31 December 2021						
Total assets	7,607.6	1,287.0	855.7	392.4	76.2	10,218.9
Total liabilities	6,045.5	1,198.7	372.2	345.2	110.7	8,072.3
Net assets/(liabilities) excluding the effect of currency derivatives	1,562.1	88.3	483.5	47.2	(34.5)	2,146.6
Adjustment for foreign exchange derivatives	225.9	84.0	(382.7)	13.6	59.2	–
Adjusted net assets	1,788.0	172.3	100.8	60.8	24.7	2,146.6

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 24.

As a result of the accounting treatment for non-monetary items, the Group may also experience volatility in its income statement due to fluctuations in exchange rates. 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. These items include unearned premiums, deferred acquisition costs and reinsurers' share of unearned premiums. 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)

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 Sterling, Canadian dollar, Australian dollar and Euro simultaneously, 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 at 31 December 2022.

Impact on profit before tax	2022 $m	2021 $m
US dollar weakens		
10% against other currencies	**53.0**	50.3
20% against other currencies	**106.0**	100.6
US dollar strengthens		
10% against other currencies	**(53.0)**	(50.3)
20% against other currencies	**(106.0)**	(100.6)

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.

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 2022.

Impact on profit before tax	2022 $m	2021 $m
Increase in fair value		
10%	**93.2**	83.7
20%	**186.5**	167.4
30%	**279.7**	251.0
Decrease in fair value		
10%	**(93.2)**	(83.7)
20%	**(186.5)**	(167.4)
30%	**(279.7)**	(251.0)

Subject to taxation, the effect on shareholders' equity would be the same as the effect on profit.

4 Risk management policies (continued)

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 Investment 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. The Group has established concentration guidelines that restrict the exposure to any individual counterparty. 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. The Brit Syndicates Limited Investment Committee chaired by Simon Lee, Chairman of Brit Syndicates Limited, is responsible for the immediate oversight of the Group's UK investments and the Brit Reinsurance (Bermuda) Limited Board is responsible for the immediate oversight of the Group's Bermuda investments. Ultimately, both are responsible to the Brit Limited Board.

Investment credit risk profile

The summary of the investment credit risk exposures for the Group is set out in the tables below:

	AAA $m	AA $m	A $m	P-1 $m	P-2 $m	BBB and below $m	Equities $m	Not rated $m	Total $m
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**
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**	**544.0**	**529.6**	**6,002.6**
At 31 December 2021									
Financial investments	2,163.3	183.2	379.7	–	–	372.1	480.0	436.7	4,015.0
Derivative contracts	–	–	–	–	–	–	–	15.1	15.1
Cash and cash equivalents	703.9	382.4	236.1	130.0	–	57.9	–	–	1,510.3
	2,867.2	565.6	615.8	130.0	–	430.0	480.0	451.8	5,540.4

1. 'Cash and cash equivalents' per the above tables also includes those cash and cash equivalents reclassified as 'held for sale'.

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 Risk management policies (continued)

4.4.2 Insurance credit risk

Insurance credit risk management process

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. A bad debt provision is held against all non-rated reinsurers or any reinsurer where there is deemed to be a specific risk of non-payment.

Any breaches of credit risk tolerance and/or appetite are reported to the Risk Oversight Committee and the Board at least quarterly.

Insurance credit risk profile

The summary of the insurance credit risk exposures for the Group is set out in the tables below:

	AAA $m	AA $m	A $m	Collateral $m	Not rated $m	Total $m
At 31 December 2022						
Reinsurance assets	**10.8**	**1,062.4**	**763.3**	**213.0**	**20.8**	**2,070.3**
Insurance receivables	**–**	**–**	**–**	**–**	**1,637.8**	**1,637.8**
	10.8	**1,062.4**	**763.3**	**213.0**	**1,658.6**	**3,708.1**
At 31 December 2021						
Reinsurance assets	8.9	895.3	781.7	189.4	19.1	1,894.4
Insurance receivables	–	–	–	–	1,347.4	1,347.4
	8.9	895.3	781.7	189.4	1,366.5	3,241.8

Insurance credit risk arises primarily from reinsurers (whereby reinsurers fail to pay recoveries due to the Group in a timely manner) and brokers and coverholders (whereby intermediaries fail to pass on premiums due to the Group in a timely manner).

As at 31 December 2022, collateral of $213.0m (2021: $189.4m) had been drawn against reinsurance assets.

4 Risk management policies (continued)

The following table shows movements in impairment provisions during the year:

	Impairment provision against reinsurance assets $m	Impairment provision against insurance receivables $m
2022		
Opening provision at 1 January	**0.4**	**1.0**
Strengthening for the year	**0.1**	**7.4**
Net foreign exchange differences	**–**	**0.1**
Closing provision at 31 December	**0.5**	**8.5**
2021		
Opening provision at 1 January	0.5	1.1
Strengthening for the year	–	0.3
Net foreign exchange differences	(0.1)	(0.4)
Closing provision at 31 December	0.4	1.0

The following table shows the amount of insurance receivables past due but not impaired at the end of the year:

	2022 $m	2021 $m
0-3 months past due*	**38.5**	(324.9)
4-6 months past due	**6.2**	12.5
7-9 months past due	**5.6**	49.4
10-12 months past due	**0.4**	1.0
More than 12 months past due	**21.6**	5.1
	72.3	(256.9)

* As at 31/12/2021, this included $344.1m of payable balances in respect of loss portfolio reinsurance. No balance in respect of loss portfolio reinsurance was payable at 31/12/2022.

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 modelled Realistic Disaster Scenarios. Contingent liquidity also exists in the form of a Group revolving credit facility.

4 Risk management policies (continued)

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. The amounts below cash and cash equivalents that have been reclassified to 'Assets held for sale'. Borrowings are stated at their nominal value at maturity.

31 December 2022	Statement of financial position $m	Fair values <1 year $m	1 to 3 years $m	3 to 5 years $m	>5 years $m	Equities $m	Total $m
Assets							
Reinsurance assets	**2,487.0**	**975.7**	**792.0**	**351.2**	**368.1**	**–**	**2,487.0**
Financial investments	**4,912.4**	**986.9**	**2,261.4**	**752.1**	**368.0**	**544.0**	**4,912.4**
Derivative contracts	**10.8**	**10.0**	**–**	**0.8**	**–**	**–**	**10.8**
Insurance receivables	**1,637.8**	**1,637.8**	**–**	**–**	**–**	**–**	**1,637.8**
Cash and cash equivalents	**1,079.4**	**1,079.4**	**–**	**–**	**–**	**–**	**1,079.4**
	10,127.4	**4,689.8**	**3,053.4**	**1,104.1**	**736.1**	**544.0**	**10,127.4**

31 December 2022	Statement of financial position $m	Undiscounted values <1 year $m	1 to 3 years $m	3 to 5 years $m	>5 years $m	Equities $m	Total $m
Liabilities							
Insurance contract liabilities	**7,779.0**	**3,409.4**	**1,932.1**	**1,007.7**	**1,429.8**	**–**	**7,779.0**
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**
Insurance and other payables	**917.1**	**885.5**	**11.1**	**11.2**	**13.5**	**–**	**921.3**
	8,971.3	**4,305.0**	**1,953.2**	**1,018.9**	**1,605.7**	**92.7**	**8,975.5**

31 December 2021	Statement of financial position $m	Fair values <1 year $m	1 to 3 years $m	3 to 5 years $m	>5 years $m	Equities $m	Total $m
Assets							
Reinsurance assets	2,291.2	939.0	624.1	339.4	388.7	–	2,291.2
Financial investments	4,015.0	1,669.2	606.3	994.1	265.4	480.0	4,015.0
Derivative contracts	15.1	13.9	–	1.2	–	–	15.1
Insurance receivables	1,347.4	1,347.4	–	–	–	–	1,347.4
Cash and cash equivalents	1,510.3	1,510.3	–	–	–	–	1,510.3
	9,179.0	5,479.8	1,230.4	1,334.7	654.1	480.0	9,179.0

31 December 2021	Statement of financial position $m	Undiscounted values <1 year $m	1 to 3 years $m	3 to 5 years $m	>5 years $m	Equities $m	Total $m
Liabilities							
Insurance contract liabilities	6,532.9	2,808.6	1,685.3	841.4	1,197.6	–	6,532.9
Derivative contracts	12.5	12.5	–	–	–	–	12.5
Borrowings	227.9	–	–	45.0	182.9	–	227.9
Other financial liabilities	95.8	–	–	–	–	95.8	95.8
Insurance and other payables	1,184.1	1,139.1	16.2	13.6	21.4	–	1,190.3
	8,053.2	3,960.2	1,701.5	900.0	1,401.9	95.8	8,059.4

4 Risk management policies (continued)

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.

4.7 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 the United Kingdom's exit from the EU (Brexit) 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. In line with recent years, 2022 experienced material losses from catastrophe activity globally, with Hurricane Ian being the most material event to Brit.

The three main areas of risk identified for Brit are natural catastrophes, liability claims and investment losses. Scenario analysis has been performed on all three risk types to identify the most material risk types as well as the most exposed segments within each risk as described below.

Climate scenario analysis

Climate scenario analysis is key to understanding the potential impact of climate-related risks on Brit. 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.

4 Risk management policies (continued)

PRA stress tests
Syndicate 2987 (Brit's largest syndicate) participated in the PRA Climate Change Biennial Exploratory Stress Test ("CBES") exercise in 2021-22. The exercise was designed by the PRA to assess the impact of climate change on physical and asset risks over a 30 year time horizon in three policy action scenarios as described below. Key assumptions were also provided by the PRA:

- Early action: Global carbon dioxide emissions are reduced to net-zero by around 2050 and global warming (relative to pre-industrial levels) is successfully limited to 1.8°C by the end of the scenario, falling to around 1.5°C by the end of century.
- Late action: Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels, but then remains around this level at the end of the century.
- No action: The absence of transition policies in this scenario leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C higher relative to pre-industrial levels by the end of the scenario.

It also required general insurance participants to consider the impact of seven PRA designed hypothetical litigation risk scenarios on liability classes as well as articulations of Brit's current and future risk management actions.

Following the CBES exercise, Brit has incorporated the following risk management initiatives:

- Physical risk: scenario analysis helped identify the region-perils where climate change could have a big impact (hurricanes and wildfires) and quantify the potential long-term impact on those perils. These considerations have been fed into developing Brit's future catastrophe strategy which includes how much exposure Brit has an appetite to underwrite and how these exposures are managed. Furthermore, Brit's internal assessment of physical risk is being enhanced, for example by licensing a third party wildfire model.
- Asset risk: Industries and asset types that could be most impacted were identified through CBES. As a result, Brit's exposures to these are being monitored. ESG is now explicitly considered for any new investment decisions, which helps control exposure to industries exposed to transition risk.
- Litigation risk: The PRA scenarios provided a foundation for more detailed analysis. Liability classes that may have exposure under various scenarios have been identified. We continue to monitor any trends in litigation as well as engage with relevant Underwriters and Legal. Ongoing monitoring of the number of climate change related litigation notifications was also introduced following the exercise.

Internal scenario analysis
In addition to the above, Brit performs climate change related scenario analysis in each entity's ORSA. The 2022 scenario considered the impact of a repeat of the 2017 US natural catastrophe events uplifted to reflect the potential increase in severity due to climate change as well as Financial Institution liability losses. Investment losses from energy related assets were also considered.

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

- Failure to consider climate change: Insureds sued for not considering climate change for example in strategic decisions (D&O) or advice given (Professional Indemnity)
- Failure to appropriately disclose/greenwashing: Insureds found to be misleading investors or the public either by understating disclosures or misrepresenting products as environmentally friendly
- Directly contributing to Climate Change: Insured sued for their contribution to climate change (e.g. carbon emissions).

Climate risk management

Natural catastrophe risk
Relates to the physical risks of increased frequency and severity of weather-related natural catastrophes. This could result in additional claims and could impact Brit in the short to medium-term.

Natural Catastrophe risk is assessed using an external vendor model (AIR) for the most material and established perils. Using external vendor models is a market practice for most general insurance firms as they are built by scientists and specialists. The modelling is supplemented using the Brit View of Risk where there is uncertainty or reliable vendor models do not exist. Scenario analysis performed to date has identified North American Windstorms and Wildfires as being the perils that could be most exposed to climate change.

The natural catastrophe modelling is leveraged in pricing as well as outwards reinsurance purchasing decisions.

We continuously monitor scientific studies, regularly review 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. The Group's aggregate exposure for material peril-regions can be found in Note 4.1(iv).

4 Risk management policies (continued)

Liability risk
Climate change could result in additional liability claims arising from litigation against Brit's clients. The 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. Scenario analysis found that the Financial and Professional lines as well as Casualty Treaty classes could have exposure to climate change related liability claims.

Brit's exposure is managed by use of limits on gross underwriting exposure, contract wording and through the purchase of reinsurance. The number of climate change litigation related claims notifications is also monitored to enable early identification of any material uptick.

Market risks
Investment losses have the potential to arise from exposure to industries contributing to climate change which could subsequently result in the market value of investments in these industries reducing. This transition risk could occur over the short or long term depending on financial markets movements.

Brit has a diversified investment portfolio, with limits on exposure to individual issuers. An annual review of equity holdings is conducted which includes a review of the ESG strategy of underlying companies within Brit's equity portfolio. Holdings of industries such as oil and gas, transport and utilities, are also monitored.

Overall risk management
Brit is managing the risks associated with climate change in line with the Risk Management Framework (page 34) which is reviewed annually. Through the use of Board tolerances and management metrics, exposure to the above risk types is managed and monitored. Brit's Solvency II internal models also include an allowance for the impact of climate change. The outputs from these feed into business decision making.

Regulatory requirements and guidance are monitored on an ongoing basis. Brit is compliant with PRA Supervisory Statement SS3/19 which sets expectations for firms regarding their management of financial risks arising from climate change.

Managing climate risk will continue to be an area of Management, Risk Committee and Board focus, with a multi-disciplinary Climate Change Risk Working Party to consider the financial risks associated with Climate Change.

4.7.2 Geopolitics
Geopolitical events, such as Russia's invasion of Ukraine, have the potential to cause insurance losses and disruption to financial markets. This may impact various subsidiary undertakings within the Group which could in turn impact the future income from those entities. 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.

Brit has direct exposures to the Russia-Ukraine conflict within the Terrorism, Casualty Treaty, Marine War, Contingency and Political and Credit Risk classes, along with potential secondary impacts on classes such as Cyber. Brit does not write Aviation business. Brit's exposures are actively monitored and managed as described in the section on principal risks on page 36. 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 has reached 40-year highs and interest rates worldwide have risen. Recessions are expected in a number of advanced economies, which 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, with work being undertaken collaboratively across Underwriting, Actuarial, Risk and Claims to quantify the impact, mitigate the impact of inflation on profitability and to ensure it has been appropriately considered in our ongoing business and 2023 business plan. 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 to be set at a margin above the actuarial best estimate and incorporate our current view of social and economic inflation.

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. This amounted to $2,053.0m as at 31 December 2022 (2021: $2,199.5m). This represented a surplus of $709.8m (2021: $617.9m) over the management capital requirements (unaudited).

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 2022, Brit primarily underwrote through the Group's wholly aligned Lloyd's Syndicate 2987 and through Ki Syndicate 1618, which benefits from the Lloyd's credit ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and A+ (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 for the Syndicate may be affected by a 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 Funds). Through Sussex Re, it writes direct collateralised property catastrophe reinsurance and also provides collateralised reinsurance to Brit's Property Treaty portfolio.

Sussex Capital has an independent governance structure to manage its operations. This consists of a Board and three sub-committees. The Board has overall responsibility for oversight of the business. The Valuation Committee is responsible for fund valuation, settling claims and setting reserves, the Investment Committee ensures investments are made in line with the Funds objectives, and the Management Committee oversees the day-to-day operations of the Funds.

The risks to Brit from Sussex Capital arise from two main sources: first, a direct investment risk due to the Group's investment in the Funds: secondly, operational, reputational, and strategic risks relating to managing the Funds on behalf of external investors. The direct investment risk is managed in the same way as the Group's other investment risks, through oversight by the relevant committees. The operational, reputational, and strategic risks are managed through the governance structure in place at Sussex as described above. In particular, the Sussex Board has independent non-executive Directors with significant industry experience. The Brit Group provides support (for example, catastrophe modelling) to assist Sussex's operations and risk management.

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 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 2022, we have re-presented our reporting segments following changes to how information is reported to key decision-makers. 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;
  - Fee income received from Ki by other group companies, less expenses incurred on Ki's behalf;
  - An adjustment as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates. This adjustment is essentially a timing difference; and
  - A reallocation of 'unallocated loss adjustment expenses' from underwriting expenses to attritional claims.
- 'Distribution' is the result of Brit's MGAs, the Ambridge and Camargue companies, net of trading with other reportable segments.
- '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' represents the activities of the Ki Financial Holdings Limited sub-group, which underwrites business through Syndicate 1618. Ki commenced underwriting in 2021.

The segmental analysis also includes an analysis between 'continuing business' and 'discontinued business', thereby reconciling to the Consolidated Income Statement.

The segments for the year ended 31 December 2021 have been re-presented on this basis.

The ratios set out in the segmental analysis are calculated as follows:

- The claims ratio is calculated as claims incurred, net of reinsurance divided by earned premiums, net of reinsurance.
- The expense ratio is calculated as acquisition costs, other insurance related expenses, gains/losses on other financial liabilities and other income divided by earned premiums, net of reinsurance.
- The combined ratio is the sum of the claims ratio and the expense ratio.

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)

The 2022 ratio calculations contain an adjustment whereby the premium adjustment following the endorsement to the loss portfolio reinsurance (LPR) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred:

$m	Core Underwriting	Other Underwriting	Distribution	Total Brit Underwriting (excluding Ki)	Ki	Total All business	Total Continuing business
Earned premiums, net of reinsurance	**2,283.4**	**77.2**	**–**	**2,360.6**	**506.3**	**2,866.9**	**2,866.9**
LPR adjustment	**(37.2)**	**–**	**–**	**(37.2)**	**–**	**(37.2)**	**(37.2)**
Adjusted earned premiums, net of reinsurance	**2,246.2**	**77.2**	**–**	**2,323.4**	**506.3**	**2,829.7**	**2,829.7**
Claims incurred, net of reinsurance	**(1,425.6)**	**(71.7)**	**–**	**(1,497.3)**	**(327.7)**	**(1,825.0)**	**(1,825.0)**
LPR adjustment	**37.2**	**–**	**–**	**37.2**	**–**	**37.2**	**37.2**
Adjusted claims incurred, net of reinsurance	**(1,388.4)**	**(71.7)**	**–**	**(1,460.1)**	**(327.7)**	**(1,787.8)**	**(1,787.8)**

A $0.7m reserve strengthening resulting from the endorsement is included in the calculation.

The 2021 ratio calculations contain an adjustment whereby the premium paid for the loss portfolio reinsurance (LPR) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred:

$m	Core Underwriting	Other Underwriting	Distribution	Total Brit Underwriting (excluding Ki)	Ki	Total All business	Total Continuing business
Earned premiums, net of reinsurance	1,557.7	31.0	–	1,588.7	165.6	1,754.3	1,754.3
LPR adjustment	344.1	–	–	344.1	–	344.1	344.1
Adjusted earned premiums, net of reinsurance	1,901.8	31.0	–	1,932.8	165.6	2,098.4	2,098.4
Claims incurred, net of reinsurance	(732.3)	(34.1)	–	(766.4)	(115.2)	(881.6)	(881.6)
LPR adjustment	(344.1)	–	–	(344.1)	–	(344.1)	(344.1)
Adjusted claims incurred, net of reinsurance	(1,076.4)	(34.1)	–	(1,110.5)	(115.2)	(1,225.7)	(1,225.7)

The benefit of a $35.0m reserve release resulting from the additional protection afforded by the contract is included in the calculation.

The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance.

Information regarding the Group's reportable segments is presented below.

(a) Income statement by segment
Year ended 31 December 2022

$m	Core Underwriting	Other Underwriting	Distribution	Total Brit Underwriting (excluding Ki)	Investments	Corporate	Total Brit (excluding Ki)	Ki	Total Group	Less: Discontinued operation	Total Group Continuing operations
Gross premiums written	3,116.8	19.1	–	**3,135.9**	–	–	**3,135.9**	834.1	**3,970.0**	–	**3,970.0**
Premiums written, net of reinsurance	2,450.1	52.7	–	**2,502.8**	–	–	**2,502.8**	643.6	**3,146.4**	–	**3,146.4**
Earned premiums, net of reinsurance	2,283.4	77.2	–	**2,360.6**	–	–	**2,360.6**	506.3	**2,866.9**	–	**2,866.9**
Investment return	–	–	–	**–**	(110.5)	–	**(110.5)**	(23.9)	**(134.4)**	(0.1)	**(134.5)**
Return on derivative contracts	–	–	–	**–**	0.8	13.5	**14.3**	–	**14.3**	–	**14.3**
Gains on deconsolidation of subsidiaries	–	–	–	**–**	–	–	**–**	–	**–**	–	**–**
Gain on business combination	–	–	–	**–**	–	–	**–**	–	**–**	–	**–**
Other income	10.0	(0.4)	33.3	**42.9**	–	20.9	**63.8**	–	**63.8**	(30.6)	**33.2**
Losses on other financial liabilities	–	(1.3)	–	**(1.3)**	–	–	**(1.3)**	–	**(1.3)**	–	**(1.3)**
Total income	**2,293.4**	**75.5**	**33.3**	**2,402.2**	**(109.7)**	**34.4**	**2,326.9**	**482.4**	**2,809.3**	**(30.7)**	**2,778.6**
Gross claims incurred	(2,014.7)	(44.2)	–	**(2,058.9)**	–	–	**(2,058.9)**	(416.2)	**(2,475.1)**	–	**(2,475.1)**
Reinsurers' share	589.1	(27.5)	–	**561.6**	–	–	**561.6**	88.5	**650.1**	–	**650.1**
Claims incurred, net of reinsurance	(1,425.6)	(71.7)	–	**(1,497.3)**	–	–	**(1,497.3)**	(327.7)	**(1,825.0)**	–	**(1,825.0)**
Acquisition costs – commission	(584.4)	37.6	–	**(546.8)**	–	–	**(546.8)**	(117.6)	**(664.4)**	(45.6)	**(710.0)**
Acquisition costs – other and other insurance related expenses	(216.9)	(30.3)	(18.7)	**(265.9)**	–	–	**(265.9)**	(57.8)	**(323.7)**	68.3	**(255.4)**
Other expenses	–	–	–	**–**	–	(56.9)	**(56.9)**	–	**(56.9)**	–	**(56.9)**
Net foreign exchange losses	–	–	–	**–**	–	(27.0)	**(27.0)**	(1.6)	**(28.6)**	(1.8)	**(30.4)**
Total expenses excluding finance costs	**(2,226.9)**	**(64.4)**	**(18.7)**	**(2,310.0)**	**–**	**(83.9)**	**(2,393.9)**	**(504.7)**	**(2,898.6)**	**20.9**	**(2,877.7)**
Operating profit/(loss)	**66.5**	**11.1**	**14.6**	**92.2**	**(109.7)**	**(49.5)**	**(67.0)**	**(22.3)**	**(89.3)**	**(9.8)**	**(99.1)**
Finance costs				–	–	(15.2)	**(15.2)**	(4.9)	**(20.1)**	(0.4)	**(20.5)**
Share of net profit of associates				–	1.5	–	**1.5**	–	**1.5**	–	**1.5**
Profit/(loss) on ordinary activities before tax				**92.2**	**(108.2)**	**(64.7)**	**(80.7)**	**(27.2)**	(107.9)	(10.2)	(118.1)
Tax credit/(charge)									11.6	(11.5)	0.1
Profit/(loss) for the year									**(96.3)**	**(21.7)**	**(118.0)**
Claims ratio	61.8%	92.9%		62.8%			62.8%	64.8%	63.2%		63.2%
Expense ratio	35.2%	(7.3)%		33.2%			33.2%	34.6%	33.4%		33.7%
Combined ratio	**97.0%**	**85.6%**		**96.0%**			**96.0%**	**99.4%**	**96.6%**		**96.9%**

5 Segmental information (continued)

Year ended 31 December 2021 (re-presented)

$m	Core Underwriting	Other Underwriting	Distribution	Total Brit Underwriting (excluding Ki)	Investments	Corporate	Total Brit (excluding Ki)	Ki	Total Group	Less: Discontinued operation	Total Group Continuing operations
Gross premiums written	2,834.1	8.6	–	**2,842.7**	–	–	**2,842.7**	395.6	**3,238.3**	–	**3,238.3**
Premiums written, net of reinsurance	1,614.8	37.9	–	**1,652.7**	–	–	**1,652.7**	345.6	**1,998.3**	–	**1,998.3**
Earned premiums, net of reinsurance	1,557.7	31.0	–	**1,588.7**	–	–	**1,588.7**	165.6	**1,754.3**	–	**1,754.3**
Investment return	–	–	–	**–**	165.8	–	**165.8**	1.4	**167.2**	–	**167.2**
Return on derivative contracts	–	–	–	**–**	3.0	(18.7)	**(15.7)**	–	**(15.7)**	–	**(15.7)**
Gains on deconsolidation of subsidiaries	–	–	–	**–**	–	19.8	**19.8**	–	**19.8**	–	**19.8**
Gain on business combination	–	–	–	**–**	–	6.1	**6.1**	–	**6.1**	–	**6.1**
Other income	12.1	3.0	41.5	**56.6**	–	21.7	**78.3**	–	**78.3**	(41.9)	**36.4**
Gains on other financial liabilities	–	2.5	–	**2.5**	–	–	**2.5**	–	**2.5**	–	**2.5**
Total income	**1,569.8**	**36.5**	**41.5**	**1,647.8**	**168.8**	**28.9**	**1,845.5**	**167.0**	**2,012.5**	**(41.9)**	**1,970.6**
Gross claims incurred	(1,589.6)	(9.9)	–	**(1,599.5)**	–	–	**(1,599.5)**	(124.7)	**(1,724.2)**	–	**(1,724.2)**
Reinsurers' share	857.3	(24.2)	–	**833.1**	–	–	**833.1**	9.5	**842.6**	–	**842.6**
Claims incurred, net of reinsurance	(732.3)	(34.1)	–	**(766.4)**	–	–	**(766.4)**	(115.2)	**(881.6)**	–	**(881.6)**
Acquisition costs – commission	(532.1)	46.5	–	**(485.6)**	–	–	**(485.6)**	(42.8)	**(528.4)**	(46.2)	**(574.6)**
Acquisition costs – other and other insurance related expenses	(210.1)	(66.9)	(5.7)	**(282.7)**	–	–	**(282.7)**	(30.1)	**(312.8)**	61.2	**(251.6)**
Other expenses	–	–	–	**–**	–	(44.7)	**(44.7)**	–	**(44.7)**	–	**(44.7)**
Net foreign exchange losses	–	–	–	**–**	–	(0.8)	**(0.8)**	(0.3)	**(1.1)**	(0.3)	**(1.4)**
Total expenses excluding finance costs	**(1,474.5)**	**(54.5)**	**(5.7)**	**(1,534.7)**	**–**	**(45.5)**	**(1,580.2)**	**(188.4)**	**(1,768.6)**	**14.7**	**(1,753.9)**
Operating profit/(loss)	**95.3**	**(18.0)**	**35.8**	**113.1**	**168.8**	**(16.6)**	**265.3**	**(21.4)**	**243.9**	**(27.2)**	**216.7**
Finance costs				**–**	–	(14.7)	**(14.7)**	(3.6)	**(18.3)**	0.2	**(18.1)**
Share of net profit of associates				**–**	1.7	–	**1.7**	–	**1.7**	–	**1.7**
Profit/(loss) on ordinary activities before tax				**113.1**	**170.5**	**(31.3)**	**252.3**	**(25.0)**	227.3	(27.0)	200.3
Tax credit									9.6	2.4	12.0
Profit for the year									**236.9**	**(24.6)**	**212.3**
Claims ratio	56.6%	110.0%		57.5%			**57.5%**	69.6%	**58.4%**		**58.4%**
Expense ratio	38.4%	48.1%		36.6%			**36.6%**	44.0%	**37.3%**		**38.6%**
Combined ratio	**95.0%**	**158.1%**		**94.1%**			**94.1%**	**113.6%**	**95.7%**		**97.0%**

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.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Gross premiums written		
United States	**2,117.1**	1,732.6
United Kingdom	**263.7**	186.6
Canada	**156.0**	129.5
Europe (excluding UK)	**115.8**	84.3
Other (including worldwide)	**1,317.4**	1,105.3
	3,970.0	3,238.3

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. Premiums written on a multi-territory or worldwide basis are included in 'Other' in the table above.

6 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.

	Investment income $m	Net realised (losses)/gains $m	Net unrealised gains/(losses) $m	Total investment return $m
Year ended 31 December 2022				
Equity securities	**8.4**	**(26.1)**	**30.4**	**12.7**
Debt securities	**65.9**	**(49.5)**	**(150.0)**	**(133.6)**
Mortgages and loans	**1.3**	**–**	**–**	**1.3**
Specialised investment funds	**0.2**	**0.4**	**(11.9)**	**(11.3)**
Cash and cash equivalents	**10.3**	**–**	**–**	**10.3**
Total investment return before expenses	**86.1**	**(75.2)**	**(131.5)**	**(120.6)**
Investment management expenses	**(13.8)**	**–**	**–**	**(13.8)**
Total investment return	**72.3**	**(75.2)**	**(131.5)**	**(134.4)**
Year ended 31 December 2021				
Equity securities	10.1	22.6	93.2	125.9
Debt securities	45.9	32.4	(84.1)	(5.8)
Mortgages and loans	1.0	–	–	1.0
Specialised investment funds	0.9	4.4	54.5	59.8
Cash and cash equivalents	0.5	–	–	0.5
Total investment return before expenses	58.4	59.4	63.6	181.4
Investment management expenses	(14.2)	–	–	(14.2)
Total investment return	44.2	59.4	63.6	167.2

Investment return in respect of the discontinued operation included investment income from cash and cash equivalents during the year of $0.1m (2021: nil). All other investment return related to continuing operations.

7 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 2022 $m	Year ended 31 December 2021 $m
Investment-related non-currency options	**0.8**	3.0
Currency forwards	**13.5**	(18.7)
Return on derivative contracts	**14.3**	(15.7)

8 Deconsolidation of subsidiaries

This Note provides information in respect of disposal of subsidiary undertakings during the reporting period.

The Group had no disposals in the year ended 31 December 2022.

In the prior year, the following disposals took place:

- On 5 February 2021, the Group sold its entire investment in Commonwealth Insurance Company of America and a profit of $3.7m was recognised in the consolidated statement of comprehensive income. At this point, there was a loss of control and, as such, only the subsidiary's results up to the date of disposal are included in the current year Group result.
- On 25 March 2021, the Brit Group received a return of its investment in North America Property Insurance Series 2017 Account A-3 ('Account A3') (a segregated account within Versutus Limited that was previously consolidated into the Group). As Brit no longer has an economic interest in Account A3 it has been deconsolidated, resulting in a loss on disposal of $2.2m.
- On 28 June 2021, the Group sold its entire investment in Scion Underwriting Services Inc. and a profit of $18.3m was recognised in the consolidated statement of comprehensive income. At this point, there was a loss of control and, as such, only the subsidiary's results up to the date of disposal are included in the current year Group result.

9 Other income (including gains/(losses) on other financial liabilities)

This Note shows the analysis of other income generated in the year, including gains/(losses) on other financial liabilities.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Fees and commission from non-aligned syndicate	**5.6**	7.5
Change in value of ultimate parent company shares held by Brit	**20.9**	21.7
Net commission fee income from intermediary activities	**31.0**	42.3
Consortium income	**4.5**	4.6
Other	**1.8**	2.2
Other income	**63.8**	78.3
Change in value of other financial liabilities*	**(1.3)**	2.5
Total	**62.5**	80.8
Attributable to:		
Continuing operations	**31.9**	38.9
Discontinued operation	**30.6**	41.9
	62.5	80.8

*Other financial liabilities are investments by third parties in structured insurance and investment entities consolidated by the Group.

10 Net foreign exchange losses

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 $28.6m (2021: losses of $1.1m) 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. However, as an exception to this, IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires that net unearned premiums and deferred acquisition costs (UPR/DAC), being non-monetary items, remain at historic exchange rates. This creates a foreign exchange mismatch, the financial effects of which are shown in the table below.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Gains/(losses) on foreign exchange arising from:		
Translation of the statement of financial position and income statement	**(14.4)**	2.5
Maintaining UPR/DAC items in the income statement at historic rates	**(14.2)**	(3.6)
Net foreign exchange losses	**(28.6)**	(1.1)
Attributable to:		
Continuing operations	**(30.4)**	(1.4)
Discontinued operation	**1.8**	0.3
	(28.6)	(1.1)

Principal exchange rates applied are set out in the table below.

	Year ended 31 December 2022 Average	**Year ended 31 December 2022 Closing**	Year ended 31 December 2021 Average	Year ended 31 December 2021 Closing
Sterling	**0.809**	**0.831**	0.727	0.738
Canadian dollar	**1.301**	**1.355**	1.253	1.263
Euro	**0.950**	**0.937**	0.845	0.879
Australian dollar	**1.440**	**1.475**	1.331	1.375
South African rand	**16.309**	**17.015**	14.765	15.960

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.

11 Acquisition costs 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.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Acquisition costs $m	Other operating expenses $m	Total $m	Acquisition costs $m	Other operating expenses $m	Total $m
Salary, pension and social security costs (Note 12)	107.7	87.3	195.0	90.9	87.8	178.7
Other staff related costs	7.8	24.8	32.6	4.6	23.6	28.2
Accommodation costs	4.6	3.2	7.8	4.2	2.7	6.9
Legal and professional charges	8.2	16.0	24.2	9.8	12.3	22.1
IT costs	3.3	26.7	30.0	2.6	26.1	28.7
Travel and entertaining	3.8	1.8	5.6	0.9	0.6	1.5
Marketing and communications	0.4	2.0	2.4	0.2	1.5	1.7
Amortisation and impairment of intangible assets	0.8	10.9	11.7	0.5	11.2	11.7
Depreciation, impairment and losses on disposal of property, plant and equipment	2.6	5.8	8.4	3.9	6.7	10.6
Regulatory levies and charges	69.1	–	69.1	58.2	–	58.2
Other	7.0	10.5	17.5	4.1	5.1	9.2
Reclassification of expenses relating to paid unallocated loss adjustment expenses	–	(23.7)	(23.7)	–	–	–
Expenses before commissions	**215.3**	**165.3**	**380.6**	179.9	177.6	357.5
Commission costs	664.4	–	664.4	528.4	–	528.4
Total acquisition costs and other operating expenses	**879.7**	**165.3**	**1,045.0**	708.3	177.6	885.9
Attributable to:						
Continuing operations	857.2	165.1	1,022.3	694.2	176.7	870.9
Discontinued operation	22.5	0.2	22.7	14.1	0.9	15.0
	879.7	165.3	1,045.0	708.3	177.6	885.9

From 1 January 2022, internal costs to negotiate, manage, and settle claims (unallocated loss adjustment expenses) are apportioned to paid claims. The apportionment utilises the annual ULAE assumption that is agreed by the Reserving Committee. The inclusion of these costs within paid claims rather than operating expenses is considered to provide a more representative view of the Group's cost of claims. The impact of this change in policy for the year to 31 December 2022 was a $23.7m decrease in 'Other operating expenses', and a corresponding $23.7m increase in 'Claims paid – Gross amount'. On the basis that there was insufficient data to apportion similar costs in the prior period, the Group have concluded that it would be impractical to apply this policy retrospectively. There is no impact on the consolidated statement of financial position as a result of this change.

12 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 2022 $m	Year ended 31 December 2021 $m
Wages and salaries	**166.6**	154.0
Social security costs	**18.5**	17.1
Pension costs	**9.9**	7.6
Total staff costs	**195.0**	178.7

The monthly average number of employees during the year, including executive and non-executive Directors, was as follows:

	Year ended 31 December 2022 Number	Year ended 31 December 2021* Number
Underwriters	**305**	270
Claims staff	**81**	86
Other underwriting and direct support staff	**10**	5
Management	**207**	173
Administration	**343**	285
Total employees	**946**	819

'Management' includes non-executive Directors and employees who have other members of staff reporting to them.

* Average headcount numbers for the year ended 31 December 2021 have been re-presented to better reflect the nature of responsibilities within Ki and US operations. Originally, staff within these operations were previously all included as part of other underwriting and direct support staff due to the operations being in their early stages. However, as both operations have expanded significantly, a more disaggregated split is now considered more appropriate.

Director emoluments are included on page 176.

13 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 29.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Revolving credit facility and other bank borrowings	**12.7**	9.8
Interest payable on lease liabilities	**1.3**	1.7
Subordinated debt	**6.1**	6.8
Total finance costs	**20.1**	18.3
Attributable to:		
Continuing operations	**20.5**	18.1
Discontinued operation	**(0.4)**	0.2
	20.1	18.3

14 Auditors' remuneration

The Group engages PricewaterhouseCoopers LLP to perform the audit of the Group and all subsidiaries except for the Ambridge and Camargue companies.

The remuneration of the auditors or their associates is analysed as follows:

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Audit of the Group and Company financial statements*	**2.4**	1.0
Audit of subsidiaries	**1.2**	1.3
Audit related assurance services	**0.4**	0.5
Total audit and audit related assurance services	**4.0**	2.8
Total non-audit services	**0.2**	0.3
Total audit and non-audit services	**4.2**	3.1

* In 2022, $1.7m (2021: $0.4m) has been included within this figure in respect of early IFRS 17 related audit work.

15 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. The summarised statement of financial position of Sutton and reconciliation to the carrying amount is as follows:

Statement of financial position	31 December 2022 $m	31 December 2021 $m
Current assets	**46.1**	26.0
Non-current assets	**2.8**	3.5
Total assets	**48.9**	29.5
Current liabilities	**(42.3)**	(23.4)
Non-current liabilities	**(0.3)**	–
Total liabilities	**(42.6)**	(23.4)
Net assets	**6.3**	6.1
51% not owned by Brit	**(3.2)**	(3.1)
Acquisition fair value, result since acquisition and other adjustments	**12.1**	12.0
Carrying value	**15.2**	15.0

Income statement	31 December 2022 $m	31 December 2021 $m
Commission revenue	**9.5**	8.6
Operating expenses	**(6.4)**	(6.2)
Net profit	**3.1**	2.4
51% not owned by Brit	**(1.6)**	(1.2)
Share of net profit of associate	**1.5**	1.2

16 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 non-controlling interest was recorded in respect of RHL's entitlement to residual retained profits arising from activities unrelated to Ki. In the year ended 31 December 2021, the accumulated NCI attributable to RHL was $0.7m, and the profit allocated to RHL NCI was $0.5m. 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.

No dividends were paid to non-controlling interests in 2022 (2021: nil).

The summarised financial information of Ki Financial Limited, before inter-company eliminations, is as follows:

Statement of financial position	31 December 2022 $m	31 December 2021 $m
Current assets	**55.4**	42.3
Non-current assets	**436.2**	263.5
Total assets	**491.6**	305.8
Current liabilities	**(2.3)**	(0.6)
Total liabilities	**(2.3)**	(0.6)
Net assets	**489.3**	305.2
Accumulated NCI*	**374.5**	233.5

Comprehensive income statement	31 December 2022 $m	31 December 2021 $m
Revenue	**(0.1)**	–
Loss for the period	**(27.3)**	(25.1)
Total comprehensive income	**(27.3)**	(25.1)
Loss allocated to NCI*	**(11.1)**	(12.1)

Statement of cash flows	31 December 2022 $m	31 December 2021 $m
Cash flows from operating activities	**(0.4)**	(10.6)
Cash flows from investing activities	**(171.5)**	(132.6)
Cash flows from financing activities	**190.0**	155.0
Net increase in cash and cash equivalents	**18.1**	11.8

*Total accumulated NCI reported in the statement of financial position is $374.5m (2021: $234.2m), comprising $374.5m (2021: $233.5m) attributable to Blackstone and $nil (2021: $0.7m) attributable to RHL. Total loss allocated to NCI reported in the comprehensive income statement is $11.1m (2021: $11.6m), comprising $11.1m loss (2021: $12.1m) attributable to Blackstone and $nil (2021: $0.5m) attributable to RHL. Therefore, the total transactions with non-controlling interests recorded in the statement of changes in equity is $151.5m (2021: $124.1m), comprising $152.0m (2021: $123.9m) attributable to Blackstone and ($0.5m) (2021: $0.2m) 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.

17 Tax 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 to the income statement

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Current tax:		
Current taxes on income for the year	–	0.5
Overseas tax on income for the year	**(7.0)**	(12.4)
	(7.0)	(11.9)
Double tax relief	–	1.2
Adjustments in respect of prior years	**10.4**	0.7
Total current tax	**3.4**	(10.0)
Deferred tax:		
Relating to the origination and reversal of temporary differences	**4.3**	21.9
Adjustments in respect of prior years	**3.9**	(2.3)
Total deferred tax	**8.2**	19.6
Total tax credited to the income statement	**11.6**	9.6
Tax credited/(charged) to the income statement is attributable to:		
Profit or loss from continuing operations	**0.1**	12.0
Profit or loss from discontinued operations	**11.5**	(2.4)
	11.6	9.6

Overseas tax and the double tax relief principally arise 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.

(b) Tax credited/(charged) to other comprehensive income

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Deferred tax credit/(charge) on actuarial gains/(losses) on defined benefit pension scheme	**14.3**	(6.5)

Tax credited/(charged) to other comprehensive income in the current and prior years is attributable to continuing operations.

17 Tax expense (continued)

(c) Tax reconciliation

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise based on the weighted average rate of tax as follows:

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
(Loss)/profit on ordinary activities before tax	**(107.9)**	227.3
Tax calculated at weighted average rate of tax on income	**16.5**	(19.0)
Non-deductible and non-taxable items	**1.5**	2.4
Taxes on income at rates in excess of the domestic rate and where credit is unavailable	**(1.7)**	0.5
Effect of temporary differences not recognised	**(16.3)**	7.3
Effect of revaluation of deferred tax following change in rate of tax	**(2.6)**	20.0
Other items	**–**	0.1
Adjustments to tax charge in respect of prior years	**14.2**	(1.7)
Total tax credited to income statement	**11.6**	9.6

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.

(Loss)/profit on ordinary activities before tax includes profits and losses arising from both continuing and discontinued operations:

(Loss)/profit on ordinary activities before tax	Continuing operations $m	Discontinued operations $m	Total $m
Year ended 31 December 2022	**(118.1)**	**10.2**	**(107.9)**
Year ended 31 December 2021	200.3	27.0	227.3

(d) Other considerations

Brit is expected to fall within the scope of the Organisation for Economic Co-operation and Development's new global minimum tax framework. Canada has not formally announced a specific date on which it will substantively enact enabling legislation whilst the UK has announced its intention to substantively enact both the global minimum tax of 15% and a UK domestic minimum top-up tax of 15% during 2023. Brit has operations in Bermuda and its entities have an effective tax rate of less than 15%.

18 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 participat-ions $m	Employee related $m	Software $m	Total $m
Cost:							
At 1 January 2021	45.9	0.5	52.4	70.8	1.2	44.3	215.1
Additions	–	–	–	–	–	12.8	12.8
Additions through acquisitions	16.4	0.9	7.3	–	–	–	24.6
Disposals	–	–	–	–	–	(11.1)	(11.1)
Foreign exchange effect	(1.0)	(0.1)	(0.5)	–	–	(0.4)	(2.0)
At 31 December 2021	61.3	1.3	59.2	70.8	1.2	45.6	239.4
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)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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**
Amortisation:							
At 1 January 2021	–	–	11.3	–	0.7	21.9	33.9
Charge for the year	–	–	3.6	–	0.4	7.7	11.7
Disposals	–	–	–	–	–	(11.1)	(11.1)
Foreign exchange effect	–	–	–	–	–	(0.4)	(0.4)
At 31 December 2021	–	–	14.9	–	1.1	18.1	34.1
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)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange effect	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
At 31 December 2022	**–**	**–**	**8.3**	**–**	**–**	**22.1**	**30.4**
Carrying amount:							
At 31 December 2021	61.3	1.3	44.3	70.8	0.1	27.5	205.3
At 31 December 2022	**14.4**	**0.8**	**8.0**	**70.8**	**–**	**26.0**	**120.0**

18 Intangible assets (continued)

Additional information

The gross cost of software fully amortised but still in use is $19.5m (2021: $18.8m). All software additions in 2022 and 2021 were internally developed. The software amortisation charge for the year of $7.7m (2021: $7.7m) is included in the 'Other operating expenses' and 'Profit/(loss) from discontinued operation, net of tax' lines in the Income Statement. There were no impairments to software in 2022 (2021: nil). Assets not yet in use with a total cost of $6.2m (2021: $10.2m) are included in software.

Impairment testing

Goodwill

Goodwill is reviewed annually for impairment and has been allocated to the Ambridge and Camargue cash-generating units (CGUs):

	31 December 2022 $m	31 December 2021 $m
Ambridge	–	45.9
Camargue	14.4	15.4
Total	**14.4**	61.3

The goodwill of the Group relates to the acquisitions of Ambridge and Camargue in 2019 and 2021 respectively, and the recoverable amounts have been determined using a value in use calculation. Prior to the goodwill allocated to Ambridge being reclassified to 'Assets classified as held for sale', it was assessed for impairment as at 31 December 2022.

In respect of Ambridge, 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 nil growth rate 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 9.79% (2021: 10.35%).

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 9.79% (2021: 10.35%).

In the goodwill impairment reviews for both Ambridge and 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 Ambridge and 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 cash-generating units (CGUs) as follows:

	31 December 2022 $m	31 December 2021 $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.

18 Intangible assets (continued)

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 10% per annum growth in GWP 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 post-tax discount rate of 9.79% (2021: 10.35%). 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.

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. For the purposes of the cash flow forecast, the investment returns have been reduced compared to the approved plan. Due to significant negative movements in investments in 2022, large gains are expected in 2023 as the market recovers. In order to build into the testing a degree of prudence over these estimated gains, a more conservative investment return has been assumed.

Trade names

Trade names are indefinite life intangible assets and are therefore reviewed annually for impairment. They have been allocated to cash-generating units (CGUs) as follows:

	31 December 2022 $m	31 December 2021 $m
Ambridge	**–**	0.5
Camargue	**0.8**	0.8
Total	**0.8**	1.3

Trade names were acquired in 2019 as part of the Ambridge acquisition, and subsequently, in 2021, as part of the Camargue acquisition. Prior to the trade names allocated to Ambridge being reclassified to 'Assets classified as held for sale', it was assessed for impairment as at 31 December 2022.

Regarding the Ambridge trade name, the recoverable amounts have been determined based on the net present value of future cash flows generated by Ambridge. The projections, discount rate and assumptions used are in line with that described above for the goodwill impairment assessment in respect of Ambridge.

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:

- 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 11.2% (for Global Specialty Reinsurance) and 21.0% (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 23% (Global Specialty Reinsurance) and 83% (Global Specialty Direct) before an impairment would be required.

19 Property, plant and equipment

This Note gives a breakdown of the type of assets in use such as land, buildings, computer equipment, office fixtures and fittings and furniture. 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 and office machinery, furniture and equipment $m	Land $m	Buildings $m	Right of use assets $m	Total $m
Cost:						
At 1 January 2021	25.5	13.4	–	–	54.7	93.6
Additions	1.2	0.5	–	–	6.9	8.6
Additions through acquisitions	–	0.1	0.4	0.7	–	1.2
Divestiture	(1.1)	(0.1)	–	–	(0.7)	(1.9)
Disposals	(1.2)	(8.4)	–	–	(2.3)	(11.9)
Foreign exchange effect	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)	(1.0)
At 31 December 2021	24.3	5.4	0.3	0.6	58.0	88.6
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**
Depreciation:						
At 1 January 2021	10.4	10.9	–	–	11.8	33.1
Charge for the year	2.1	1.0	–	–	6.8	9.9
Impairments	–	–	–	–	0.2	0.2
Divestiture	(0.1)	–	–	–	(0.6)	(0.7)
Disposals	(1.2)	(8.4)	–	–	(1.2)	(10.8)
Foreign exchange effect	(0.3)	(0.1)	–	–	(0.3)	(0.7)
At 31 December 2021	10.9	3.4	–	–	16.7	31.0
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**
Carrying amount:						
At 31 December 2021	13.4	2.0	0.3	0.6	41.3	57.6
At 31 December 2022	**9.7**	**2.7**	**0.3**	**0.7**	**28.4**	**41.8**

The gross cost of property, plant and equipment fully depreciated but still in use is $8.9m (2021: $9.5m). The depreciation charge for the year of $8.4m (2021: $9.9m) is included in the 'Acquisition costs', 'Other operating expenses' and 'Profit/(loss) from discontinued operation, net of tax' lines in the Income Statement. No impairment charge was recognised in 2022 (2021: $0.2m). A dilapidations provision of $2.2m (2021: $2.5m) has been set up in respect of the refurbishment of rented property.

Further information on depreciation and capital expenditure by segment is given in Note 5(b).

20 Deferred acquisition costs

Acquisition costs are costs incurred in underwriting insurance risks and include commissions paid to third parties and some internally generated costs such as underwriter salaries. These costs are deferred and are charged to the income statement over the duration of the contract. The movement in these deferred costs and releases to the income statement is shown in this Note.

	2022 $m	2021 $m
At 1 January	**321.8**	247.3
Costs deferred during the year	**934.7**	782.8
Amortisation charge for the year	**(879.7)**	(708.3)
At 31 December	**376.8**	321.8

21 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 is attributable to temporary differences arising on the following:

	Intangible assets $m	Underwriting $m	Losses $m	Other $m	Total $m
At 1 January 2021	0.6	60.3	24.7	9.2	94.9
Movements in the year:					
Acquisitions	–	–	–	0.5	0.5
(Charged)/credited to income statement	(0.3)	(38.5)	56.4	2.3	19.8
Foreign exchange effect	–	–	–	(0.1)	(0.1)
At 31 December 2021	0.3	21.8	81.1	11.9	115.1
Set-off of deferred tax liabilities pursuant to set-off provisions					(67.2)
Net deferred tax asset at 31 December 2021					47.9
At 1 January 2022	**0.3**	**21.8**	**81.1**	**11.9**	**115.1**
Movements in the year:					
Credited/(charged) to income statement	**8.0**	**(21.7)**	**8.6**	**6.5**	**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)**	**89.7**	**10.8**	**102.5**
Set-off of deferred tax liabilities pursuant to set-off provisions					**(52.4)**
Net deferred tax asset at 31 December 2022					**50.1**

The rate of 25% has been used in the calculation of the UK deferred tax assets and liabilities as at 31 December 2022, with the exception of the deferred tax liability in respect of pensions which is recognised at 35%.

Deferred tax assets, 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 deferred tax asset recorded in the year arises from significant catastrophe-related activity. The losses can be carried forward indefinitely and have no expiry date. See Note 3.9 for further detail on the estimation of deferred tax assets.

Deferred tax assets have not been recognised in respect of certain losses carried forward of $48.8m (2021: $nil) and in respect of undeclared year of account losses of $316.0m (2021: $285.2m) 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.

21 Deferred taxation (continued)

As at 31 December 2022, no deferred tax assets arising on decelerated capital allowances (2021: $0.3m) had been provided for due to uncertainty over the timing of their utilisation.

The deferred tax liability is attributable to temporary differences arising on the following:

	Pensions $m	Intangible assets $m	Underwriting $m	Other $m	Total $m
At 1 January 2021	(17.1)	(26.0)	(8.9)	(3.0)	(55.0)
Movements in the year:					
Acquisitions	(16.5)	(2.3)	–	–	(18.8)
(Charged)/credited to income statement	(0.3)	(5.7)	4.6	1.2	(0.2)
Tax relating to components of other comprehensive income (Note 17(b))	(6.5)	–	–	–	(6.5)
Foreign exchange effect	0.6	0.2	(0.4)	0.1	0.5
At 31 December 2021	(39.8)	(33.8)	(4.7)	(1.7)	(80.0)
Set-off of deferred tax assets pursuant to set-off provisions					67.1
Net deferred tax liability at 31 December 2021					(12.9)
At 1 January 2022	**(39.8)**	**(33.8)**	**(4.7)**	**(1.7)**	**(80.0)**
Movements in the year:					
Acquisitions	**(0.7)**	**–**	**–**	**–**	**(0.7)**
(Charged)/credited to income statement	**(0.1)**	**4.6**	**3.0**	**(0.7)**	**6.8**
Tax relating to components of other comprehensive income (Note 17(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	**(22.2)**	**(26.8)**	**(1.5)**	**(3.6)**	**(54.1)**
Set-off of deferred tax assets pursuant to set-off provisions					**52.3**
Net deferred tax liability at 31 December 2022					**(1.8)**

Amounts classified as held for sale

The net deferred tax asset as at 31 December 2022 of $60.8m include a net DTA of $10.7m relating to Ambridge. 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 a $30m increase in the catastrophe reinsurance attachment point and a $65m benefit from risk adjusted rate change. The worst case scenario included more conservative forecast underwriting profits for years 2023 to 2025, including an 8.7% increase in attritional net incurred claims and a 10% increase in net commission costs.
- Investment return –The forecast investment return is based on the internal model. In order to test sensitivity of deferred tax to the forecast investment return, we have modelled potential upside and downside scenarios. by adjusting the investment return for years 2023 to 2025 by plus and minus one standard deviation.

The best case scenario returned a net deferred tax asset of $106.9m, with an unrecognised amount of $36.2m, while the worst case scenario resulted in a net deferred tax asset of $5.6m (unrecognised amount: $137.5m).

22 Insurance and reinsurance contracts

This Note deals with balances carried in respect of insurance contracts (liabilities) and reinsurance contracts (assets). It examines the statement of financial position, splitting both insurance and reinsurance balances into their component parts, and explains the assumptions applied in arriving at these figures. 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. It ends by analysing the movements in insurance and reinsurance contracts during the year.

(a) Balances on insurance and reinsurance contracts

	31 December 2022 $m	31 December 2021 $m
Gross		
Claims reported and loss adjustment expenses	**1,954.3**	1,815.9
Claims incurred but not reported	**4,128.5**	3,325.0
	6,082.8	5,140.9
Unearned premiums	**1,696.2**	1,392.0
Total gross liabilities	**7,779.0**	6,532.9
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	**710.9**	685.7
Claims incurred but not reported	**1,359.4**	1,208.7
	2,070.3	1,894.4
Unearned premiums	**416.7**	396.8
Total reinsurers' share of liabilities	**2,487.0**	2,291.2
Net		
Claims reported and loss adjustment expenses	**1,243.4**	1,130.2
Claims incurred but not reported	**2,769.1**	2,116.3
	4,012.5	3,246.5
Unearned premiums	**1,279.5**	995.2
Total net insurance liabilities	**5,292.0**	4,241.7

Insurance 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.

22 Insurance and reinsurance contracts (continued)

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.

In addition to the estimation of claims reserves certain estimates are produced for unearned premiums. For open market business, earned premium is calculated at policy level. However, premium derived from delegated underwriting authorities is 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 earned according to the nature of the cover. 'Losses occurring during' policies are earned evenly over the policy period. 'Risks attaching' policies are earned on the same basis as the inwards business being protected. Where outward reinsurance is impacted by seasonal claims variability, e.g. catastrophe covers, the earning of the premium is adjusted to reflect the seasonality of the claims.

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 below show the development of claims over a period of time on a gross and net of reinsurance basis.

The claims development tables have been presented on an underwriting year basis.

The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive underwriting year at the end of each year, together with cumulative paid claims at the end of the current year.

They have been grossed up to include 100% of the managed syndicate claims rather than the claims that reflect the Group percentage ownership of each syndicate's underwriting capacity during the respective underwriting years. In addition, claims in currencies other than US dollars have been retranslated at 31 December 2022 exchange rates.

22 Insurance and reinsurance contracts (continued)

Ultimate gross claims

Underwriting year	2013 and prior years	2014	2015	2016	2017	2018	2019	2020	2021	2022	Corporate and other adjustments	Total
Claims ratio:												
At end of underwriting year	69.8%	70.1%	70.5%	76.6%	101.8%	89.3%	75.4%	80.4%	74.4%	77.4%		
One year later	69.8%	73.6%	71.4%	85.4%	109.4%	96.3%	84.1%	81.0%	77.7%			
Two years later	69.8%	73.1%	73.5%	89.3%	109.4%	101.6%	86.2%	83.0%				
Three years later	69.6%	74.2%	72.4%	88.1%	111.5%	100.0%	86.3%					
Four years later	70.9%	73.7%	70.3%	89.5%	110.6%	101.7%						
Five years later	70.3%	72.7%	70.3%	91.6%	112.4%							
Six years later	69.3%	72.3%	71.0%	93.8%								
Seven years later	67.8%	71.1%	71.6%									
Eight years later	66.8%	71.2%										
Nine years later	66.6%											
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Total ultimate gross claims at 31 Dec 2022	11,641.2	1,070.5	1,026.4	1,397.4	1,734.4	1,631.1	1,445.5	1,480.6	1,632.7	1,793.9	1,321.2	26,174.9
Less accumulated gross paid claims	(11,256.0)	(962.7)	(854.3)	(1,143.4)	(1,403.4)	(1,142.4)	(780.4)	(711.5)	(363.4)	(44.7)	(318.4)	(18,980.6)
Unearned premium portion of gross ultimate claims	–	–	–	–	–	–	–	–	(48.9)	(784.4)	(314.9)	(1,148.2)
Claims handling provision and other corporate adjustments	5.4	1.6	2.6	3.6	4.5	6.8	8.7	9.7	15.2	9.7	(31.1)	36.7
Total outstanding gross claims at 31 Dec 2022	390.6	109.4	174.7	257.6	335.5	495.5	673.8	778.8	1,235.6	974.5	656.8	6,082.8

22 Insurance and reinsurance contracts (continued)

Ultimate net claims

Underwriting year	2013 and prior years	2014	2015	2016	2017	2018	2019	2020	2021	2022	Corporate and other adjustments	Total
Claims ratio:												
At end of underwriting year	75.3%	76.0%	77.6%	83.1%	100.6%	95.8%	82.1%	89.8%	81.2%	81.9%		
One year later	76.6%	79.3%	80.4%	90.3%	101.2%	102.4%	94.1%	88.8%	83.0%			
Two years later	76.3%	78.3%	81.2%	91.7%	101.3%	106.9%	96.7%	87.1%				
Three years later	76.3%	78.8%	78.9%	91.4%	104.2%	105.1%	96.8%					
Four years later	76.9%	77.4%	76.3%	92.2%	104.6%	104.9%						
Five years later	74.9%	77.0%	76.4%	94.9%	102.9%							
Six years later	73.5%	76.9%	77.4%	94.3%								
Seven years later	71.7%	75.7%	77.8%									
Eight years later	70.9%	75.2%										
Nine years later	69.8%											
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Total ultimate net claims at 31 Dec 2022	8,624.6	812.0	790.1	898.4	992.3	1,020.2	1,009.3	1,001.3	1,151.1	1,332.2	1,138.6	18,770.1
Less accumulated net paid claims	(8,425.6)	(742.7)	(662.5)	(784.6)	(847.8)	(789.8)	(547.0)	(531.0)	(282.5)	(42.8)	(295.0)	(13,951.3)
Unearned premium portion of net ultimate claims	–	–	–	–	–	–	–	–	(39.7)	(601.5)	(262.9)	(904.1)
Claims handling provision, bad debt provision and other corporate adjustments	5.0	1.6	2.6	3.6	4.5	6.8	8.7	9.7	15.2	9.7	30.4	97.8
Total outstanding net claims at 31 Dec 2022	204.0	70.9	130.2	117.4	149.0	237.2	471.0	480.0	844.1	697.6	611.1	4,012.5

22 Insurance and reinsurance contracts (continued)

The percentages in the gross and net triangles are shown on an ultimate loss basis inclusive of catastrophe losses by year of account.

The 2010, 2016, 2017, 2018, 2019, 2020 and 2021 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).

During 2022, the net aggregate reserve strengthening from prior years amounted to $6.8m, which included a $11.8m release from 2021 and a $13.4m strengthening from 2020 and prior years from Syndicate 2987, and a strengthening of $5.2m from other group entities. By comparison in 2021, the net aggregate reserve releases from prior years amounted to $100.1m, which included a $50.7m release from 2020 and a $51.2m release from 2019 and prior years from Syndicate 2987, and a strengthening of $1.8m from other group entities.

(b) Movements in insurance and reinsurance contracts

(i) Claims and loss adjustment expenses

	31 December 2022			31 December 2021		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
As at 1 January	**5,140.9**	**(1,894.4)**	**3,246.5**	4,792.7	(1,493.0)	3,299.7
Cash paid for claims settled in the year	**(1,481.9)**	**439.9**	**(1,042.0)**	(1,321.5)	437.6	(883.9)
Increase in liabilities	**2,475.2**	**(650.0)**	**1,825.2**	1,724.1	(842.6)	881.5
Net foreign exchange differences	**(51.4)**	**34.2**	**(17.2)**	(54.4)	3.6	(50.8)
As at 31 December	**6,082.8**	**(2,070.3)**	**4,012.5**	5,140.9	(1,894.4)	3,246.5

(ii) Unearned premiums

	31 December 2022			31 December 2021		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
As at 1 January	**1,392.0**	**(396.8)**	**995.2**	1,020.3	(271.1)	749.2
Premiums written in the year	**3,970.0**	**(823.6)**	**3,146.4**	3,238.3	(1,240.0)	1,998.3
Premiums earned during the year	**(3,666.0)**	**799.2**	**(2,866.8)**	(2,867.9)	1,113.7	(1,754.2)
Net foreign exchange differences	**0.2**	**4.5**	**4.7**	1.3	0.6	1.9
As at 31 December	**1,696.2**	**(416.7)**	**1,279.5**	1,392.0	(396.8)	995.2

23 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.

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 (2021: 16 years) and 14 years for the Plan (2021: 18 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 July 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 are now paid into a holding account. These contributions are payable by Brit Group Services Limited and backed-up by cross-company guarantees from Brit Insurance Holdings Limited. 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. As part of the transfer of the Plan to the Group, the Plan received a special payment from Fairfax of £8.43 million in 2021.

In December 2022, the Scheme purchased a bulk-annuity ('buy-in') policy which matches the benefits due to members. This is 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 2022 $m Scheme	**31 December 2022 $m Plan**	31 December 2021 $m Scheme	31 December 2021 $m Plan
Present value of defined benefit obligation	**(119.0)**	**(102.2)**	(202.5)	(182.3)
Fair value of scheme assets	**143.8**	**139.8**	268.0	230.6
Net pension asset	**24.8**	**37.6**	65.5	48.3

23 Employee benefits (continued)

Changes in the net pension asset recognised in the statement of financial position:

	31 December 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Opening statement of financial position	**65.5**	**48.3**	48.8	–
Acquisition of pension asset	**–**	**–**	–	44.9
(Expense)/credit to income statement	**(0.9)**	**–**	0.7	–
Foreign exchange effect	**(6.4)**	**(5.4)**	(0.7)	(0.6)
Amount recognised outside income statement	**(33.4)**	**(7.5)**	16.7	2.0
Contributions paid	**–**	**2.2**	–	2.0
Closing statement of financial position	**24.8**	**37.6**	65.5	48.3

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 credit recognised in the income statement comprised:

	31 December 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Net interest on net defined benefit asset	**1.1**	**0.9**	0.7	0.3
Past service cost	**(2.0)**	**–**	–	–
Running costs	**–**	**(0.9)**	–	(0.3)
Net (expense)/credit	**(0.9)**	**–**	0.7	–

For the Scheme, the past service cost of $2.0m in 2022 is an estimate for the cost of the Trustee's decision to award a one-off discretionary pension increase of 3% in February 2023 (in addition to the 5% increase under the Rules).

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 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Equities	**–**	**–**	11.9	130.5
Liability Driven Investment funds (LDI)	**146.7**	**112.0**	176.3	66.9
Other debt securities	**–**	**–**	73.1	–
Cash and net current assets	**7.6**	**27.8**	5.2	33.2
Other scheme assets	**–**	**–**	1.5	–
Annuity policy	**116.0**	**–**	**–**	**–**
Net current liability in respect of buy-in premium	**(126.5)**	**–**	**–**	**–**
Fair value of scheme assets	**143.8**	**139.8**	268.0	230.6

23 Employee benefits (continued)

The cash and net current assets of the Scheme include a debtor of $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 August 2022, £1.0m ($1.2m) of this amount was recovered and returned to the Scheme. Steps are being taken to recover the remaining sum involved (£5.0m/$6.0m), and the Scheme's Trustee believes that full recovery is virtually certain. The amount is therefore included as a debtor within the Scheme's net current assets. No member will lose out as a result of this fraud. The police have been informed. No further information is provided as to do so would prejudice the recovery claims and potentially the police investigation.

The value of the annuity policy and net current liability in respect of the buy-in policy are based on the contractual values of those items.

All other assets of the Scheme and the Plan have quoted prices in active markets, and they 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. The management of the 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. Investment risk for the Scheme is managed by investing in low risk assets which are expected to move in a similar way to the benefits. The assets include LDI which aims to match a significant part of the schemes' inflation-linked benefits and therefore help to reduce the Group's exposure to interest and inflation risks.

Movements in the present value of the defined benefit obligation were as follows:

	31 December 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Opening defined benefit obligation	**202.5**	**182.3**	222.2	–
Acquisition of pension asset	**–**	**–**	–	188.3
Interest on defined benefit obligation	**3.5**	**3.2**	2.8	1.1
Past service cost	**2.0**	**–**	–	–
Remeasurements due to:				
Changes in financial assumptions	**(64.3)**	**(64.1)**	(14.9)	(5.5)
Changes in demographic assumptions	**(1.6)**	**(1.3)**	1.5	2.7
Experience on benefit obligations	**6.6**	**7.5**	–	1.3
Foreign exchange effect	**(20.8)**	**(18.7)**	(1.7)	(3.1)
Benefits paid	**(8.9)**	**(6.7)**	(7.4)	(2.5)
Closing defined benefit obligation	**119.0**	**102.2**	202.5	182.3

Movements in the fair value of the schemes assets were as follows:

	31 December 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Opening fair value of scheme assets	**268.0**	**230.6**	271.0	–
Acquisition of pension asset	**–**	**–**	–	233.2
Interest income	**4.6**	**4.1**	3.5	1.4
Actual return excluding interest income	**(92.7)**	**(65.4)**	3.3	0.5
Running costs	**–**	**(0.9)**	–	(0.3)
Foreign exchange effect	**(27.2)**	**(24.1)**	(2.4)	(3.7)
Contributions by the employer	**–**	**2.2**	–	2.0
Benefits paid	**(8.9)**	**(6.7)**	(7.4)	(2.5)
Closing fair value of scheme assets	**143.8**	**139.8**	268.0	230.6

23 Employee benefits (continued)

The principal actuarial assumptions at the year-end were:

	31 December 2022 $m Scheme	31 December 2022 $m Plan	31 December 2021 $m Scheme	31 December 2021 $m Plan
Discount rate	**4.81% pa**	**4.81% pa**	1.92% pa	1.95% pa
Retail Prices Index (RPI) inflation	**3.35% pa**	**3.31% pa**	3.41% pa	3.39% pa
Consumer Prices Index (CPI) inflation	**2.51% pa**	**2.68% pa**	2.57% pa	2.78% pa
Pension increases in payment	**3.18% pa**	**3.15% pa**	3.29% pa	3.27% pa
Mortality assumptions:				
Life expectancy of male aged 60 at statement of financial position date	**27.7 years**	**27.7 years**	27.9 years	27.9 years
Life expectancy of female aged 60 at statement of financial position date	**30.4 years**	**30.1 years**	30.6 years	30.2 years
Life expectancy of male aged 60 retiring in 20 years' time	**29.2 years**	**29.2 years**	29.4 years	29.4 years
Life expectancy of female aged 60 retiring in 20 years' time	**31.8 years**	**31.5 years**	32.0 years	31.6 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 $7.6m	Increase by $7.4m
Future RPI inflation increases	Increase by 0.5% pa	Increase by $5.4m	Increase by $4.7m
Future CPI inflation increases	Increase by 0.5% pa	Increase by $0.9m	Increase by $0.8m
Assumed life expectancy at age 60	Increase by 1 year	Increase by $4.5m	Increase by $2.5m

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.

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	
Investment strategy	Changes in asset values are not matched by changes in the schemes' defined benefit obligations. For example, if gilt yields rise with no changes in corporate bond yields, the net pension asset would reduce.
Investment returns	Future investment returns are lower than anticipated and so additional contributions are required from the Group to pay all the benefits promised.
Improvements in life expectancy	Schemes' members live longer and so benefits are payable for longer than anticipated.
Inflation	Actual inflation is higher and so benefit payments are higher than anticipated.
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 $7.6m (2021: $7.4m).

At 31 December 2022 no contributions were payable to the fund (2021: nil).

23 Employee benefits (continued)

(c) Brit Insurance Services USA Inc. – 401(k) Safe Harbor Plan
Brit Insurance Services USA Inc. 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.

Due to the movement of staff from Brit Insurance Services USA Inc. to Ambridge USA Service Company Inc., from 1 April 2021 onwards, any further contributions have been payable by Ambridge USA Service Company Inc.

The pension cost charge represents contributions payable by Brit Insurance Services USA Inc. and Ambridge USA Service Company Inc. to the fund and amounted to $1.1m (2021: $0.7m).

During the year ended 31 December 2022, no contributions (2021: $0.2m) of contributions were paid by Brit Insurance Services USA Inc and $1.1m (2021: $0.5m) of contributions were paid by Ambridge USA Service Company Inc.

At 31 December 2022 no contributions were payable to the fund (2021: nil).

(d) Brit Insurance Services USA Inc. – Nonqualified deferred compensation plan
Brit Insurance Services USA Inc. operates a '409(a) Nonqualified deferred compensation plan'. The assets of the scheme are not held separately from those of the Group.

Due to the movement of staff from Brit Insurance Services USA Inc. to Ambridge USA Service Company Inc., from 1 April 2021 onwards, any further pension payments have been payable by Ambridge USA Service Company Inc.

No pension payments were made by Brit Insurance Services USA Inc. or Ambridge USA Service Company Inc. to the fund in 2022 (2021: nil).

(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 $88.0k (2021: $73.0k).

At 31 December 2022 no contributions were payable to the fund (2021: 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 (2021: $3.5k).

At 31 December 2022 no contributions were payable to the fund (2021: nil).

(g) Sussex Capital Management Limited – Unregistered plan
Sussex Capital Management 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 Sussex Capital Management Limited to the fund and amounted to $59.0k (2021: $17.5k).

At 31 December 2022 no contributions were payable to the fund (2021: 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 $44.0k (2021: $nil).

At 31 December 2022 no contributions were payable to the fund (2021: nil).

23 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.

(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 and amounted to $110.0k (2021: $101.0k).

At 31 December 2022, contributions payable to the fund amounted to $25.0k (2021: $23.0k).

(k) Ambridge long term incentive award
During the year ended 31 December 2022, the Group operated a variable award scheme in respect of Ambridge. The total cost recorded in the income statement for the year was $1.3m (2021: $3.5m) and the carrying amount of the liability under the scheme at 31 December 2022 was $5.0m (2021: $3.7m). 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.

(l) Brit Reinsurance (Bermuda) Limited – 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 $31.2k (2021: $21.0k).

At 31 December 2022 no contributions were payable to the fund (2021: 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 $172.1k (2021: $14.0k).

At 31 December 2022 no contributions were payable to the fund (2021: nil).

24 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 2022 $m	31 December 2021 $m
Equity securities	**544.1**	480.1
Debt securities	**3,945.5**	3,139.8
Mortgages and loans	**34.6**	38.3
Specialised investment funds	**388.2**	356.8
Total	**4,912.4**	4,015.0

All financial investments have been designated as held at fair value through profit or loss.

24 Financial investments (continued)

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).

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.

24 Financial investments (continued)

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.

Disclosures of fair values in accordance with the fair value hierarchy

	Level one $m	Level two $m	Level three $m	Total $m
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**
31 December 2021				
Equity securities	345.5	–	134.6	480.1
Debt securities	2,026.0	1,077.3	36.5	3,139.8
Mortgages and loans	–	–	38.3	38.3
Specialised investment funds	–	296.3	60.5	356.8
	2,371.5	1,373.6	269.9	4,015.0

All unrealised losses of $131.5m (2021: gains of $63.6m) and realised losses of $75.2m (2021: gains of $59.4m) on financial investments held during the year, are presented in '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 two to level three

There were no transfers in the year. In 2021, there were $50.0m of transfers of Specialised investment funds investments from level two to level three due to their inputs becoming unobservable during the year.

24 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 2021	129.0	15.4	23.0	15.2	182.6
Transfers from level two to level three	–	–	–	50.0	50.0
Total gains recognised in the income statement	29.9	(1.7)	–	(3.7)	24.5
Purchases	9.7	22.7	26.1	–	58.5
Sales	(33.8)	–	(9.6)	–	(43.4)
Foreign exchange (losses)/gains	(0.2)	0.1	(1.2)	(1.0)	(2.3)
At 31 December 2021	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**

Total net gains recognised in the Income Statement under 'Investment return' in respect of level three financial investments for the period amounted to $30.4m (2021: gains of $24.5m). Included in this balance are $32.2m of unrealised gains (2021: gains of $19.7m) 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 2022		31 December 2021	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Equity securities	**192.6**	**7.6**	134.6	2.8
Debt securities	**32.4**	**1.9**	36.5	(0.6)
Mortgages and loans	**34.6**	**0.8**	38.3	(0.3)
Specialised investment funds	**59.9**	**0.7**	60.5	1.1
	319.5		269.9	

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 2022, 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.

25 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. At 31 December 2022 and 31 December 2021, 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 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**
31 December 2021			
Currency forwards	457.0	(448.1)	8.9
Options	0.5	–	0.5
Industry loss warranty contracts	0.1	–	0.1
Sutton forward contract	0.7	–	0.7
Equity warrants	4.9	–	4.9
Total	463.2	(448.1)	15.1

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 2022			
Currency forwards	**(457.8)**	**447.7**	**(10.1)**
Total	**(457.8)**	**447.7**	**(10.1)**
31 December 2021			
Currency forwards	(680.7)	668.5	(12.2)
Total return swap	(0.3)	–	(0.3)
Total	(681.0)	668.5	(12.5)

Disclosures of fair values in accordance with the fair value hierarchy

	Level two $m	Level three $m	Total $m
31 December 2022			
Derivative contract assets	**6.5**	**4.3**	**10.8**
Derivative contract liabilities	**(10.1)**	**–**	**(10.1)**
31 December 2021			
Derivative contract assets	8.9	6.2	15.1
Derivative contract liabilities	(12.5)	–	(12.5)

25 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

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 have 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 2021	2.3
Purchases	1.3
Total gains recognised in the income statement	4.4
Foreign exchange losses	(1.8)
At 31 December 2021	6.2
Purchases	**4.7**
Total losses recognised in the income statement	**(0.1)**
Sale proceeds	**(5.0)**
Foreign exchange losses	**(1.5)**
At 31 December 2022	**4.3**

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 2022		31 December 2021	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Options	**–**	**–**	0.5	0.1
Industry loss warranty contracts	**0.1**	**–**	0.1	–
Sutton forward contract	**1.5**	**0.4**	0.7	0.1
Equity warrants	**2.7**	**0.1**	4.9	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.

26 Insurance and other receivables

This Note sets out the various categories of amounts which are owed to the Group.

	31 December 2022 $m	31 December 2021 $m
Arising out of direct insurance operations	**862.0**	735.8
Arising out of reinsurance operations	**764.8**	596.1
Receivables from contracts with customers	**11.0**	15.5
Prepayments	**10.8**	11.9
Accrued income	**21.8**	11.6
Outstanding settlements on investments	**2.4**	10.0
Other assets	**83.6**	81.2
Other debtors	**46.9**	152.7
Finance lease receivable	**–**	0.5
Total	**1,803.3**	1,615.3

Other assets relate to shares purchased to settle share-based payment awards. For further information, refer to Note 35.

The finance lease receivable relates to the sublease agreement entered into by Brit Insurance Services USA Inc. For further information, refer to Note 27.

With the exception of the finance lease receivable, 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. In 2022, no finance lease receivable is recognised within 'Insurance and other receivables' as it has been reclassified to 'Assets classified as held for sale'. In 2021, $0.2m of the finance lease receivable recognised within 'Insurance and other receivables' was receivable within one year.

27 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 is for the whole of the remaining term of the head lease and, consequently, it has been classified as a finance lease by the Group.

In 2021, the carrying amount of net investment in the lease increased by $0.5m as a result of the initial recognition, and subsequent recognition of finance income, as well as cash received. 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 is part of the disposal group that has been reclassified to 'Assets classified as held for sale'.

The following amounts have been recognised in the consolidated income statement from lease contracts in which the Group acts as a lessor:

	31 December 2022 $m	31 December 2021 $m
Finance lease		
Loss on initial recognition	**–**	(0.1)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

27 Leases where the Group acts as a lessor (continued)

	31 December 2022 $m	31 December 2021 $m
Less than one year	**0.2**	0.2
One to two years	**0.1**	0.2
Two to three years	**–**	0.1
Total undiscounted lease payments receivable	**0.3**	0.5
Net investment in the lease	**0.3**	0.5

28 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 2022 $m	31 December 2021 $m
Cash at bank and on deposit	**484.3**	491.3
Cash equivalents	**595.1**	1,019.0
Total	**1,079.4**	1,510.3
Less: Cash reclassified as 'held for sale'	**(138.1)**	–
Total 'Cash and cash equivalents' as presented on the consolidated statement of financial position	**941.3**	1,510.3

The carrying amounts disclosed above, reasonably approximate fair values.

The source of these amounts can be further analysed as follows:

Classification	Definition	31 December 2022 $m	31 December 2021 $m
Cash within segregated fund mandates	Short-term investment funds, money market funds, treasury bills or cash held within segregated mandates.	**285.3**	808.4
Lloyd's trust funds	Cash within the Lloyd's Overseas Deposits trust funds held to meet regulatory requirements.	**49.3**	72.3
Self-managed cash	Highly liquid instruments held to meet ongoing working capital requirements.	**744.8**	629.6
Total		**1,079.4**	1,510.3

29 Borrowings

This Note describes the main sources of borrowing available to the Group and the amounts currently borrowed from each of those sources.

	Maturity	Call	Effective interest rate	31 December 2022 Amortised cost $m	31 December 2022 Fair value $m	31 December 2021 Amortised cost $m	31 December 2021 Fair value $m
Non-current							
Subordinated debt	2030	–	3.7%	**162.4**	**120.6**	182.9	174.5
Revolving credit facility	2025	–	Daily non-cumulative RFR rate +1.45%	**10.0**	**10.0**	45.0	45.0
				172.4	**130.6**	227.9	219.5

As at 31 December 2022 and 31 December 2021, 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 24.

Subordinated debt

The Group did not take up the option to call the subordinated debt 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.

Revolving credit facility

The Group has a $550.0m (2021: $450.0m) revolving credit facility which expires on 31 December 2025. At 31 December 2022, a $100.0m (2021: $130.0m) uncollateralised letter of credit had been utilised. In addition, there was a cash drawing of $10.0m (2021: $45.0m).

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 2022, there was a fully utilised uncollateralised $180.0m (2021: $130.0m) letter of credit facility to support the business written in Syndicate 1618. This facility expires on 31 December 2026. 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 2022, there was a fully utilised $10.0m (2021: $5.0m) letter of credit facility to support Brit Reinsurance (Bermuda) Limited. Of this amount, $6.5m (2021: $2.0m) was collateralised. This is an ongoing facility with no fixed expiry date.

30 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 2022, the fair value of the investments by independent third parties was $92.7m (2021: $95.8m), of which $92.7m (2021: $95.8m) 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 24.

31 Insurance and other payables

This Note sets out the various categories of amounts which are owed by the Group.

	31 December 2022 $m	31 December 2021 $m
Arising out of direct insurance operations	**46.4**	51.5
Arising out of reinsurance operations	**705.1**	876.8
Other taxes and social security costs	**3.7**	3.4
Accruals and deferred income	**102.2**	88.5
Lease liabilities	**37.3**	53.2
Other creditors	**22.4**	110.7
Total	**917.1**	1,184.1

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, $4.7m is payable within one year (2021: $6.8m). A maturity analysis of the contractual undiscounted cash flows is shown below:

	31 December 2022 $m	31 December 2021 $m
Maturity analysis for lease liabilities – contractual undiscounted cash flows		
Less than one year	**5.7**	8.2
One to five years	**22.3**	29.8
More than five years	**13.5**	21.4
Total undiscounted lease liabilities	**41.5**	59.4
Total lease liabilities included in 'Insurance and other payables'	**37.3**	53.2
Current	**4.7**	6.8
Non-current	**32.6**	46.4

32 Called up share capital

This Note sets out the number of shares the Company has in issue and their nominal value.

	31 December 2022 $m	31 December 2021 $m	31 December 2022 1p each Number	31 December 2021 1p each Number
Ordinary shares:				
Allotted, issued and fully paid	**10.0**	10.0	**669,502,094**	669,502,094

	Share premium $m	Share capital $m	Share capital Number
At 1 January 2021	1,027.9	8.6	568,837,653
Issue of class A shares	373.7	1.3	92,364,532
Issue of class B shares	31.0	0.1	8,299,909
At 31 December 2021	1,432.6	10.0	669,502,094
As at 1 January 2022 and 31 December 2022	**1,432.6**	**10.0**	**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 2022, Fairfax owns 86.20% of Brit Limited while the remaining 13.80% is owned by OMERS.

During the prior year, the following issuances by Brit Limited took place:

- On 06 July 2021, 1,627,907 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for $7.0m. Following this share issuance, $7.0m was recorded in the share premium accounts.
- On 27 August 2021, 92,364,532 Class A Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for $375.0m. Following this share issuance, $373.7m was recorded in the share premium accounts.
- On 17 December 2021, 6,672,002 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for $24.1m. Following this share issuance, $24.0m was recorded in the share premium accounts.

33 Dividends

This Note gives details of the amounts paid to shareholders during 2022 and 2021 by way of dividends.

	2022 $/share	2021 $/share	2022 $m	2021 $m
Dividend paid	**0.20**	0.66	**18.7**	375.0
			18.7	375.0

An $18.7m dividend (2021: nil) was paid to the class A shareholders on 27 April 2022 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.20 per share (2021: nil).

No dividend (2021: $375.0m/$0.66 per share) was paid to the class B shareholders in 2022 in accordance with the Brit Limited shareholders' agreement.

No dividend was paid to the class B shareholders in respect of the year-ended 31 December 2022 (2021: $nil).

34 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 2022 $m	Year ended 31 December 2021 $m
(Loss)/profit on ordinary activities before tax	**(107.9)**	227.3
Adjustments for:		
Realised and unrealised losses/(gains) on investments	**206.7**	(123.0)
Realised and unrealised (gains)/losses on derivatives	**(14.3)**	15.7
Amortisation of intangible assets	**7.2**	11.7
Depreciation and impairment of property, plant and equipment	**2.9**	10.1
Foreign exchange losses on cash and cash equivalents	**18.4**	1.1
Share of gains after tax of associated undertakings	**(1.5)**	(1.7)
Profit on disposal of subsidiaries	**–**	(19.8)
Profit on disposal of associated undertaking	**–**	(6.1)
Unrealised gains on shares held for share-based payments	**(20.9)**	(21.7)
Charges in respect of share-based payment schemes	**20.1**	17.3
Interest income	**(77.7)**	(47.4)
Dividend income	**(8.4)**	(11.0)
Finance costs on borrowings	**20.1**	18.3
Changes in working capital:		
Deferred acquisition costs	**(55.0)**	(74.5)
Insurance and other receivables excluding accrued income	**(318.5)**	(279.7)
Insurance and reinsurance contracts	**1,050.3**	192.8
Financial investments	**(1,117.6)**	157.3
Derivative contracts	**16.2**	(12.6)
Other financial liabilities	**(3.1)**	33.8
Insurance and other payables	**(238.3)**	599.5
Employee benefits	**50.2**	(65.0)
Provisions	**(0.2)**	0.1
Cash flows provided (used in)/by operating activities	**(571.3)**	622.5

(Loss)/profit on ordinary activities before tax includes profits and losses arising from both continuing and discontinued operations:

(Loss)/profit on ordinary activities before tax	Continuing operations $m	Discontinued operations $m	Total $m
Year ended 31 December 2022	**(118.1)**	**10.2**	**(107.9)**
Year ended 31 December 2021	200.3	27.0	227.3

34 Cash flows provided by operating activities (continued)

Reconciliation of liabilities arising from financing activities

		Non-cash changes			
	Year ended 31 December 2021 $m	Cash flows $m	Foreign exchange movement $m	Other changes $m	Year ended 31 December 2022 $m
31 December 2022					
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**
31 December 2021					
Long-term borrowings					
Subordinated debt	184.6	(6.8)	(1.7)	6.8	182.9
Short-term borrowings					
Revolving credit facility	130.0	(87.8)	–	2.8	45.0
Total liabilities from financing activities	314.6	(94.6)	(1.7)	9.6	227.9

35 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 2022 $m	Year ended 31 December 2021 $m
Equity-settled plans		
Employee Share Ownership Plan	**1.5**	1.0
Cash-settled plans		
Long Term Incentive Plan	**18.6**	16.3
Total	**20.1**	17.3

The total liability in respect of cash-settled plans at 31 December 2022 was $32.2m (2021: $23.3m). In regard to the Long Term Incentive Plan, no gain or loss (2021: nil) is included in the consolidated statement of changes in equity in respect of equity settled plans. $4.2m (2021: $3.1m) 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 $1.5m (2021: $1.0m) 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.

(a) Long Term Incentive Plan (Performance Share Plan replacement)

On the Fairfax acquisition of Brit Limited, the 65% of 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.

35 Share-based payments (continued)

Reconciliation of movement in the number of awards

	Year ended 31 December 2022 Number of awards	Year ended 31 December 2021 Number of awards
Outstanding at 1 January	**668**	741
Exercised	**(328)**	(73)
Outstanding at 31 December	**340**	668

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 2021 and 2022. The remaining 340 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 (2021: 10%) prior to vesting, with subsequent adjustments to reflect actual experience.

Reconciliation of movement in the number of awards

	Year ended 31 December 2022 Number of awards	Year ended 31 December 2021 Number of awards
Outstanding at 1 January	**153,237**	118,626
Granted	**15,851**	44,967
Exercised	**(15,354)**	(3,825)
Forfeited	**(4,659)**	(6,531)
Outstanding at 31 December	**149,075**	153,237

The total intrinsic value at the end of the period of liabilities for awards that have been vested, but not exercised, amounted to $2.3m (2021: $3.8m). The weighted average share price at the date of exercise for share options exercised during the period was $493.23 (2021: $430.61). The weighted average fair value at date of grant for awards granted during 2022 was $616.48 (2021: $496.50).

In order to settle share-based payment awards, in 2022 the Group purchased $0.4m (2021: $16.9m) of preference shares in FFHL Share Option 1 Corp and that company has purchased shares in Fairfax. This has been recorded within 'Other Assets' and 'Assets classified as held for sale' so as to offset the share-based payment recorded as a liability within 'Other creditors' and 'Liabilities directly associated with assets classified as held for sale' 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 2022, the Company purchased a total of 7,631 common shares in Fairfax (2021: 7,997) at an average price of $522.72 (2021: $440.14) in respect of this plan.

36 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 55% and 54% 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.

Ki Member Limited is a Lloyd's corporate member owned by the RiverStone Group during 2021 and acquired by Brit Limited Group on 1 January 2022. Its main activity from 1 January 2021 has been to act as the sole corporate member of Ki Syndicate 1618, the results of which generate the majority of the economic returns of Ki Member Limited from 2021 onwards. These returns have been fully reinsured into segregated accounts of Sussex Re Limited, in which Ki Financial Limited (KFL), a member of the Brit Group, is the sole investor. Consequently, KFL is the principal beneficiary of the economics of Ki Syndicate 1618, Ki Member Limited and the Sussex segregated accounts through into which the results of the syndicate are passed to KFL. Accordingly, from 1 January 2021 under the provisions of IFRS10, Brit was deemed to control Ki Member Limited and has therefore consolidated it from that date. Any residual result in Ki Member Limited was attributable to non-controlling interests until its acquisition by the Group on 1 January 2022.

As mentioned in Note 2.2, 60.70% of the 2020 year of account result and assets of Syndicate 2988 is included in these consolidated financial statements. 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.

As at 31 December 2022, 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 and 2021, Brit Limited invested $38m respectively (2022: $6m on 2 September, $29m on 2 December, and $3m on 15 December; 2021: $7m on 7 July, and $24m on 7 December).

On 25 March 2021, the Brit Group received a return of its investment in North America Property Insurance Series 2017 Account A-3 ('Account A3') (a segregated account within Versutus Limited that was previously consolidated into Group). As Brit no longer has an economic interest in Account A3 it has been deconsolidated.

On 5 February 2021, the Group sold its entire investment in Commonwealth Insurance Company of America. At this point, there was a loss of control and, as such, it has been deconsolidated.

On 28 June 2021, the Group sold its entire investment in Scion Underwriting Services Inc. At this point, there was a loss of control and, as such, it has been deconsolidated.

The subsidiaries of the Company at 31 December 2022, 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.

36 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
Ambridge Europe Limited	Insurance intermediary	c/o PKF Littlejohn 15 Westferry Circus, Canary Wharf, London, E14 4HD
Ambridge European Holdings Limited	Service company	c/o PKF Littlejohn 15 Westferry Circus, Canary Wharf, London, E14 4HD
Ki Member Limited (formerly Riverstone Corporate Capital 4 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 Member Limited	Service company (Dormant)	The Leadenhall Building
Ki Group Services Limited	Service company (Dormant)	The Leadenhall Building
Otto Technology Limited	Service company (Dormant)	The Leadenhall Building
Brit Syndicates Trustee Limited	Lloyd's trustee (Dormant)	The Leadenhall Building
United States of America		
Brit Insurance Services USA Inc.	Service company	161 N. Clark Street, Suite 3200, Chicago, IL, 60601
Brit Insurance USA Holdings Inc.	Intermediate holding company	161 N. Clark Street, Suite 3200, Chicago, IL, 60601
Ambridge Partners LLC	Insurance intermediary	251 Little Falls Drive, Wilmington, DE 19808
Ambridge Due Diligence Services LLC	Service company (Dormant)	251 Little Falls Drive, Wilmington, DE 19808
Ambridge USA Service Company Inc.	Service company	161 N. Clark Street, Suite 3200, Chicago, IL, 60601
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

36 Consolidated entities (continued)

Subsidiary	Principal activity	Registered address and principal place of business
Singapore		
Brit Global Specialty Singapore Pte. Ltd.	Service company (in liquidation)	138 Market St., #04-03 CapitaGreen, 048946
The Netherlands		
Brit Insurance Holdings B.V.	Former holding company	The Leadenhall Building
Germany		
Ambridge Europe GmbH & Co. KG	Insurance intermediary	Grüneburgweg 58 – 62, 60322 Frankfurt am Main, Germany
Ambridge German Holdings GmbH	Service company	Grüneburgweg 58 – 62, 60322 Frankfurt am Main, Germany
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

37 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 2022, the Group incurred and paid investment management fees to HWIC of $11.5m (2021: $11.9m).

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:

37 Related party transactions and Ultimate Parent Company (continued)

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Gross premiums written	**20.0**	16.4
Less premiums ceded to reinsurers	**(14.6)**	(15.9)
Premiums written, net of reinsurance	**5.4**	0.5
Gross amount of change in provision for unearned premiums	**(1.9)**	(1.8)
Reinsurers' share of change in provision for unearned premiums	**(1.4)**	1.2
Net change in provision for unearned premiums	**(3.3)**	(0.6)
Earned premiums, net of reinsurance	**2.1**	(0.1)
Gross claims paid	**(7.0)**	(13.5)
Reinsurers' share of claims paid	**3.3**	6.6
Claims paid, net of reinsurance	**(3.7)**	(6.9)
Gross change in the provision for claims	**(3.4)**	8.1
Reinsurers' share of change in the provision for claims	**3.2**	3.5
Net change in the provision for claims	**(0.2)**	11.6
Commission income	**0.8**	0.8
Commission expense	**(4.6)**	(0.9)

The amounts included in the statement of financial position outstanding with Fairfax and its affiliates as at 31 December 2022 were as follows:

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Debtors arising out of direct insurance and reinsurance operations:		
Insurance premium receivable	**5.0**	6.3
Recoverable from reinsurers	**23.5**	20.7
Creditors arising out of direct insurance and reinsurance operations:		
Payable to reinsurers	**(7.0)**	(5.3)
Unpaid claims liabilities	**(43.9)**	(41.1)
Deferred acquisition costs	**1.8**	0.8
Gross unearned premiums	**(9.2)**	(7.6)
Unearned premium recoverable from reinsurers	**3.6**	5.0

37 Related party transactions and Ultimate Parent Company (continued)

(c) Business combination

Camargue Underwriting Managers Proprietary Limited
On 4 October 2021, the Brit Group exercised a call option to acquire the remaining 50% of the issued shares of Camargue Underwriting Managers Proprietary Limited (Camargue), following the initial acquisition of 50% in August 2016. The acquisition was completed on 4 October 2021 for a total purchase consideration of $12.6m – the consideration only consisted of cash. Following the transaction, the Brit Group has 100% of the voting equity instruments of Camargue, a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa and is an important trading partner for Brit.

Prior to 4 October, Brit's investment in Camargue was recorded as an investment in associated undertaking and valued under equity method accounting requirements. As a result, the Brit Group's share of pre-acquisition year-to-date profits of $0.5m were reported within the 'Share of net profit of associates' line of the Consolidated Income Statement in 2021.

For the period of the year where Camargue was an associate of the Group, the amounts in the income statement relating to trading with Camargue for the year ended 31 December 2021 included commission for introducing insurance business of $2.1m (2020: $2.9m).

In addition, at the acquisition date the investment in associate was derecognised from the balance sheet of the Group and remeasured at fair value for the purposes of acquisition accounting under IFRS 3 and subsequent consolidation of Camargue. The acquisition-date fair value of the equity interest in Camargue immediately before the acquisition date amounted to $12.6m. This process resulted in the recognition of a gain of $6.1m being recorded in the Income Statement ('Gain on business combination') for the year ending 31 December 2021. Accordingly, Brit's investment in associated undertakings decreased.

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	As at 4 October 2021 $m
Assets	
Acquired intangible assets	**8.2**
Property, plant and equipment	**1.1**
Deferred tax asset	**0.5**
Financial investments	**0.1**
Cash and cash equivalents	**6.2**
Trade receivables	**1.0**
Other receivables	**0.1**
	17.2
Liabilities	
Deferred tax liability	**2.3**
Trade payables	**3.2**
Other payables	**2.9**
	8.4
Net identifiable assets acquired	**8.8**
Add: goodwill	**16.4**
Net assets acquired	**25.2**

Acquired intangible assets and goodwill
On acquisition, the Group recognised $0.9m of trade names and $7.3m of distribution channels. The Group also recognised $16.4m of goodwill. The quantum of goodwill can be explained by the anticipated forecast revenue growth from the business securing new customers as well as new written premium, and unrecognised intangible assets – namely, the industry experience and know-how of the assembled workforce.

The goodwill recognised was not deductible for tax purposes.

37 Related party transactions and Ultimate Parent Company (continued)

Trade receivables
The fair value is determined through the contractual amount receivable less any amounts uncollectible. On acquisition, Camargue held trade receivables with a book and fair value of $1.1m, representing contractual receivables of $1.1m. The Brit Group will make every effort to collect all contractual receivables, and it consider it unlikely that any of these amounts will be uncollectible.

Trade payables
The fair value is based on the contractual amount required to be settled with insurers in respect of business underwritten on their behalf, less any commissions due thereon that are deductible at source.

Revenue and profit contribution
The acquired business contributed $1.8m to revenue and $1.3m to profit for the period from 4 October 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, the Brit Group revenue would have been $2,015.2m and consolidated profit for the period would have been $237.5m.

Acquisition costs
Acquisition costs of $31.5k arose as a result of the transaction. These have been recognised as part of 'Other operating expenses' in the Income Statement.

(d) Associated undertaking

Sutton Special Risk Inc
On 2 January 2019, Brit Insurance Holding 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 MGU, specialising in Accident and Health business.

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 2022 included commission for introducing insurance business of $4.8m (2021: $4.2m).

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 2022 and 31 December 2021 were not material.

(e) Crum and Forster commission agreement
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 will continue in perpetuity until BISI or C&F provide written notice of cancellation. During 2022, C&F paid BISI $4.4k (2021: $5.4k) in respect of commission. $8.0k was payable at the year-end (2021: $45.2k receivable).

(f) 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 $1.5m (2021: $0.2m) in respect of administration fees and risk management fees. $0.3m was outstanding at the year-end (2021: $0.4m).

(g) 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:

37 Related party transactions and Ultimate Parent Company (continued)

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Salaries and other short-term employee benefits	**12.9**	7.9
Post-employment benefits	**1.1**	0.9
Share-based payments	**9.2**	11.0
Termination benefits	**–**	–
Total compensation	**23.2**	19.8

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 2022, $0.4m (2021: $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.

(h) 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.
As at 31 December 2022, no amounts were outstanding.

38 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.

(a) Description
In December 2022, management committed to a plan to collectively sell a number of the Group's subsidiaries (collectively termed 'Ambridge'). The subsidiaries included in the plan are as follows:

- Brit Insurance USA Holdings Inc.
- Brit Insurance Services USA, LLC
- Ambridge US Service Company, Inc.
- Ambridge Partners LLC
- Ambridge Diligence Services LLC
- Ambridge Europe Limited
- Ambridge European Holdings Limited
- Ambridge Europe GmbH & Co. KG
- Ambridge German Holdings GmbH

Accordingly, the Ambridge business has been presented as a disposal group held for sale. The sale is expected to complete in Q2 2023. Ambridge undertakes a significant portion of the distribution activity of the Group and has a balance sheet value that is material. 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.

38 Discontinued Operation (continued)

(b) Financial performance and cash flow information

The financial performance of Ambridge in the current and prior period was as follows:

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Operating Activities		
Revenue	**30.7**	41.9
Expenses	**(20.5)**	(14.9)
Profit before income tax	**10.2**	27.0
Income tax expense	**11.5**	(2.4)
Profit after income tax of discontinued operation	**21.7**	24.6
Profit/(loss) from discontinued operation, net of tax	**21.7**	24.6
Exchange differences on translation of discontinued operation	**(1.9)**	(0.8)
Total comprehensive income from discontinued operation	**19.8**	23.8

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. In respect of continuing operations, $(106.9)m (2021: $223.9m) of the net result is attributable to the owners of the parent, and $(149.0)m (2021: $(235.8)m) of the total comprehensive income are attributable to the owners of the parent.

The cash flow information for Ambridge in the current and prior period was as follows:

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Net cash inflow/(outflow) from operating activities	**37.8**	22.2
Net cash inflow/(outflow) from investing activities	**0.4**	31.9
Net increase in cash generated by the discontinued operation	**38.2**	54.1

38 Discontinued Operation (continued)

(c) Assets and liabilities of disposal group classified as held for sale

As at 31 December 2022, the disposal group was stated at the carrying amount of the relevant assets and liabilities, which comprised the following:

	Ambridge $m	Consolidation Adjustment $m	As presented on the consolidated statement of financial position $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 liability 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 (2021: $0.5m).

39 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 2022, the Group's total Funds at Lloyd's balance amounted to $1,486.9m (2021: $1,455.4m), of which $280.0m (2021: $260.0m) was attributable to letters of credit placed as Funds at Lloyd's.

(b) Credit facilities

Revolving credit facility

The Group has a $550.0m (2021: $450.0m) revolving credit facility which expires on 31 December 2025. At 31 December 2022, a $100.0m (2021: $130.0m) uncollateralised letter of credit had been utilised. In addition, there was a cash drawing of $10.0m (2021: $45.0m).

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 2022, there was a fully utilised uncollateralised $180.0m (2021: $130.0m) letter of credit facility to support the business written in Syndicate 1618. This facility expires on 31 December 2026.

As at 31 December 2022, there was a fully utilised $10.0m (2021: $5.0m) letter of credit facility to support Brit Reinsurance (Bermuda) Limited. Of this amount, $6.5m (2021: $2.0m) was collateralised. This is an ongoing facility with no fixed expiry date.

39 Guarantees and contingent liabilities (continued)

(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 2.5.11).

40 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 7 January 2023 Brit entered into an agreement to sell Ambridge Group, its Managing General Underwriter operations, to Amynta Group. The Company will receive approximately $400 million on closing, comprised principally of cash of $275 million and a promissory note of approximately $125 million. An additional $100 million may be receivable, subject to a claw back based on 2023 performance targets of Ambridge. Closing of the transaction is subject to customary closing conditions, including regulatory approvals, and is expected to occur in the second quarter of 2023.

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 2022

	Note	31 December 2022 $m	31 December 2021 $m
Fixed assets			
Investments:			
Shares in Group undertakings	3	**1,155.2**	1,114.5
Loans to Group undertakings	4	**124.0**	139.6
		1,279.2	1,254.1
Current assets			
Debtors: Amounts falling due within one year	5	**526.8**	580.6
Cash at bank and in hand		**0.2**	0.2
		527.0	580.8
Current liabilities			
Creditors: Amounts falling due within one year	6	**(1.1)**	(0.7)
Net current assets		**525.9**	580.1
Total assets less current liabilities		**1,805.1**	1,834.2
Creditors: Amounts falling due after more than one year	7	**(162.4)**	(182.9)
Net assets		**1,642.7**	1,651.3
Capital and reserves			
Called up share capital	8	**10.0**	10.0
Share premium		**1,432.6**	1,432.6
Capital redemption reserve		**1.0**	1.0
Capital contribution reserve		**32.2**	28.5
Retained earnings		**166.9**	179.2
Total equity		**1,642.7**	1,651.3

No individual income statement is presented for the Company, as permitted by Section 408 of the Act. The comprehensive income dealt with in the financial statements of the parent company was a $6.4m profit (2021: $1.0m loss).

The accompanying Notes on pages 172 to 177 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 February 2023 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 2022

	Note	Called up Share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Retained earnings $m	Total equity $m
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**
Issuance of share capital	8	**–**	**–**	**–**	**–**	**–**	**–**
Dividend	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**

For the year ended 31 December 2021

	Note	Called up Share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Retained earnings $m	Total equity $m
1 January 2021		8.6	1,027.9	1.0	–	555.2	1,592.7
Loss and total comprehensive expense for the year		–	–	–	–	(1.0)	(1.0)
Issuance of share capital	8	1.4	404.7	–	–	–	406.1
Dividend	11	–	–	–	–	(375.0)	(375.0)
Contribution from parent in relation to the acquisition of the Riverstone pension plan		–	–	–	28.5	–	28.5
At 31 December 2021		10.0	1,432.6	1.0	28.5	179.2	1,651.3

The accompanying Notes on pages 172 to 177 are an integral part of these financial statements.

notes to the 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.

(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 rates of the exchange 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 Auditor's 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 $16,765 (2021: $15,525).

3 Shares in Group undertakings

This Note explains the direct shareholdings of the Company in other Group entities.

	31 December 2022 $m	31 December 2021 $m
Investment in Brit Insurance Holdings Limited	**1,054.7**	1,052.5
Investment in Ki Financial Limited	**100.0**	62.0
Investment in Ki Member Limited	**0.5**	–
	1,155.2	1,114.5

During 2021, Brit Limited invested a total of $2.0m into Brit Insurance Holdings Limited (13 September 2021: $0.5m, 18 October 2021: $0.5m, 16 November 2021: $0.5m, and 15 December 2021: $0.5m). 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).

On 7 July 2021 and 7 December 2021, Brit Limited invested $7.0m and $24.0m respectively into Ki Financial Limited. During 2022, Brit Limited invested a further $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 2022, 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 2022 $m	31 December 2021 $m
Loans to Group undertakings	**124.0**	139.6

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 2023.

	31 December 2022 $m	31 December 2021 $m
Interest receivable on loans to Group undertakings	**19.2**	32.1
Amounts owed by Group undertakings	**506.7**	547.7
Prepayments	**0.9**	0.8
Total	**526.8**	580.6

'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 2023.

	31 December 2022 $m	31 December 2021 $m
Accruals and deferred income	**0.7**	0.7
Amounts owed to Group undertakings	**0.4**	–
Total	**1.1**	0.7

'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 2023.

	Maturity	Call	Effective interest rate	**31 December 2022** Amortised cost $m	**31 December 2022** Fair value $m	31 December 2021 Amortised cost $m	31 December 2021 Fair value $m
Subordinated debt	2030	–	3.7%	**162.4**	**120.6**	182.9	174.5

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.

8 Called up share capital

This Note sets out the number of shares in issue and their nominal value.

	31 December 2022 $m	31 December 2021 $m	**31 December 2022 1p each Number**	31 December 2021 1p each Number
Ordinary shares:				
Allotted, issued and fully paid	**10.0**	10.0	**669,502,094**	669,502,094

	Share premium $m	Share capital $m	Share capital Number
At 1 January 2021	1,027.9	8.6	568,837,653
Issue of class A shares	373.7	1.3	92,364,532
Issue of class B shares	31.0	0.1	8,299,909
At 31 December 2021	1,432.6	10.0	669,502,094
As at 1 January 2022 and 31 December 2022	**1,432.6**	**10.0**	**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 32 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 2022 $m	31 December 2021 $m
Aggregate remuneration	**10.4**	10.5
Aggregate contributions to money purchase pension schemes	**0.1**	0.1
Total	**10.5**	10.6
The Directors' remuneration disclosed above includes the following amounts paid to the highest paid Director:		
Aggregate remuneration	**5.8**	6.2

	Number	Number
Number of Directors with benefits accruing under money purchase pension schemes	**2**	1
Number of Directors who exercised share options	**2**	1
Number of Directors in respect of whose qualifying services, shares were received or receivable under long-term incentive schemes	**2**	2

No shares were received or receivable by the highest paid Director in respect of qualifying services under a long-term incentive scheme during 2022 and 2021. Shares were exercised by the highest paid Director during 2022 and 2021.

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 (2021: $450.0m) revolving credit facility which expires on 31 December 2025. 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 2022, a $100.0m (2021: $130.0m) uncollateralised letter of credit had been utilised by the Company in respect of this facility. In addition, there was a cash drawing of $10.0m (2021: $45.0m).

11 Dividends

This Note gives details of the amounts paid to shareholders during 2022 and 2021 by way of dividends.

	2022 $/share	2021 $/share	2022 $m	2021 $m
Dividend paid	**0.20**	0.66	**18.7**	375.0
			18.7	375.0

An $18.7m dividend (2021: nil) was paid to the class A shareholders on 27 April 2022 in accordance with the Brit Limited shareholders' agreement at an amount equal to $0.20 per share (2021: nil).

No dividend (2021: $375.0m/$0.66 per share) was paid to the class B shareholders in 2022 in accordance with the Brit Limited shareholders' agreement.

No dividend was paid to the class B shareholders in respect of the year-ended 31 December 2022 (2021: $nil).

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 35 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 37 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 holds a significant investment in Sutton Special Risk Inc ('Sutton'), which is reported in the consolidated financial statements of the Group as an associated undertaking. 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 36 Consolidated Entities of the notes to the consolidated financial statements.

reconciliation of key performance indicators to the financial statements

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.

	Comment/financial statements reference	2022 $m	2021 $m
Profit/(loss) for the year after tax attributable to the owners of the parent	Consolidated income statement	**(85.2)**	248.5
Add back: Tax adjusted amortisation	Amortisation of intangibles, adjusted by the tax rate	**9.5**	9.5
Add back: Tax adjusted pension charge/(credit) in income statement	Defined benefits schemes' impact on income statement	**0.7**	(0.6)
Add back: Tax adjusted FX	FX effect for the year, adjusted by the tax rate	**15.1**	17.5
Return, as adjusted for RoNTA calculation		**(59.9)**	274.9
Adjusted NTA at start of year	See 'adjusted net tangible assets' section below.	**1,740.6**	1,436.8
Less: Pension asset net of deferred tax at start of year	'Employee benefits' per Consolidated Statement of Financial Position less deferred tax at 35%	**(74.0)**	(31.7)
External distributions, share issuances and capital contributions	Weighted adjustment to reflect distributions and shares issued during the year.	**(11.2)**	9.6
NTA, as adjusted for RoNTA calculation		**1,655.4**	1,414.7
RoNTA	Return, as adjusted for RoNTA calculation, divided by NTA, as adjusted for RoNTA calculation.	**(3.6)%**	19.4%

Adjusted net tangible assets at the end of each year are calculated as follows:

	Comment/financial statements reference	2022 $m	2021 $m
Total equity attributable to owners of the parent	Consolidated statement of financial position	**1,768.3**	1,912.4
Less: Intangible assets	Consolidated statement of financial position	**(120.0)**	(205.3)
Less: Intangible assets	Note 38(c): Assets and liabilities of disposal group classified as held for sale	**(78.5)**	–
Net tangible assets		**1,569.8**	1,707.1
Add back deferred tax liability on intangible assets	Note 21: Deferred taxation	**20.6**	33.5
Add back deferred tax liability on intangible assets	Note 21: Deferred taxation	**0.2**	–
Adjusted net tangible assets		**1,590.6**	1,740.6

Combined ratio, claims ratios and expense ratios

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 (consisting of the attritional claims ratio, the major loss ratio and the reserve release 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:

	Comment/financial statements reference	2022 $m	2021 $m
Earned premium, net of reinsurance	Note 5: Segmental information	**2,866.9**	1,754.3
Adjustment for loss portfolio reinsurance	Note 5: Segmental information; note (i) below	**(37.2)**	344.1
Adjusted earned premium, net of reinsurance		**2,829.7**	2,098.4
Attritional claims		**(1,479.7)**	(657.3)
Major claims		**(338.5)**	(324.4)
Reserve releases:			
– Resulting from the additional protection afforded by the loss portfolio reinsurance		**(0.7)**	35.0
– Other		**(6.1)**	65.1
Claims incurred, net of reinsurance	Note 5: Segmental information	**(1,825.0)**	(881.6)
Adjustment for loss portfolio reinsurance	Note 5: Segmental information; note (i) below	**37.2**	(344.1)
		(1,787.8)	(1,225.7)
Acquisition costs – commissions	Note 5: Segmental information	**(664.4)**	(528.4)
Acquisition costs – other and Other insurance related expenses	Note 5: Segmental information	**(323.7)**	(312.8)
Other income	Note 5: Segmental information	**42.9**	56.6
Gains/(losses) on other financial liabilities	Note 5: Segmental information	**(1.3)**	2.5
Underwriting expenses		**(946.5)**	(782.1)
Underwriting profit/(loss)		**95.4**	90.6
Attritional claims ratio	'Attritional claims' divided by 'adjusted earned premium, net of reinsurance'.	**51.0%**	47.7%
Major claims ratio	'Major claims' divided by 'adjusted earned premium, net of reinsurance'.	**12.0%**	15.5%
Reserve release ratio	'Reserve releases' divided by 'adjusted earned premium, net of reinsurance'.	**0.2%**	(4.8)%
Claims ratio	Sum of the 'attritional claims ratio', the 'major claims ratio' and the 'reserve release ratio'. Note 5: Segmental information	**63.2%**	58.4%
Commission expense ratio	'Acquisition costs – commissions' divided by 'adjusted earned premium, net of reinsurance'	**23.5%**	25.2%
Operating expense ratio	'Acquisition costs – other', 'other insurance related expenses, 'other income' and "gains/(losses) on other financial liabilities' divided by 'adjusted earned premium, net of reinsurance'	**9.9%**	12.1%
Expense ratio	Sum of the 'commission expense ratio' and the 'operating expense ratio'. Note 5: Segmental information	**33.4%**	37.3%
Combined ratio	Sum of the 'claims ratio' and the 'expense ratio'. Note 5: Segmental information	**96.6%**	95.7%

Note (i): This adjustment adds back the premium paid for the loss portfolio reinsurance to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred. The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance.

reconciliation of key performance indicators to the financial statements

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	2022 $m	2021 $m
Share of net profit of associates	Consolidated income statement	**1.5**	1.7
Return on financial investments and cash and cash equivalents	Note 6: Investment return	**(134.4)**	167.2
Return on investment related derivatives	Note 7: Return on derivative contracts	**0.8**	3.0
Return on invested assets		**(132.1)**	171.9
Investment in associated undertaking	Note 15: Investment in associated undertaking	**15.2**	15.0
Financial investments	Note 24: Financial investments	**4,912.4**	4,015.0
Derivative contracts (investment related)	Note 25: Derivative contracts	**4.3**	5.9
Cash and cash equivalents	Note 28: Cash and cash equivalents	**941.3**	1,510.3
Cash and cash equivalents	Note 38(c): Assets and liabilities of disposal group classified as held for sale	**138.1**	–
Invested assets		**6,011.3**	5,546.2
Opening invested assets		**5,546.2**	4,857.1
Closing invested assets		**6,011.3**	5,546.2
Average invested assets		**5,778.8**	5,201.7
Investment return (%)	Return on invested assets divided by average invested assets	**(2.3)%**	3.3%

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	2022 $m	2021 $m
Adjusted net tangible assets	Calculated earlier in this section	**1,590.6**	1,740.6
Subordinated debt	Note 29: Borrowings	**162.4**	182.9
Letters of credit/contingent funding	Under our capital policy we have identified a maximum of $300.0m (2021: $250.0m) of our revolving credit facility to form part of our capital resources; In addition, for 2021, we also identified the owners of the parent's share of the letter of credit held to support Ki's underwriting.	**300.0**	276.0
Total available capital resources		**2,053.0**	2,199.5
Management entity capital requirements	The capital required by an entity for business strategy and regulatory requirements.	**(1,343.2)**	(1,581.6)
Excess of resources over management entity capital requirements		**709.8**	617.9
Capital ratio	Total available capital resources divided by management entity capital requirements.	**152.8%**	139.1%

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.

Retention rate
The retention rate shows the proportion of our business that renews, on a premium weighted basis, compared to the previous year.

By its nature, this metric cannot be reconciled to the financial statements.

company information

Directors

Mr Gordon Campbell – Chair
Mr Matthew Wilson – Executive Director (resigned 15 November 2022)
Mr Martin Thompson* – Group Chief Executive Officer (resigned 8 September 2022; reappointed 10 November 2022)
Mr Gavin Wilkinson – Group Chief Financial Officer
Mr Mark Allan – Executive Director
Mr Andrew Barnard – Non-executive Director
Mr Ken Miner – Non-executive Director
Ms Andrea Welsch – Non-executive Director

Company Secretary

Mr Tim Harmer

Registered Office

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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

* Mr Thompson was appointed as Group Chief Executive Officer on 31 October 2022. His appointment is subject to regulatory approval.

glossary of terms

A

Acquisition costs: 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.

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.

Attritional claims ratio: Attritional claims incurred net of reinsurance divided by adjusted earned premiums net of reinsurance.

Available capital resources: Adjusted net tangible assets, subordinated debt and letters of credit/contingent funding.

B

BGSB: Brit Global Specialty Bermuda, the business of the Group operating in Bermuda.

BGSU: Brit Global Specialty USA, the business of the Group operating in the United States, of which BISI is the managing general agent.

Binder business: Business conducted by a coverholder acting under a binding authority.

Binding authority: See 'delegated underwriting authority'.

BISI: Brit Insurance Services USA, Inc., a company incorporated in Illinois, USA.

Brit Re: Brit Reinsurance (Bermuda) Limited.

BMA: Bermuda Monetary Authority, the integrated regulator of financial services in Bermuda, established under the Bermuda Monetary Authority Act 1969.

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: The sum of the attritional claims ratio, the major claims ratio and the reserve release ratio.

Combined ratio (CoR): The sum of the claims ratio and the expense ratio.

Commission expense ratio: Commission costs divided by adjusted earned premiums net of reinsurance.

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.

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.

glossary of terms

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.

Expense ratio: The sum of the commission expense ratio and the operating expense ratio.

F

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.

First Dollar: An insurance policy written with low excess and deductible, and written in the admitted market.

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.

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).

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

Lead underwriter or **lead:** A lead underwriter (usually a specialist in the field of the insurance concerned) is the first underwriter to take a portion of a risk, quote an appropriate rate of premium and set terms and conditions.

Letter of credit or **LoC:** A written undertaking by a financial institution to provide funding if required.

LIBOR: The daily London Interbank Offered Rate set by the British Banking Association.

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 Brussels (LBS): The insurance company of Lloyd's located in Brussels, authorised and regulated by the National Bank of Belgium, which writes all non-life risks from the European Economic Area.

Lloyd's China Platform: The branch of Lloyd's in Shanghai in the People's Republic of China operated through Lloyd's Insurance Company (China) Limited, on which certain Lloyd's syndicates have representation.

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.

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.

Major claims ratio: Claims incurred from major loss events net of reinsurance divided by adjusted earned premiums net of reinsurance.

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.

O

Operating expense ratio: Other acquisition costs, other insurance related expenses, gains/losses on other financial liabilities and other income divided by adjusted earned premiums net of reinsurance.

Outstanding claims: Claims which have been notified at the reporting date but not settled.

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

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'.

Representative office: An office established by Brit to conduct marketing and other non-transactional operations overseas.

Reserves: Outstanding claims and claims incurred but not reported.

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.

Reserve release ratio: Reserve releases divided by adjusted earned premiums net of reinsurance.

Retention rate: The ratio, in percent, of the value of premiums relating to risks written in one year renewed in the following year. The data used is risk adjusted (i.e. it allows for changes to terms and conditions).

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 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.

glossary of terms

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.

Underlying operating expenses: Calculated as Total operating expenses less project costs and other timing differences. Underlying operating expenses include bonus costs.

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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